1. Very low risk product

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Product brochure

Discount treasury bill

Product description

Discount treasury bills are non-interest bearing securities issued by a sovereign state or a dedicated institution thereof for a term of less than 1 year. The bond is issued at a lower-than-par-value (discount) price and its par value is repaid at maturity. The amount of the discount comprises the difference between the par value and purchase price.
Discount treasury bills issued by the Hungarian State are issued with a term of 3-12 months, but may actually be purchased for any desired terms remaining due to the intense trading of the security on the secondary market. Domestic market players have a responsibility to list treasury bill yields. The 12-month discount treasury bills are listed on the Budapest Stock Exchange after they are issued. Primary dealers have mandatory market-making responsibilities every day to ensure the liquidity of the product.

When is it recommended?

- If you are looking for a short-term investment vehicle where repayment of the capital invested is guaranteed by the issuing state.

Product risk

1. VERY LOW	2. LOW	3. MODERATE	4. MEDIUM	5. INCREASED	6. HIGH	7. EXTREMELY

1. Very low-risk product: This category includes financial instruments (e.g. Interest-bearing Treasury Bills, Liquidity funds, etc.) that typically provide a predetermined return at maturity in addition to the capital invested. Their risk lies mainly in the potential counterparty default risk and – if they are sold before maturity – the volatility of market interest rates. Based on historical data, the possible loss calculated for a one-year period is highly unlikely to exceed 5% of the capital invested. (To assess possible losses, the Bank determines the risk classification of a product using VaR calculation based on historical data, at a 99% confidence level, for a one-year investment horizon.)

Key risk factors

Interest rate risk	Interest rate risk arises from the fact that a change in market yields influences the value of fixed-rate securities. Market yields can increase as a result of accelerating inflation, budget overspending, a central bank rate hike or government over-indebtedness, among others. A decrease in market yields can result from a slowdown in inflation, deflation, shrinking debts or monetary policy easing (a rate cut). The longer the term of a bond is, the more sensitive its price is to changes in yields. If you hold the securities to maturity, there is no interest rate risk to consider.
Country risk	The risk of investing in the instruments of a country, which depends on the given country's financial, economic and political stability. A more stable country means a smaller country risk premium, thus smaller risks and, in accordance with that, lower yields on government securities. This type of risk shows little change in the short term.
Price risk	In the event of an adverse, upward shift in yields, a sale before maturity may result in a price loss.

Scenarios*

Example 1	Let's assume that today you buy a discount treasury bill with a par value of HUF 1,000,000 and a term of almost 8 months. The security's term to maturity is 8.13 months, its standardised rate of return (EHM) is 1.01%, and the corresponding discount price is 99.32%, that is, the bond costs HUF 993,200. If there is a yield increase and 20 days later the bond can be sold at 99.34%, which corresponds to a 1.06% EHM – that is, at a price of HUF 993,400 – you will have gained HUF 200. This, however, only translates into a yield of 0,36% per annum, which is below the security's original 1.01% yield.
Example 2	Let's assume that today you buy a discount treasury bill with a par value of HUF 1,000,000 and a term of almost 1 year. The security's term to maturity is 11.86 months, its standardised rate of return (EHM) is 1.02%, and the corresponding discount price is 99.00%, that is, the bond costs HUF 990,000. If there is a yield increase and 20 days later the bond can be sold at 99.01%, which corresponds to a 1.07% EHM – that is, at a price of HUF 990,100 – you will have gained HUF 100. This, however, only translates into a yield of 0.18% per annum, which is below the security's original 1.02% yield. If we compare discount treasury bills by term, we can say that the longer the security's term, the bigger the potential gain/loss on the same investment horizon (20 days in the two examples above), under the same market conditions (a 5% EHM change in the two examples above).

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Example 3 — Let's assume that today you buy a discount treasury bill with a par value of HUF 1,000,000, a term of almost 1 year and hold it until maturity. The security's term to maturity is 11.86 months, its standardised rate of return (EHM) is 1.02%, and the corresponding discount price is 99.00%, that is, the bond costs HUF 990,000. If you hold the security until maturity, you will have gained HUF 10,000, which corresponds to a yield of 1.02% per annum.

PLEASE NOTE: The examples presented in this document do not show every possible outcome. For easier understanding the examples are simple and do not include any fees, commissions or taxes. They are insufficient to form the basis for an investment decision.

Practical information

- Information for customers: https://www.raiffeisen.hu/maganszemely/megtakaritas-befektetes/befektetesi-tajekoztato
- Product-related descriptions and interpretations: https://www.raiffeisen.hu/treasury-utikalauz
- Information on investment products: https://www.raiffeisen.hu/maganszemely/megtakaritas-befektetes/befektetesi-tajekoztato
- Product-related fees and charges: https://www.raiffeisen.hu/hasznos/kondiciok
- Taxation of investments: http://www.nav.gov.hu/
- Institutional protection: http://www.oba.hu/ and http://www.bva.hu/
- Changes in the prices of financial instruments issued by Raiffeisen Bank Zrt.: https://www.raiffeisen.hu/hasznos/arfolyamok
- Changes in the prices of key products: http://bet.hu/ (Hungarian stock exchange), http://akk.hu/ (Hungarian government securities), http://www.mnb.hu/ (exchange rates)
- Standardised rate of return on securities (referred to by its Hungarian acronym as "EHM"): http://www.mnb.hu/fogyasztovedelem/kerdesem-van/szotar/koltsegmutatok-1

Other information

- Depending on the nature of the given product, investments are exposed to various risks, including the possible loss of the capital invested. No reliable conclusions can be drawn from historical data or information regarding future returns, changes or performance.
- The risk of a financial instrument made up of more than one component may exceed the sum of the risks of the individual components.
- Conversion between different currencies may affect the result achievable.
- Any tax consequence related to an investment product may only be assessed on the basis of the Customer's individual conditions, and may change in the future as a function of changes in legislation.
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