



# Regional Fixed Income Market Watch

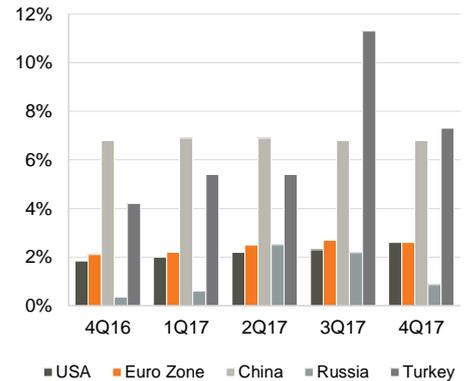
Georgia, Armenia, Azerbaijan, Belarus, Kazakhstan, Ukraine

Regional | Fixed Income  
Monthly Bulletin  
April 13, 2018

## Highlights

- 4Q17 US GDP growth was revised up to an annualized 2.9% y/y (3<sup>rd</sup> estimate) from an annualized 2.5% y/y (2<sup>nd</sup> estimate). The growth was driven by personal consumption expenditures, fixed investments, exports and government spending.
- Based on rapid estimates, in February 2018 economic growth came in at 7.3% y/y in Armenia, 5.6% y/y in Kazakhstan, 5.5% y/y in Georgia and 1.5% y/y in Russia. In 2M18, GDP was up 5.6% y/y in Belarus and 1.3% y/y in Azerbaijan. Economic growth in Turkey came in at 7.3% y/y in 4Q17.
- In February 2018, annual inflation in the US was up 2.2% from 2.1% in the previous month. Based on the Eurostat flash estimate, annual inflation in EU19 was up to 1.4% in March 2018 from 1.1% in February 2018.
- In March 2018, annual inflation was close to the target level in Georgia (2.8%), Kazakhstan (6.6%), Armenia (3.7%); Inflation was below the target in Russia (2.4%) and above the target in Turkey (10.2%) and Ukraine (13.2%). In February 2018, annual inflation retreated to 3.9% in Azerbaijan and 4.9% in Belarus.
- Russian central bank cut monetary policy rate to 7.25% from 7.5% in March 2018. The policy rate has remained unchanged in other countries.
- Fitch affirmed Georgia's sovereign credit rating at BB- and revised the Outlook to positive from stable, Moody's upgraded Belarus credit rating to B3 from Caa1 and Moody's revised Armenia's Outlook to positive from stable in March 2018.

## GDP growth rate, y/y



Source: Central banks, Statistics Offices, Bloomberg

## Key macro indicators

	GDP, % change			GDP, US\$ bn			GDP per capita, US\$			Inflation, period average			Fiscal balance, % of GDP			Current account balance, % of GDP		
	2016	2017E	2018F	2016	2017E	2018F	2016	2017E	2018F	2016	2017E	2018F	2016	2017E	2018F	2016	2017E	2018F
Armenia	0.2%	3.5%	2.9%	10.6	11.0	11.5	3,533	3,690	3,853	-1.4%	1.9%	3.5%	-5.6%	-3.3%	-2.7%	-2.3%	-3.6%	-3.2%
Azerbaijan	-3.1%	-1.0%	1.3%	37.6	39.2	42.8	3,956	4,098	4,439	12.4%	12.0%	8.0%	-1.1%	-0.3%	0.7%	-3.6%	1.9%	2.5%
Belarus	-2.6%	0.7%	0.7%	47.4	52.8	54.0	4,989	5,585	5,745	11.8%	8.0%	7.5%	-3.4%	-5.6%	-3.8%	-3.6%	-5.3%	-4.6%
Georgia	2.8%	4.3%	4.2%	14.4	15.2	16.7	3,872	4,123	4,529	2.1%	6.0%	3.0%	-1.6%	-1.2%	-1.9%	-12.8%	-11.9%	-10.7%
Kazakhstan	1.1%	3.3%	2.8%	133.7	156.2	170.3	7,456	8,585	9,224	14.6%	7.3%	6.5%	-4.1%	-6.5%	-2.0%	-6.4%	-5.3%	-3.8%
Ukraine	2.3%	2.0%	3.2%	93.3	104.1	109.7	2,199	2,459	2,597	13.9%	12.8%	10.0%	-2.2%	-2.9%	-2.5%	-4.1%	-3.3%	-3.0%
Russia	-0.2%	1.8%	1.6%	1,283.2	1,469.3	1,522.9	8,946	10,248	10,630	7.0%	4.2%	3.9%	-3.7%	-2.1%	-1.5%	2.0%	2.8%	3.2%
Turkey	3.2%	5.1%	3.5%	863.4	841.2	905.7	10,817	10,434	11,125	7.8%	10.9%	9.3%	-2.3%	-3.2%	-2.4%	-3.8%	-4.6%	-4.6%

Source: IMF

## Sovereign credit ratings

	Fitch			Moody's			S&P		
	LC	FC	Outlook	LC	FC	Outlook	LC	FC	Outlook
Armenia	B+	B+	positive	B1	B1	positive	NA	NA	NA
Azerbaijan	BB+	BB+	stable	Ba2	Ba2	stable	BB+	BB+	stable
Belarus	B	B	stable	B3	B3	stable	B	B	stable
Georgia	BB-	BB-	positive	Ba2	Ba2	stable	BB-	BB-	stable
Kazakhstan	BBB	BBB	stable	Baa3	Baa3	stable	BBB-	BBB-	stable
Ukraine	B-	B-	stable	Caa2	Caa2	positive	B-	B-	stable
Russia	BBB-	BBB-	positive	Ba1	Ba1	positive	BBB	BBB-	stable
Turkey	BBB-	BB+	stable	Ba2	Ba2	stable	BB+	BB	negative

Source: Fitch Ratings, S&P Global, Moody's

## Monetary stance

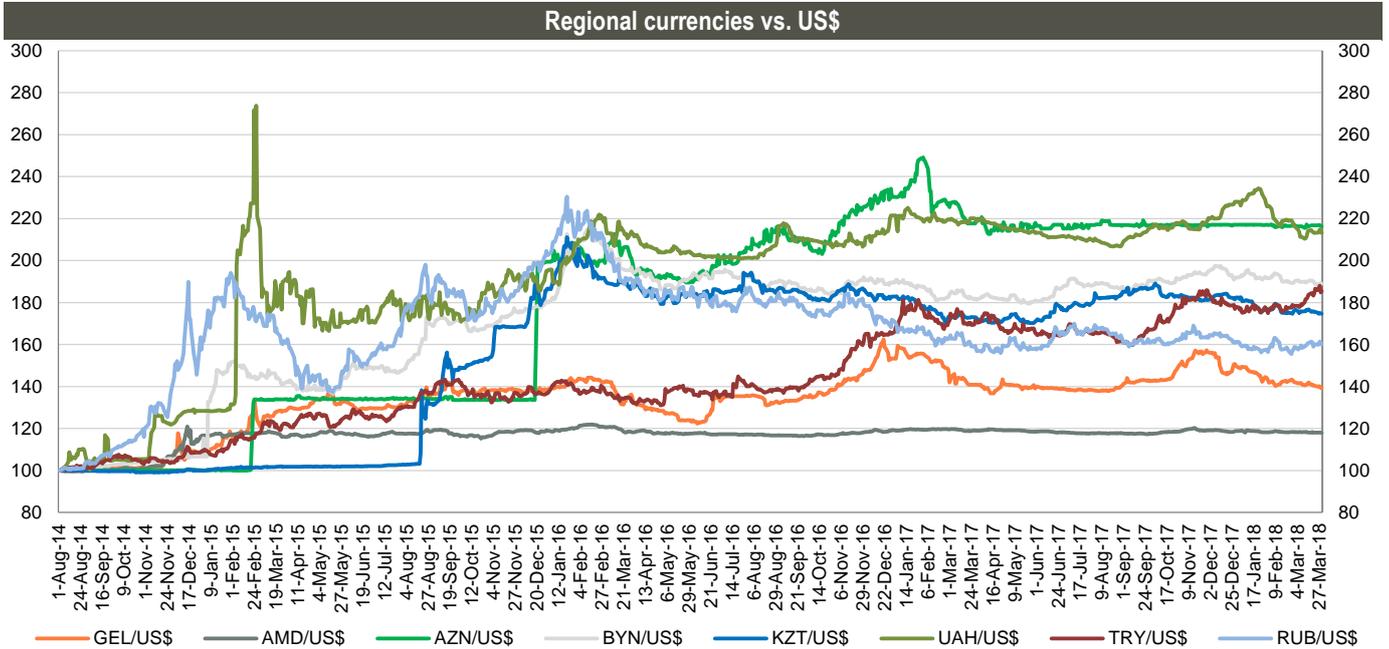
	Inflation, y/y		MPR
	Mar-18	Mar-18	
Armenia	3.7%	6.0%	
Azerbaijan	3.9%*	13.0%	
Belarus	4.9%*	10.5%	
Georgia	2.8%	7.25%	
Kazakhstan	6.6%	9.5%	
Ukraine	13.2%	17.0%	
Russia	2.4%	7.25%	
Turkey	10.2%	8.0%	

\*February 2018

Source: Central banks, Statistics Offices

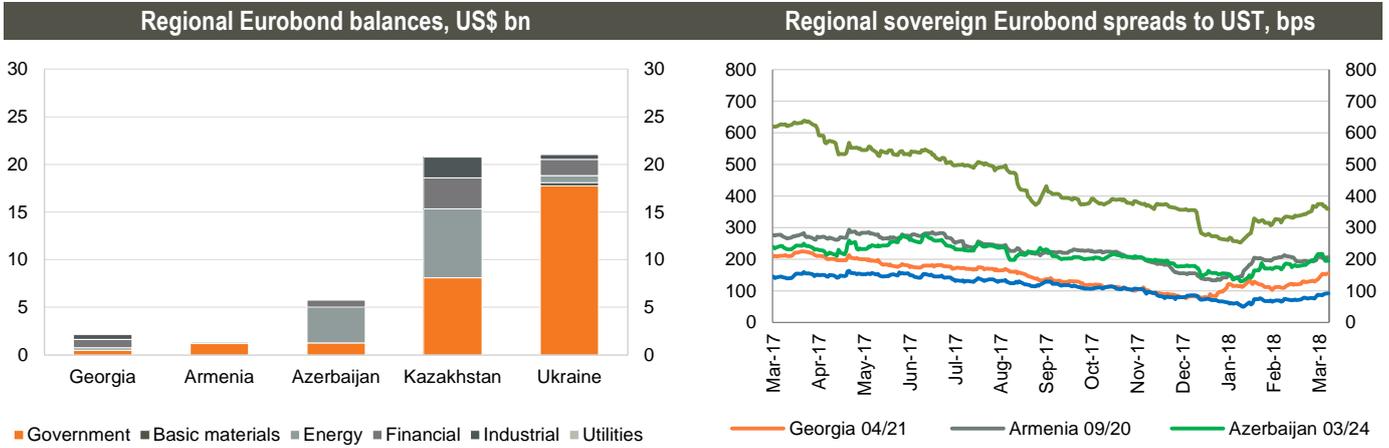


# Eurobonds



Source: Bloomberg

Note: National currency per US\$; Index growth means depreciation of the local currency, index decline means appreciation of the local currency; Aug-2014=100

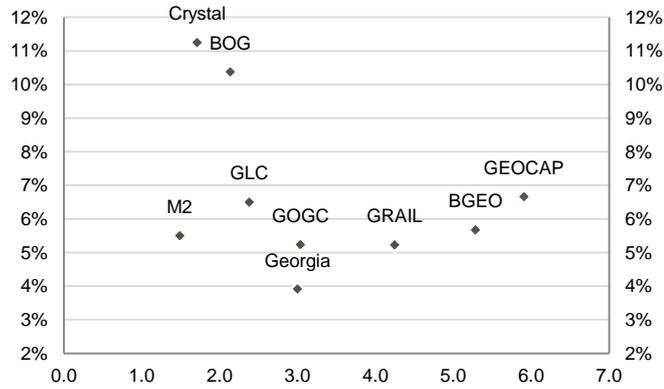


Source: Bloomberg

Source: Bloomberg

# Snapshot: Georgia

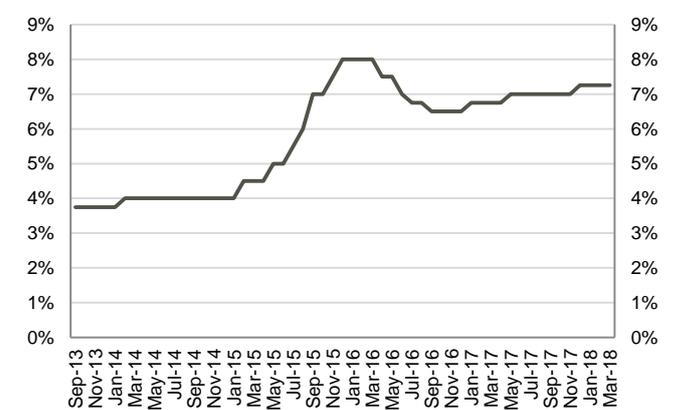
## Yield curve



Remaining maturity

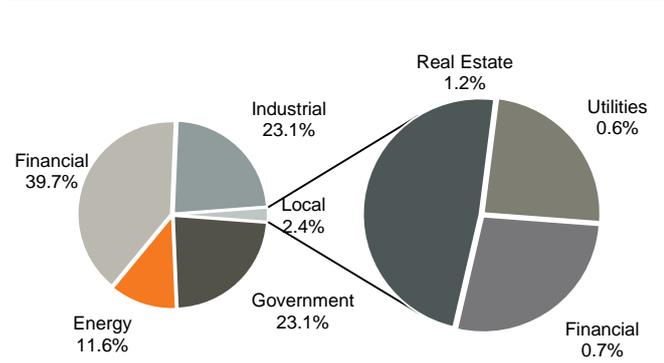
Source: Bloomberg, Galt & Taggart

## Monetary policy rate



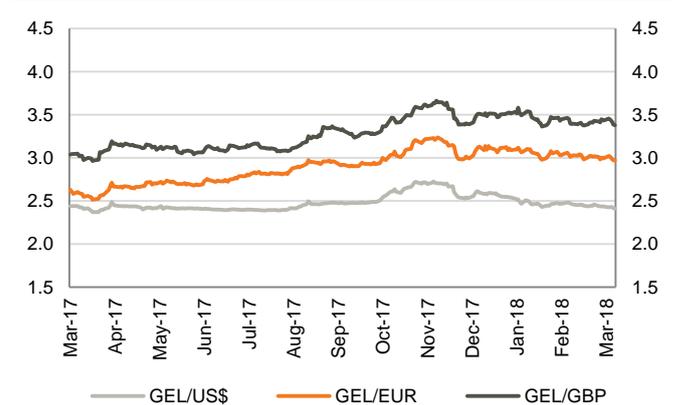
Source: National Bank of Georgia

## Bond universe by sector (US\$ 2.2bn total)



Source: Bloomberg

## Foreign exchange rates



Source: Bloomberg

## Bond performance

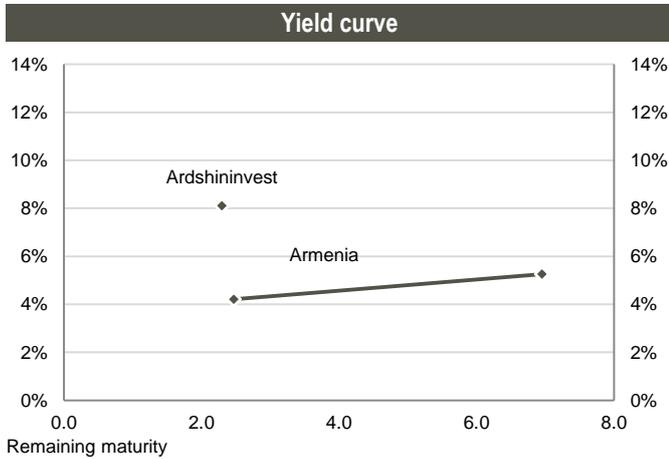
Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Georgia	US\$	Government	GEORG	Apr-21	6.88%	BB-/BB-/Ba2	500	108.17	3.91	London
Georgian Oil & Gas Corp	US\$	Energy	GEOROG	Apr-21	6.75%	BB-/B+/-	250	103.86	5.24	London
BGEO Group	US\$	Financial	BGEOLN	Jul-23	6.00%	BB-/-/Ba2	350	101.15	5.67	Dublin
Bank Of Georgia	GEL	Financial	GEBGG	Jun-20	11.00%	BB-/-/Ba2	500	100.44	10.37	Dublin
Georgian Railway	US\$	Industrial	GRAIL	Jul-22	7.75%	B+/B+/-	500	109.20	5.23	London
Georgia Capital	US\$	Financial	GEOCAP	Mar-24	6.13%	-B+/B2	300	97.09	6.66	Dublin
Georgian Leasing Co	US\$	Financial	GEBGG	Aug-20	7.00%	-/-	10	99.99	6.50	Georgia
M2 Real Estate	US\$	Real Estate	GEBGG	Oct-19	7.50%	-/-	25	102.15	5.50	Georgia
GWP	GEL	Utilities	GEWRPW	Dec-21	10.75%**	BB-/-/	30	N/A	N/A	Not Listed
MFO Crystal	GEL	Financial	MCFNOR	Dec-19	11.75%	B-/	10	100.00	11.25	Not Listed

\*Company ratings

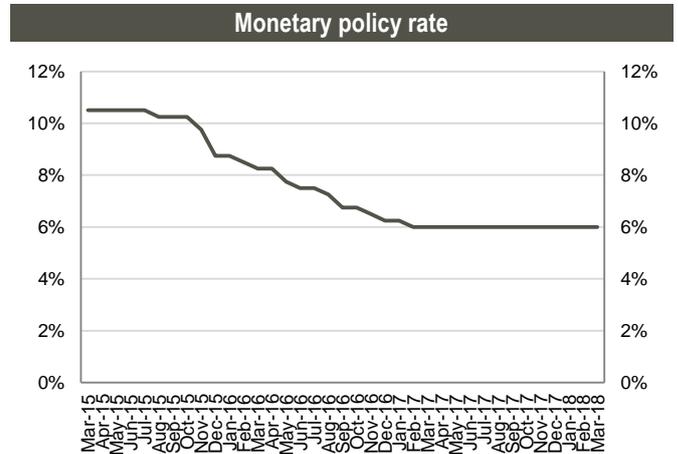
\*\*Floating rate with 3.5% over the NBG's refinancing rate

Source: Bloomberg, Galt & Taggart

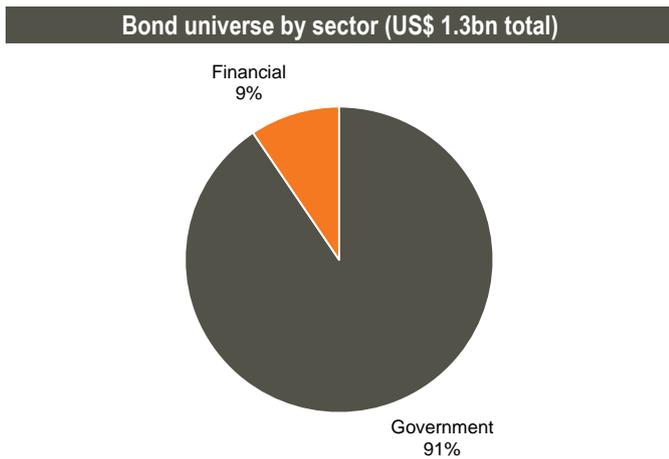
# Snapshot: Armenia



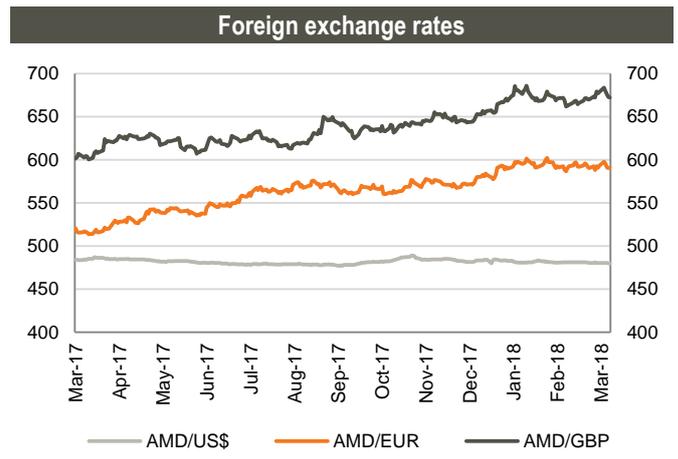
Source: Bloomberg



Source: Central Bank of Armenia



Source: Bloomberg



Source: Bloomberg

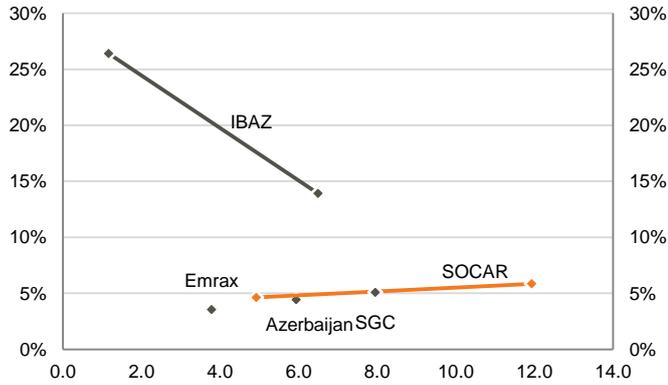
### Bond performance

Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Armenia	US\$	Government	ARMEN	Sep-20	6.00%	B+/-/B1	700	103.95	4.21	Dublin
Republic Of Armenia	US\$	Government	ARMEN	Mar-25	7.15%	B+/-/B1	500	110.89	5.26	Dublin
Ameriabank	US\$	Financial	AMERIA	Jul-18	6.75%	WD/-/-	15	N/A	N/A	Armenia
Ardshinvestbk	US\$	Financial	ARBANK	Jul-20	12.00%	B+/-/B1	100	107.26	8.10	Dublin
Armswissbank	US\$	Financial	ARMSWI	Apr-19	8.00%	-/-/-	5	N/A	N/A	Armenia
Armswissbank	US\$	Financial	ARMSWI	Apr-20	8.50%	-/-/-	5	N/A	N/A	Armenia

Source: Bloomberg

# Snapshot: Azerbaijan

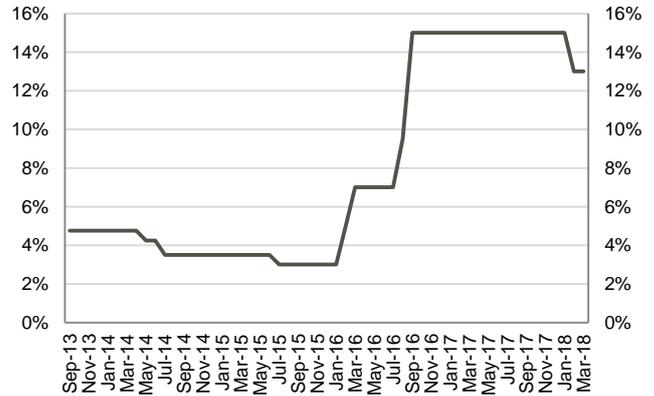
Yield curve



Remaining maturity

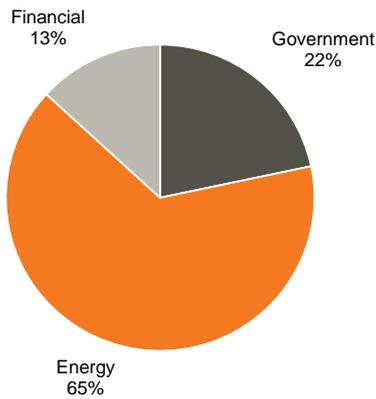
Source: Bloomberg

Monetary policy rate



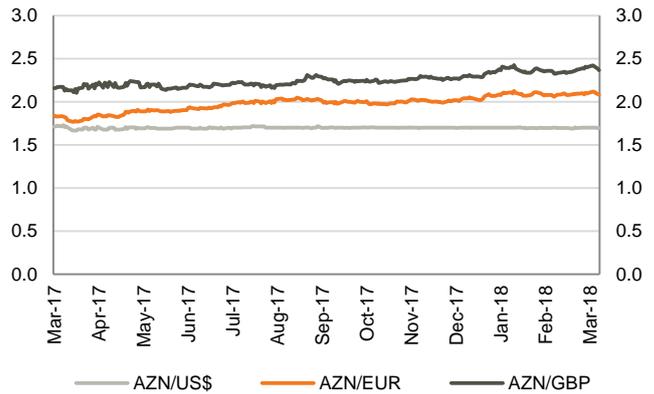
Source: Central Bank of Azerbaijan

Bond universe by sector (US\$ 5.8bn total)



Source: Bloomberg

Foreign exchange rates



Source: Bloomberg

Bond performance

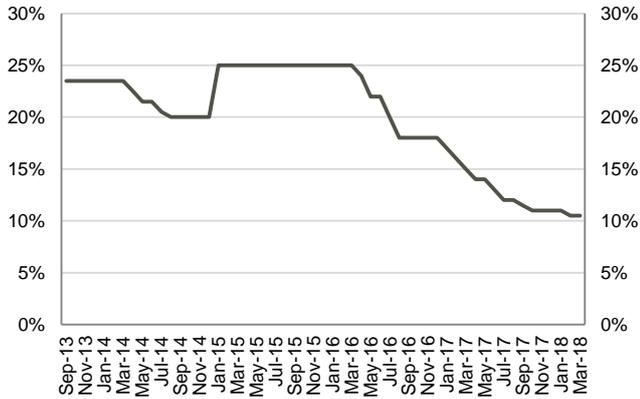
Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Azerbaijan	US\$	Government	AZERBJ	Mar-24	4.75%	BB+/-/Ba2	1,250	101.56	4.43	Stuttgart
Southern Gas Corridor	US\$	Energy	SGCAZE	Mar-26	6.88%	BB+/-/Ba2	2,000	111.42	5.09	Dublin
SOCAR	US\$	Energy	SOIAZ	Mar-23	4.75%	BB+/BB-/Ba2	1,000	100.43	4.63	London
SOCAR	US\$	Energy	SOIAZ	Mar-30	6.95%	BB+/BB-/NR	750	109.12	5.84	London
Emraxbank	US\$	Financial	EMRXAZ	Jan-22	9.00%	-/-	10	118.94	3.55	Baku
IBAZ	US\$	Financial	IBAZAZ	Jun-19	5.63%	WD/-/WR	500	81.63	26.40	Stuttgart
IBAZ	US\$	Financial	IBAZAZ	Oct-24	8.25%	-/-/NR	250	73.84	13.90	Dublin

Source: Bloomberg



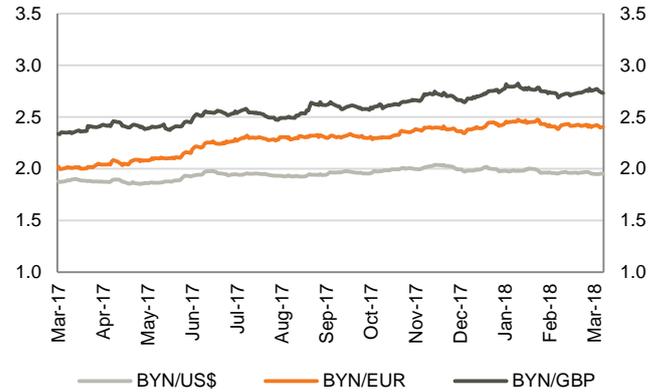
# Snapshot: Belarus

Monetary policy rate



Source: National Bank of Belarus

Foreign exchange rates

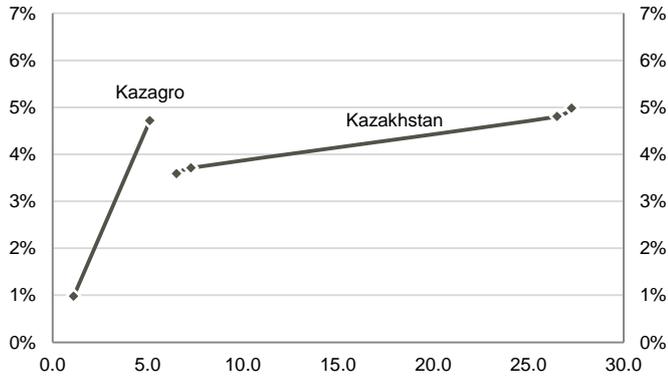


Source: Bloomberg



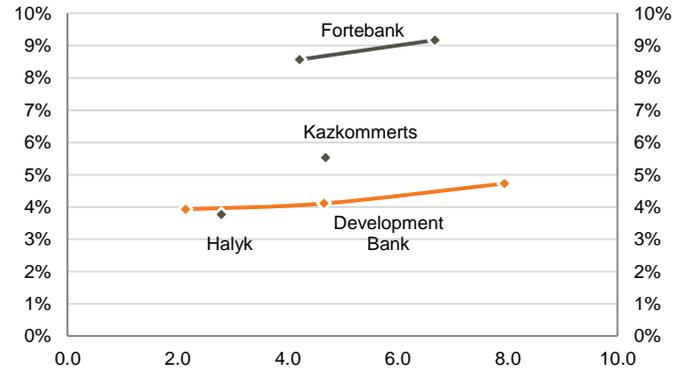
# Snapshot: Kazakhstan

**Yield curve (sovereign)**



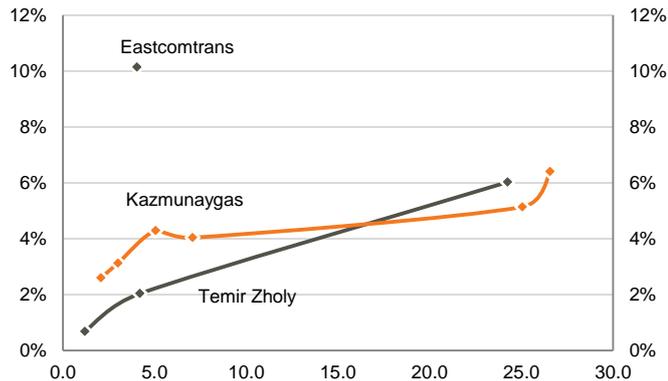
Remaining maturity  
Source: Bloomberg

**Yield curve (banks)**



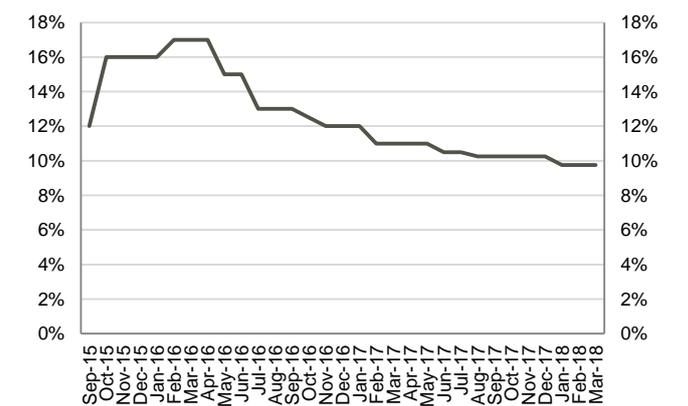
Remaining maturity  
Source: Bloomberg

**Yield curve (other sectors)**



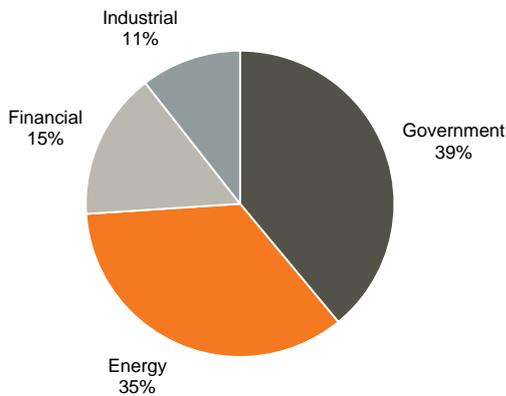
Remaining maturity  
Source: Bloomberg

**Monetary policy rate**



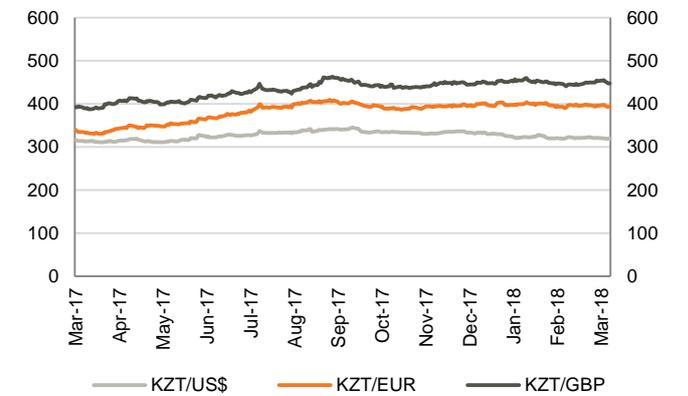
Source: National Bank of Kazakhstan

**Bond universe by sector (US\$ 20.8bn total)**



Source: Bloomberg

**Foreign exchange rates**



Source: Bloomberg



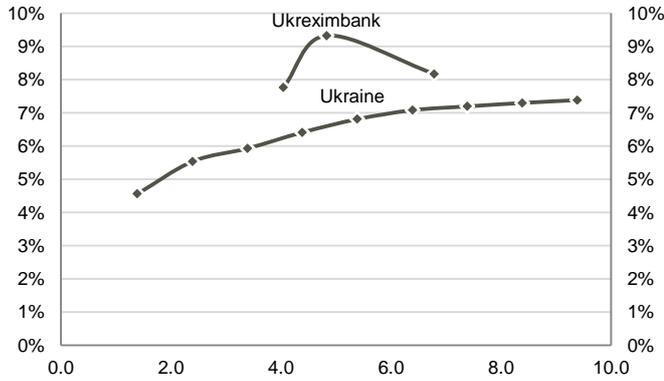
**Bond performance**

Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Kazakhstan	US\$	Government	KZAKS	Oct-24	3.88%	BBB/BBB-/Baa3	1,500	101.51	3.59	London
Republic Of Kazakhstan	US\$	Government	KZAKS	Jul-25	5.13%	BBB/BBB-/Baa3	2,500	108.79	3.71	London
Republic Of Kazakhstan	US\$	Government	KZAKS	Oct-44	4.88%	BBB/BBB-/Baa3	1,000	100.91	4.80	London
Republic Of Kazakhstan	US\$	Government	KZAKS	Jul-45	6.50%	BBB/BBB-/Baa3	1,500	122.28	4.98	London
Kazagro Natl Mgmt Hldg	EUR	Government	KAZNMH	May-19	3.26%	BBB-/BB-/	600	102.27	0.98	Dublin
Kazagro Natl Mgmt Hldg	US\$	Government	KAZNMH	May-23	4.63%	BBB-/BB-/	1,000	99.41	4.72	Dublin
Kazmunaygas National Co	US\$	Energy	KZOKZ	May-20	7.00%	BBB-/BB-/Baa3	1,500	108.69	2.60	Frankfurt
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-21	6.38%	BBB-/BB-/Baa3	1,250	109.12	3.13	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-23	4.40%	BBB-/BB-/Baa3	1,000	100.13	4.29	Kazakhstan
Kazmunaygas National Co	US\$	Energy	KZOKZ	May-25	4.88%	BBB-/BB-/Baa3	500	104.75	4.04	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-43	5.75%	BBB-/BB-/Baa3	2,000	108.28	5.14	Kazakhstan
Kazmunaygas National Co	US\$	Energy	KZOKZ	Nov-44	6.00%	BBB-/BB-/Baa3	1,000	94.41	6.41	London
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Jun-20	6.50%	BBB-/BB+/Baa3	100	104.92	3.93	Kazakhstan
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Dec-22	4.13%	BBB-/BB+/Baa3	1,425	99.94	4.11	London
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Mar-26	6.00%	BBB-/BB+/Baa3	150	108.01	4.73	Kazakhstan
Fortebank	US\$	Financial	ALLIBK	Jun-22	14.00%	NR/B-/	61	118.15	8.57	Kazakhstan
Fortebank	US\$	Financial	ALLIBK	Dec-24	11.75%	-B-/	237	112.34	9.17	Kazakhstan
Halyk Savings Bank-Kaz.	US\$	Financial	HSBKKZ	Jan-21	7.25%	BB/BB/Baa3	500	108.96	3.77	London
Kazkommertsbank	US\$	Financial	KKB	Dec-22	5.50%	BB-/B+/-	750	99.70	5.53	Kazakhstan
Eastcomtrans	US\$	Industrial	EASTCM	Apr-22	8.00%	WD-/B3	100	92.46	10.14	London
Kazakhstan Temir Zholy	CHF	Industrial	KTZKZ	Jun-19	2.59%	BBB-/BB-/Baa3	100	101.91	0.68	Zurich
Kazakhstan Temir Zholy	US\$	Industrial	KTZKZ	Oct-20	6.38%	BBB-/NR/WR	700	N/A	N/A	London
Kazakhstan Temir Zholy	CHF	Industrial	KTZKZ	Jun-22	3.64%	BBB-/BB-/Baa3	185	105.76	2.03	Zurich
Kazakhstan Temir Zholy	US\$	Industrial	KTZKZ	Jul-42	6.95%	BBB-/BB-/Baa3	1,100	111.46	6.03	London

Source: Bloomberg

# Snapshot: Ukraine

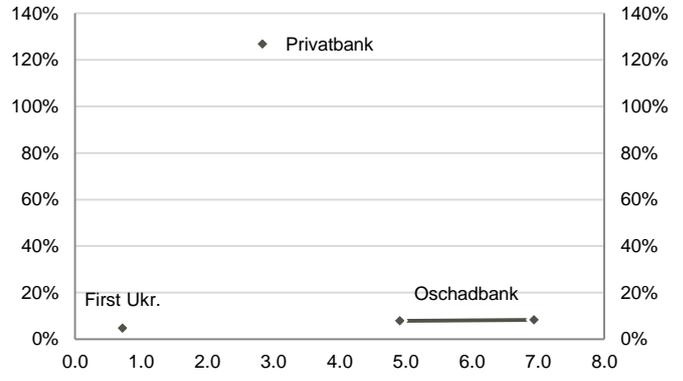
**Yield curve (sovereign)**



Remaining maturity

Source: Bloomberg

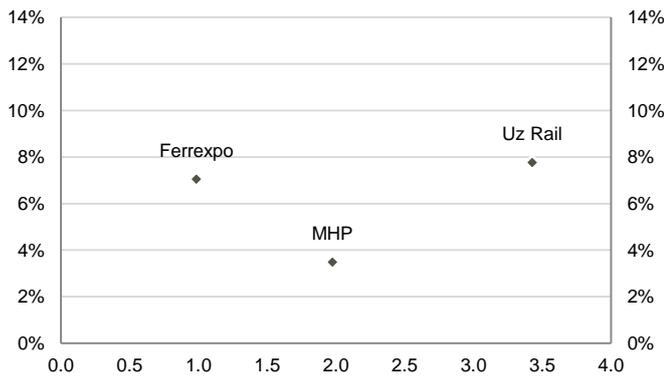
**Yield curve (banks)**



Remaining maturity

Source: Bloomberg

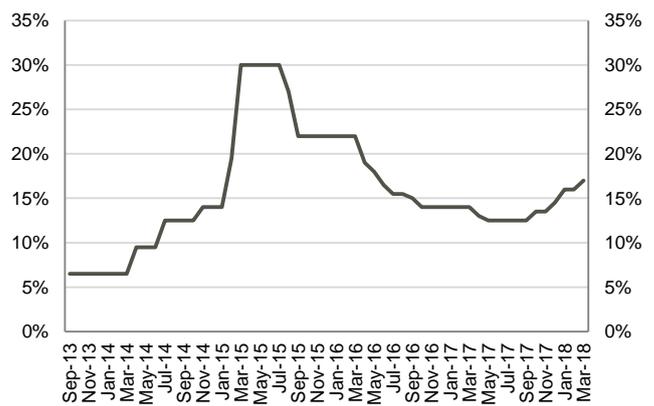
**Yield curve (other sectors)**



Remaining maturity

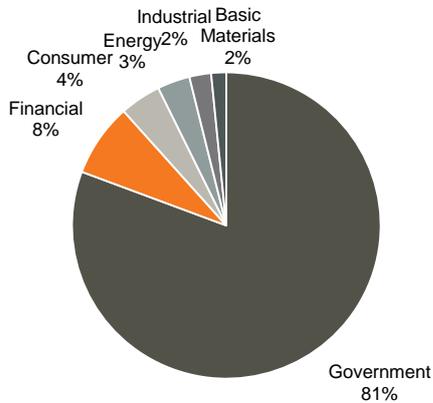
Source: Bloomberg

**Monetary policy rate**



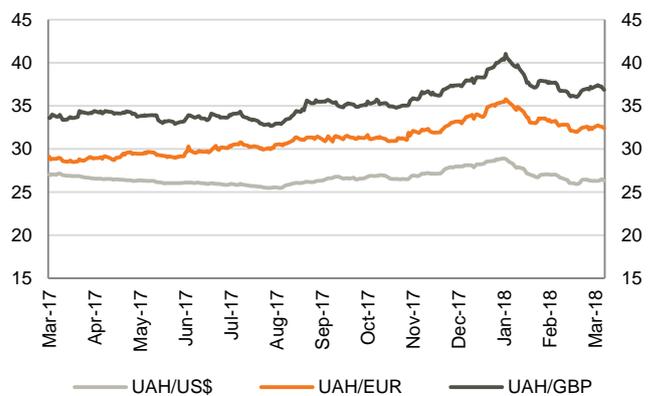
Source: National Bank of Ukraine

**Bond universe by sector (US\$ 22.0bn total)**



Source: Bloomberg

**Foreign exchange rates**



Source: Bloomberg



**Bond performance**

Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Ukraine Government	US\$	Government	UKRAIN	Sep-19	7.75%	B-/B-/Caa2	1,822	104.08	4.56	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-20	7.75%	B-/B-/Caa2	1,780	104.75	5.54	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-21	7.75%	B-/B-/Caa2	1,409	105.37	5.93	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-22	7.75%	B-/B-/Caa2	1,384	104.93	6.41	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-23	7.75%	B-/B-/Caa2	1,355	104.06	6.81	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-24	7.75%	B-/B-/Caa2	1,339	103.21	7.08	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-25	7.75%	B-/B-/Caa2	1,329	102.91	7.20	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-26	7.75%	B-/B-/Caa2	1,318	102.60	7.30	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-27	7.75%	B-/B-/Caa2	1,307	102.25	7.39	Dublin
Ukraine Government	US\$	Government	UKRAIN	May-40	0.00%	-B/-	3,214	69.50	N/A	Dublin
Ukreximbank	US\$	Government	EXIMUK	Apr-22	9.63%	B-/B-/Caa2	750	106.22	7.76	Dublin
Ukreximbank	US\$	Government	EXIMUK	Feb-23	8.16%	CC-/Caa3	125	99.91	9.33	Dublin
Ukreximbank	US\$	Government	EXIMUK	Jan-25	9.75%	B-/B-/Caa2	600	107.91	8.18	Dublin
Ferrexpo Finance	US\$	Basic Materials	FXPOLN	Apr-19	10.38%	B/B/Caa1	186	102.87	7.05	Dublin
Ferrexpo Finance	US\$	Basic Materials	FXPOLN	Apr-19	10.38%	B/B/Caa1	161	102.81	7.03	Dublin
Avangardco Investments	US\$	Consumer	AVINPU	Oct-18	10.00%	WD/-	200	22.01	748.59	London
MHP	US\$	Consumer	MHPSA	Apr-20	8.25%	B/B/-	750	108.86	3.47	Dublin
Dtek Finance	US\$	Energy	DTEKUA	Apr-18	7.88%	WD/-/WR	750	N/A	N/A	Trace
First Ukr.	US\$	Financial	PUMBUZ	Dec-18	11.00%	NR/-/WR	275	103.85	4.72	Zurich
Privatbank	US\$	Financial	PRBANK	Feb-21	11.00%	-/-	220	10.74	126.79	Channel Isl.
Oschadbank	US\$	Financial	OSCHAD	Mar-23	9.38%	B-/B-/Caa2	700	105.77	7.86	Dublin
Oschadbank	US\$	Financial	OSCHAD	Mar-25	9.63%	B-/B-/Caa2	500	107.00	8.27	Dublin
Uz Rail Via Shortline	US\$	Industrial	RAILUA	Sep-21	9.88%	CCC/CCC+/-	500	106.08	7.75	Dublin

Source: Bloomberg

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