

# Regional Fixed Income Market Watch

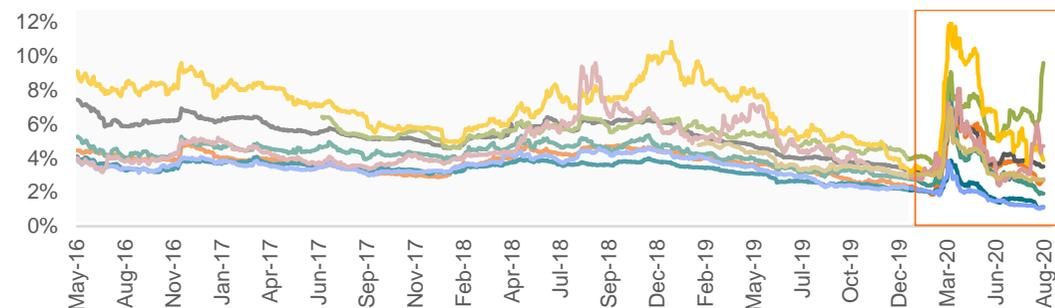
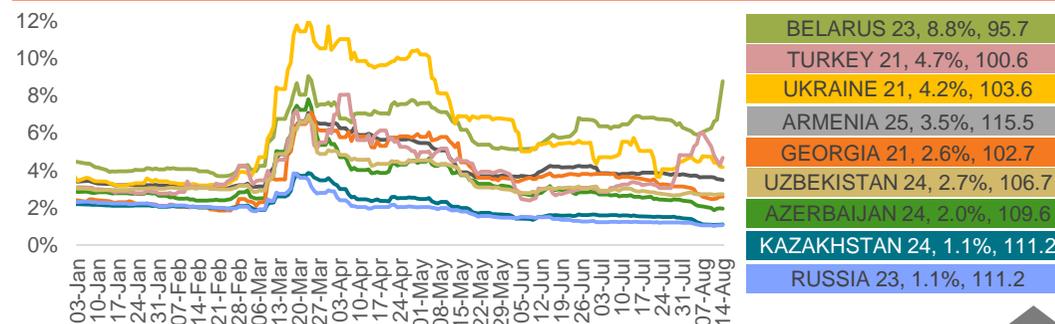
Georgia, Armenia, Azerbaijan, Belarus, Kazakhstan, Ukraine, Russia, Turkey, Uzbekistan

Regional | Fixed Income  
Periodic  
August 18, 2020

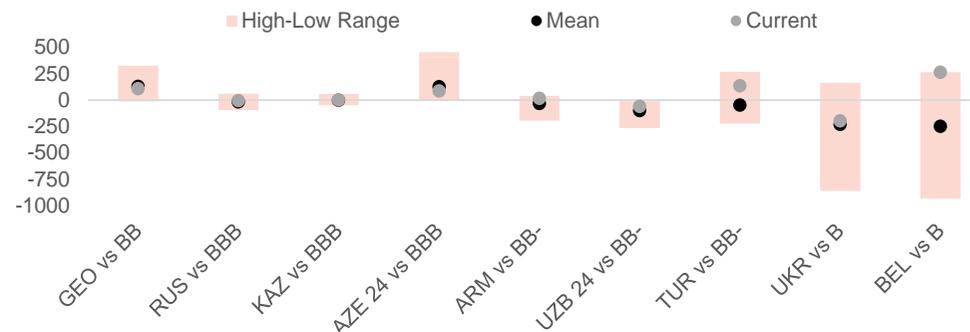
## Highlights

- Political turmoil in Belarus has led to a massive bond selloff by investors, with yields on BELARUS 23 jumping to 8.8% on 14 August, from 6.1% just in the beginning of the week. The selloff accelerated in the recent days as the protests against the country's 26-year ruler, Alexander Lukashenko's, alleged victory intensified. Investors are particularly fearful of the possible international sanctions on Belarus in response to the violence used against the peaceful protests.
- From regional central banks only Georgia lowered key rate by 25bps to 8.00%, while other monetary authorities kept policy rates unchanged. As of 17 August 2020, monetary policy rate is at 4.25% in Russia (-25bps), 4.50% in Armenia (-50bps), 6.75% in Azerbaijan (-25bps), 7.75% in Belarus (-25bps), at 6.00% in Ukraine (-200bps), 9.00% in Kazakhstan (-50bps) and at 8.25% in Turkey (-50bps).
- Most of the regional currencies appreciated in the range of 0.6%-2.1% over the first two weeks of August, with RUB performing relatively stronger (2.1% appreciation), followed by UAH, KZT and GEL appreciating by 1.3%, 0.5% and 0.3%, respectively. Meanwhile, TRY and BYN depreciated by 5.7% and 0.7% respectively.
- **Regional Eurobonds strengthened in the first half of August.** As investors dumped Belarus's sovereign debt, yield on BELARUS 23 (8.8% YTM; 95.7 price) widened by 2,61bps to 8.8% by 14 August. From other regional Eurobonds Georgia (2.6% YTM; 102.7 price) remained as the best performer, with the yield down by 52.3bps to 2.6%. GEORGIA 21 was followed by Azerbaijan (2.0% YTM; 109.6 price), Kazakhstan (1.1% YTM; 111.2 price), Armenia (3.5% YTM; 115.5 price) and Ukraine (4.2% YTM; 103.6 price). Yields on the selected bonds dropped by 41.9bps, 35.7bps, 31.9bps and 28.8bps, respectively in the two week period. Yields on other regional Eurobonds remained mostly flat, with TURKEY 21 (4.7% YTM; 100.6 price), RUSSIA 23 (1.1% YTM; 111.5 price) and UZBEKISTAN 24 (2.7% YTM; 106.7 price) narrowing in the range of 10-12bps in the same period.
- Among Georgian placements, GOGC 21 (3.5% YTM; 100.9 price) performed strongly with the yield dropping by 133.4bps to 3.5% by 14 August, 2020, while GRAIL 22 (5.1% YTM; 104.8 price) another quasi-government entity narrowed by 103.2bps to 5.1% in the same period.

Selected sovereign Eurobond YTM, 2020



Regional sovereign Eurobond spreads vs peers, YTD



Source: Bloomberg  
Note: Data as of 14 August 2020

## Selected Georgian bonds

### Eurobonds

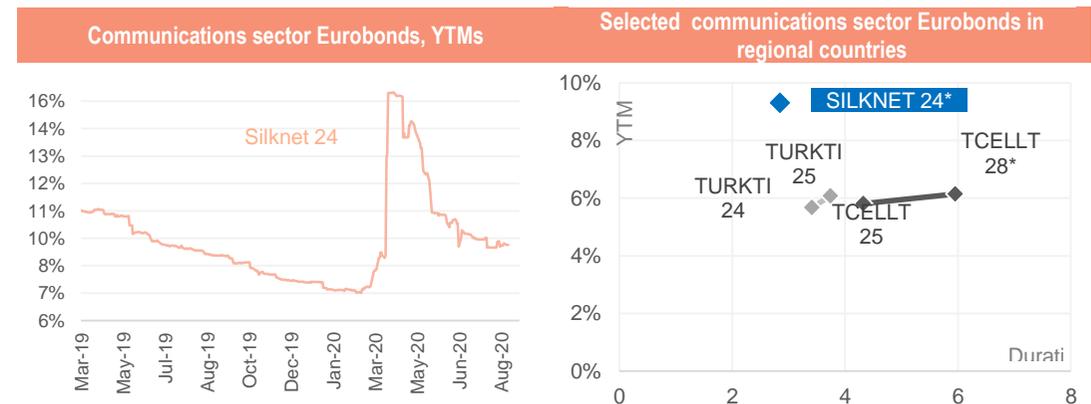
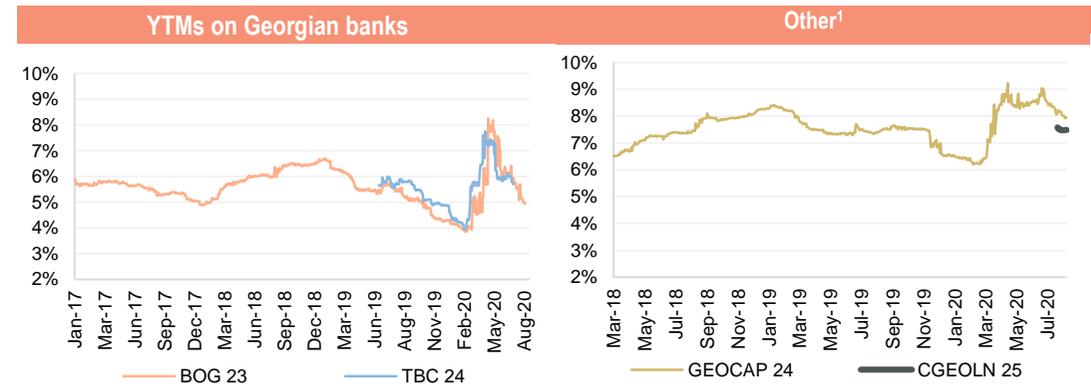
- **Georgian Banks (BOG 23 & TBC 24)** – Georgian banks' Eurobonds narrowed during the first two weeks of August. Yields on BOG 23 (4.9% YTM; 102.9 price) and TBC 24 (5.2% YTM; 101.9 price) were down by 70.1bps and by 12.9bps, respectively.
- **Georgia Capital (GEOCAP 24)** – GEOCAP 24 (7.9% YTM; 94.5 price) also strengthened, with the yield decreasing by 24.1bps over the two week period trading at 7.9% YTM or 94.5% of par as of 14 August, 2020.
- **Georgian Global Utilities (CGEOLN 25)** – The price of the newly issued US\$ 250mn Eurobond has remained mostly flat in the first two weeks of August, after gaining within the first day of issuance. CGEO 25 has been trading at 101.1% of par translating into an yield of 7.48% as of 14 August, 2020.
- **Silknet (SILNET 24)** – SILKNET 24 (9.3% YTM; 105.0 price) underperformed, with the yield increasing by 13.1bps over the first two weeks of August.

### Local bonds

- **Georgian Leasing Company (GLC)** – has 2 outstanding bonds. The 6.5% coupon bond (US\$ 10mn) matures in Jun 2021, while the 7.50% coupon bond matures in August of 2021.
- **Georgia Real Estate (former M2 Real Estate)** – issued US\$ 35mn bond, with 7.5% coupon back in 4Q19.
- **Georgia Property Management Group (former M2 Commercial Assets)** – US\$ 30mn bond, bearing 7.5% coupon was issued in 4Q18.

### Taxation

Any income and/or capital gain received by investor from above-mentioned securities is NOT subject to any tax in Georgia.



Source: Bloomberg, NBG  
Note: 1. GEOCAP is a holding company and owns 100% of GGU shares (CGEOLN 25).  
2. The size of the bubble corresponds to the size of issuance, with max. at US\$ 35mn; data as of 14 August 2020

## Selected Georgian bond details

Issuer	ISIN	Currency	Coupon	Sector	Maturity	Amount (US\$ mn)	YTM	Price	Minimum Lot, US\$	
<b>Georgian local bonds</b>										
LLC Georgian Leasing Company	GE2700603659	USD	6.50%	Financial	Jun-21	5	8.25%	98.54	1,000	
LLC Georgian Leasing Company	GE2700603840	USD	7.50%	Financial	Aug-21	10	8.00%	99.34	1,000	
JSC Georgia Real Estate <i>(former M2 Real Estate)</i>	GE2700603865	USD	7.50%	Real Estate	Oct-22	35	9.00%	97.09	1,000	
Georgia Property Management Group LLC <i>(former M2 Commercial Assets LLC)</i>	GE2700603733	USD	7.50%	Real Estate	Dec-21	30	8.00%	99.34	1,000	
<b>Georgian Eurobonds</b>										
JSC Bank of Georgia	XS1405775880	USD	6.00%	Banking	Jul-23	500	4.99%	102.72	200,000	
JSC Georgia Capital	XS1778929478	USD	6.10%	Investment hold.	Mar-24	300	7.93%	94.48	200,000	
JSC Silknet	XS1843443430	USD	11.00%	Telecom.	Apr-24	200	9.34%	104.99	200,000	
JSC TBC Bank	XS1843434363	USD	5.80%	Banking	Jun-24	300	5.21%	101.85	200,000	
Georgian Global Utilities	XS2208644059	USD	7.75%	Utilities	Jul-25	250	7.48%	101.10	200,000	

Source: Bloomberg  
 Note: Data as of 14 August 2020

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**Galt & Taggart Brokerage** is the largest brokerage house in Georgia and one of the leading in the region. We offer competitive brokerage services for the global exchanges as well as for the regional, hard-to-reach, markets. Licensed by the National Bank of Georgia since 2000 (brokerage license: #820 (10.09.2014)), Galt & Taggart Brokerage prides itself on its reputation as a top-quality service provider across multi-asset and multi-market brokerage proposition, including financing, custody and execution.

### Services we provide:

- We use an established global and regional network of trading partners to provide efficient execution in domestic, regional (hard-to-reach, frontier markets, such as: Georgia, Ukraine, Armenia, Azerbaijan, Turkey, Russia, Kazakhstan, etc.) and international markets.
- We provide international custody service to safeguard our clients' local and international assets with low fees and no hidden costs
- We operate a hybrid brokerage strategy, offering traditional brokerage account as well as best-in-class online trading account.
- Galt & Taggart Brokerage offers a competitive and tailored pricing for investors and traders with no hidden fees

**Our team** - our business is all about the ability and talent of our people. Therefore, we have people who, in addition to having a range of technical skills, are customer and solutions focused, entrepreneurial, professional and able to perform in a pressurized environment.

We are fully committed to pursuing our clients' best interests and approach every client with the aim of securing their best possible outcome. With our unique insight into the regional markets and a solid infrastructure, our brokerage house is well positioned to offer direct access to local as well as international financial markets and assist our clients in exploring outstanding investment opportunities.

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