



Regional Fixed Income Market Watch

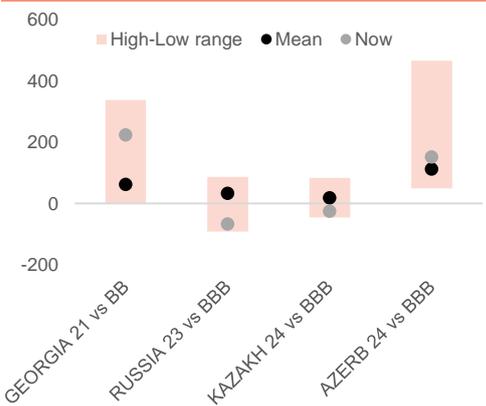
Georgia, Armenia, Azerbaijan, Belarus, Kazakhstan, Ukraine, Russia, Turkey, Uzbekistan

Regional | Fixed Income
Monthly Market Watch
April 24, 2020

Highlights

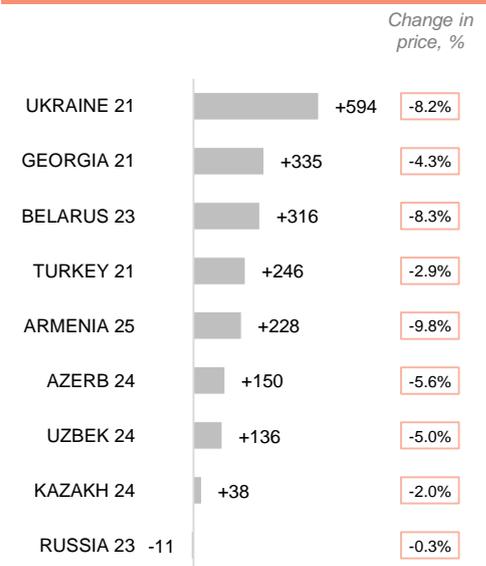
- COVID-19 pandemic has pushed the world economy into a recession and IMF forecasts global growth in 2020 to fall to -3%. IMF forecasts negative growth in 8 out of the 9 regional economies as pandemic and oil price drop deepened economic problems in 2020 (Georgia -4%, Armenia -1.5%, Azerbaijan -2.2%, Belarus -6%, Kazakhstan -2.5%, Ukraine -7.7%, Russia -5.5%, Turkey -5.0%, Uzbekistan +1.8%).
- Central banks of advanced economies cut policy rates to historic lows. To date, central banks have announced plans to expand their provision of liquidity by at least US\$ 6tn. By these measures regulators help to contain upward pressures on the cost of credit to ensure households and firms continue to have access to credit at an affordable price.
- As of April 2020, monetary policy rate is at 5.25% in Armenia (-25bps), at 6.0% in Russia (unchanged from previous meeting), at 7.25% in Azerbaijan (unchanged), at 8.75% in Belarus (-25bps), at 9.0% in Georgia (unchanged), at 9.5% in Kazakhstan (-250bps), at 8.75% in Turkey (-100bps) and at 10.0% in Ukraine (-100bps).
- Global investors sold more than US\$ 100bn of EM assets since the start of the virus outbreak, resulting in fall in EM asset prices. Foreign investors sold more than US\$ 72bn in EM equities and US\$ 25bn in debt according to the Institute of International Finance.
- Foreign exchange rates suffered in most emerging markets. Year to date GEL depreciated by 11%, RUB lost 23%, BYN lost 18%, TRY and UAH depreciated by 17% and KZT by 13% against USD.
- Amid massive capital outflows EM bond yields grew as prices decreased. UKRAINE 21 (9.9% YTM; 97.3 price) was the worst performer among the selected sovereign Eurobonds, rising 594bps in yield YTD. GEORGIA 21 (5.8% YTM; 101.0 price) rose 335bps in yield. BELARUS 23 (7.7% YTM; 98.0 price) was up 315bps, TURKEY 21 (5.5% YTM; 100.1 price) increased 246bps, ARMENIA 25 (5.7% YTM; 106.0 price) widened by 228bps, AZERB 24 (4.4% YTM; 101.2 price) increased 150bps, UZBEK 24 (4.5% YTM; 101.0 price) was up 136bps in yield. KAZAKH 24 (2.6% YTM; 105.4 price) increased only 38bps, while RUSSIA 23 (2.2% YTM; 108.8 price) performed more strongly than other regional bonds, with yield decreasing 11bps YTD.
- Among Georgian corporate placements, SILKNET 24 (14.5% YTM; 89.5 price) was the worst performer, with its yield jumping by 684bps YTD, followed by GOGC 21 (10.3% YTM; 96.7 price) which widened by 717bps and GRAIL 22 (7.9% YTM; 99.7 price) which was up by 431bps. GCAP and Georgian banks performed relatively better, with GEOCAP 24 (8.5% YTM; 92.2 price) up 199bps in yield, TBC 24 (7.7% YTM; 93.0 price) up by 288bps and BOG 23 (5.7% YTM; 100.9 price) up 140bps in yield.

Regional sovereign Eurobond spreads vs peers, YTD



Source: Bloomberg, Galt & Taggart Research

YTD change in sovereign Eurobond yields, bps



Source: Bloomberg

Country ratings

	Fitch	Moody's	S&P
Georgia	BB	Ba2	BB
Russia	BBB	Baa3	BBB
Kazakhstan	BBB	Baa3	BBB-
Azerbaijan	BB+	Ba2	BB+
Armenia	BB-	Ba3	n/a
Uzbekistan	BB-	B1	BB-
Turkey	BB-	B1	BB-
Belarus	B	B3	B
Ukraine	B	Caa1	B

Source: Fitch, Moody's, S&P

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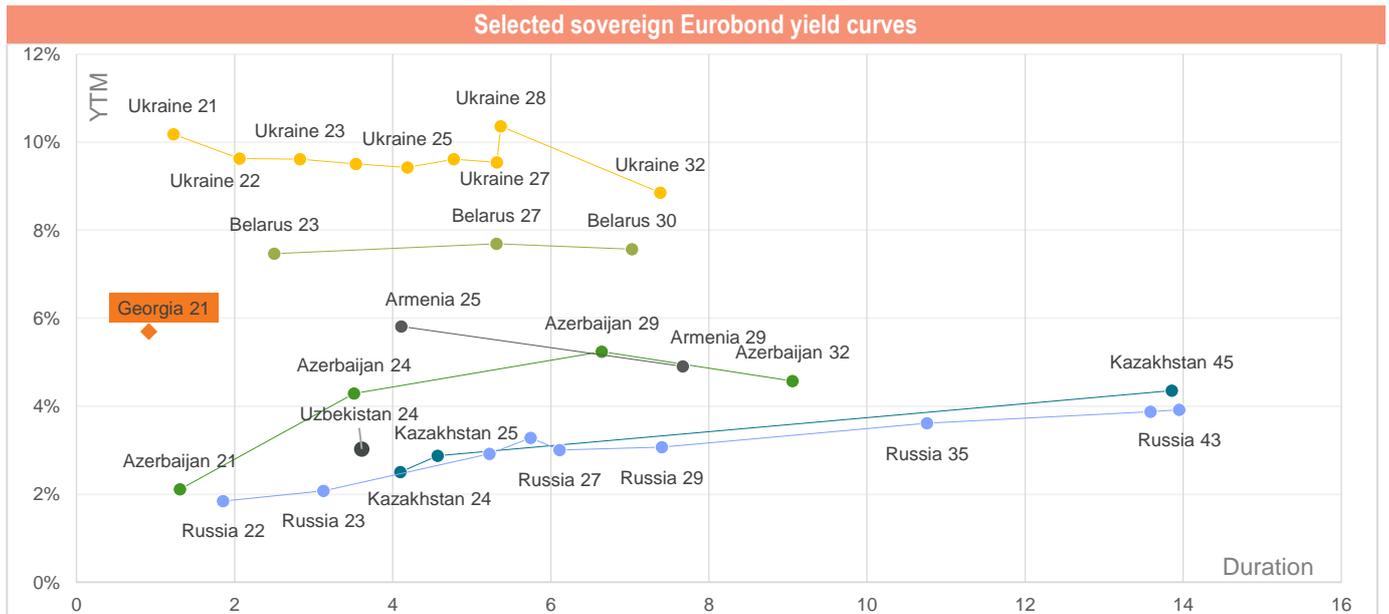
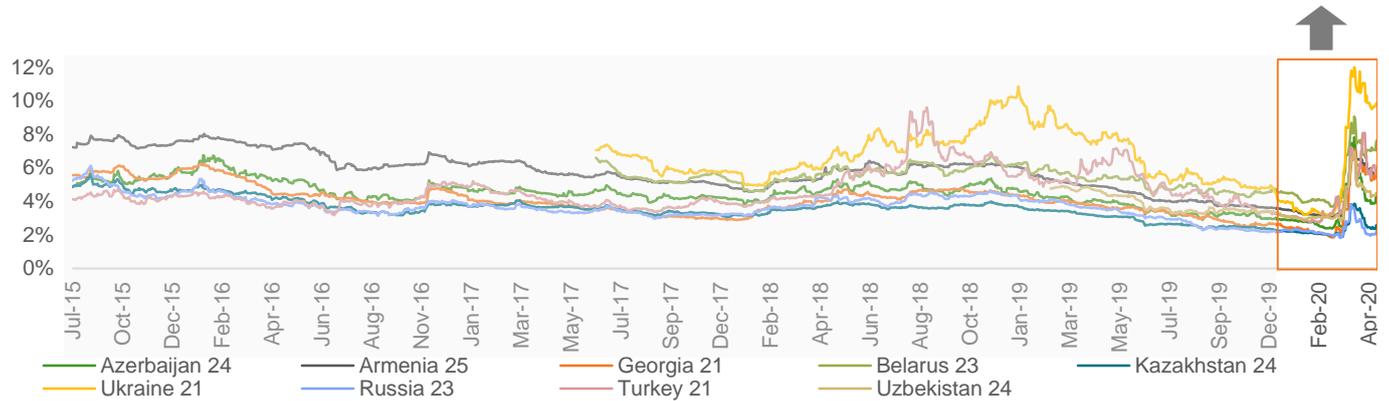
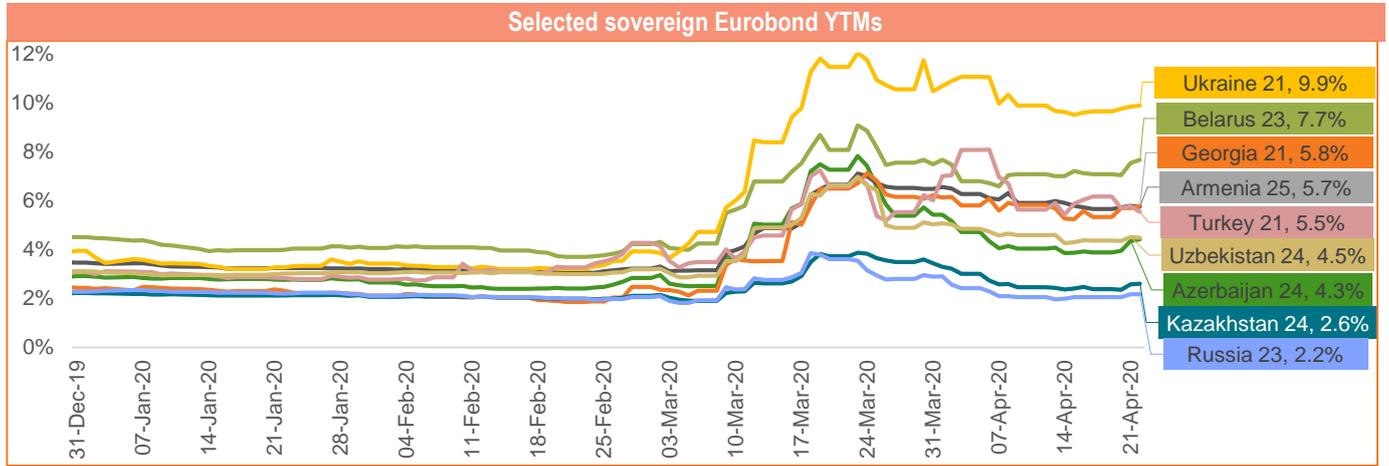
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Sovereign Eurobond yields



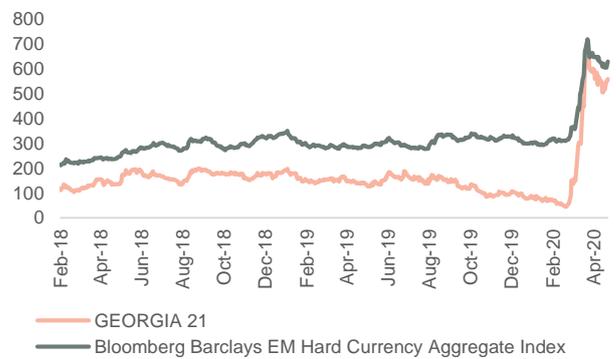
Source: Bloomberg
Note: data as of 22 April 2020



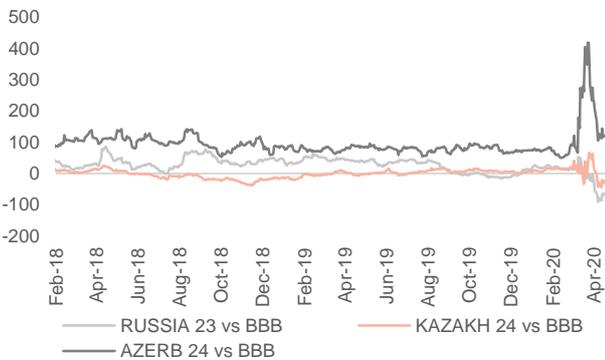
Georgia vs BB peers



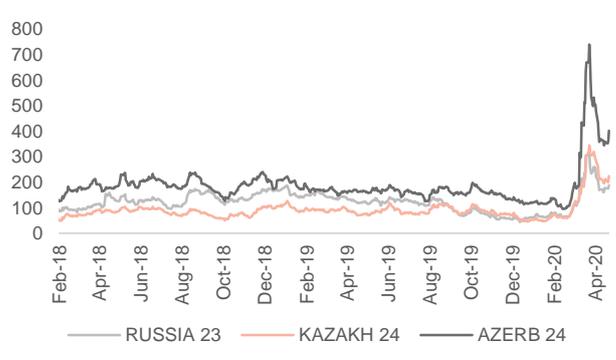
Spreads over US treasury, bps



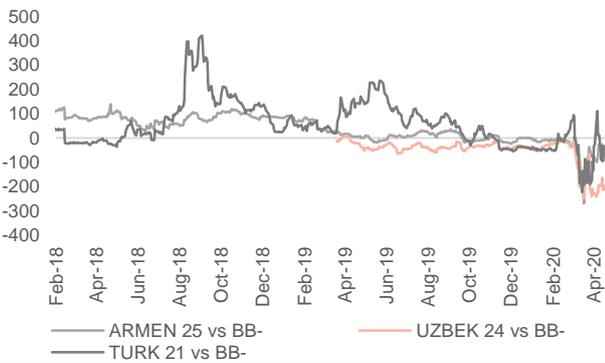
Russia, Kazakhstan and Azerbaijan vs BBB peers



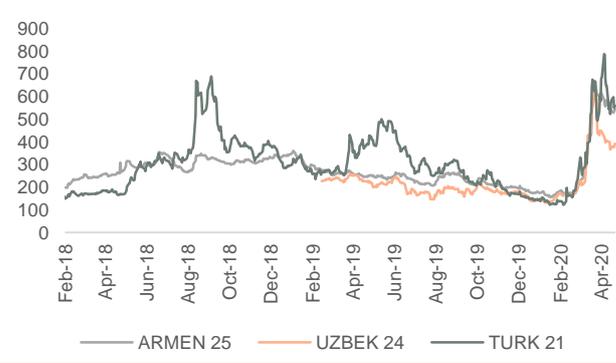
Spreads over US treasury, bps



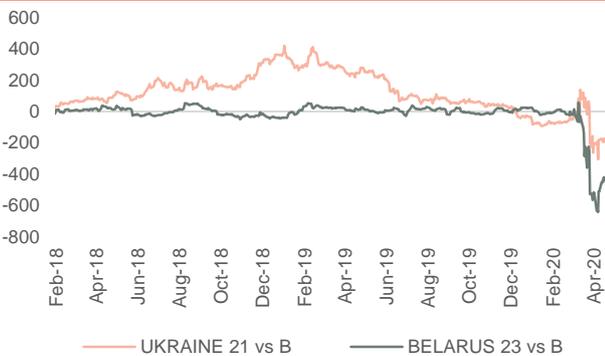
Armenia, Uzbekistan and Turkey vs BB- peers



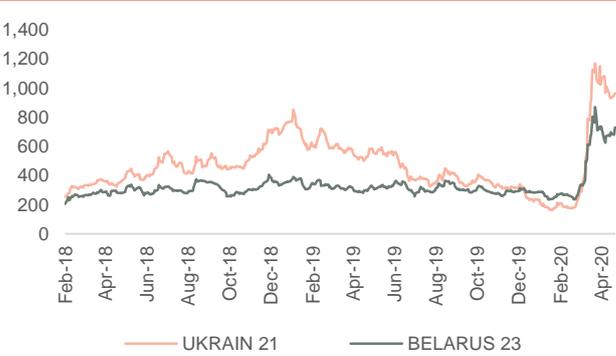
Spreads over US treasury, bps



Ukraine and Belarus vs B peers



Spreads over US treasury, bps

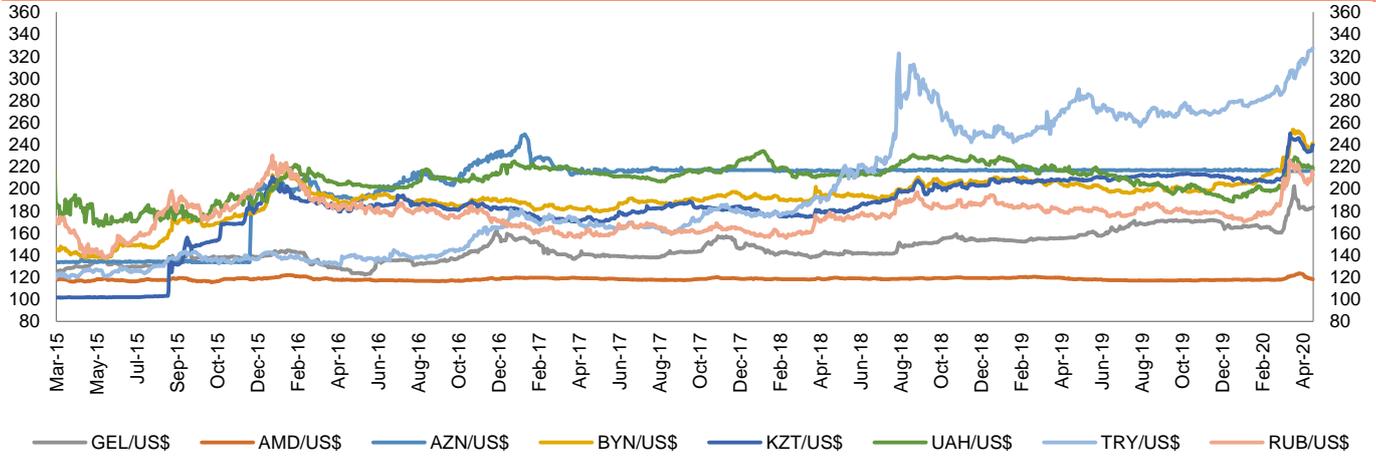


Source: Bloomberg, Galt & Taggart Research

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Regional currencies vs. US\$



Source: Bloomberg

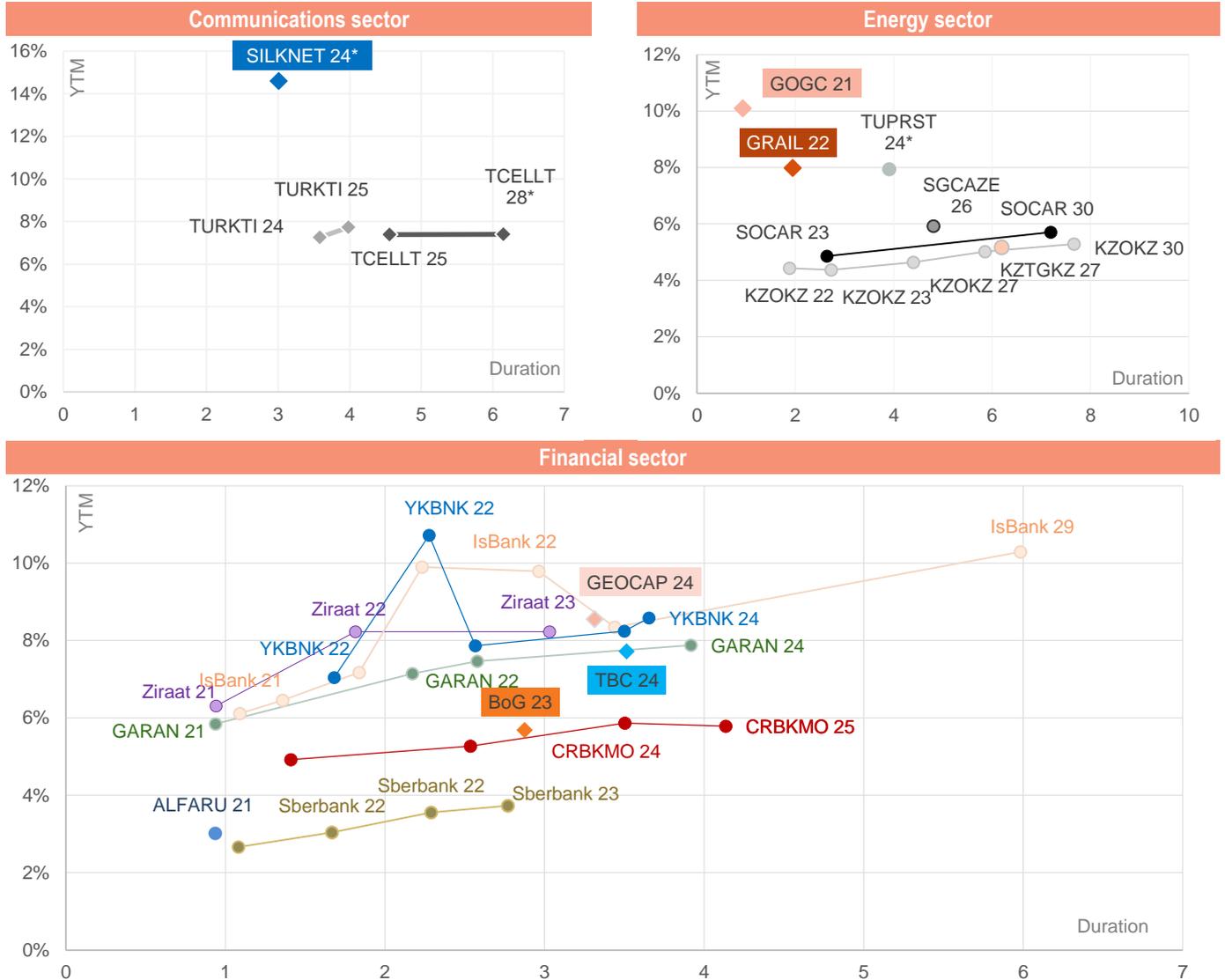
Central banks' monetary policy rates

	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	23-Apr-20
Georgia	6.50%	6.50%	6.50%	6.50%	6.50%	7.50%	8.50%	8.50%	9.00%	9.00%	9.00%	9.00%	9.00%
Armenia	5.75%	5.75%	5.75%	5.75%	5.75%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.25%	5.25%
Azerbaijan	8.75%	8.75%	8.50%	8.25%	8.25%	8.00%	7.75%	7.50%	7.50%	7.25%	7.25%	7.25%	7.25%
Belarus	10.00%	10.00%	10.00%	9.50%	9.50%	9.50%	9.50%	9.00%	9.00%	9.00%	8.75%	8.75%	8.75%
Ukraine	17.50%	17.50%	17.50%	17.00%	17.00%	16.50%	15.50%	13.50%	11.00%	11.00%	11.00%	10.00%	10.00%
Kazakhstan	9.00%	9.00%	9.00%	9.00%	9.00%	9.25%	9.25%	9.25%	9.25%	9.25%	9.25%	12.00%	9.50%
Russia	7.75%	7.75%	7.50%	7.25%	7.25%	7.00%	6.50%	6.50%	6.25%	6.25%	6.00%	6.00%	6.00%
Uzbekistan	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	15.00%
Turkey	24.00%	24.00%	24.00%	19.75%	19.75%	16.50%	14.00%	14.00%	12.00%	11.25%	10.75%	9.75%	8.75%
FED	2.50%	2.50%	2.50%	2.25%	2.25%	2.00%	1.75%	1.75%	1.75%	1.75%	1.75%	0.25%	0.25%
ECB	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Central banks



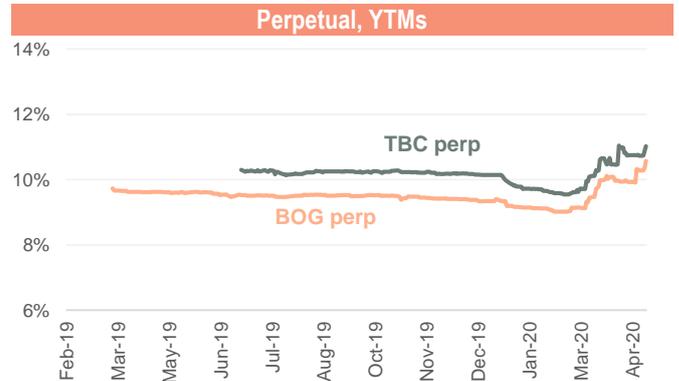
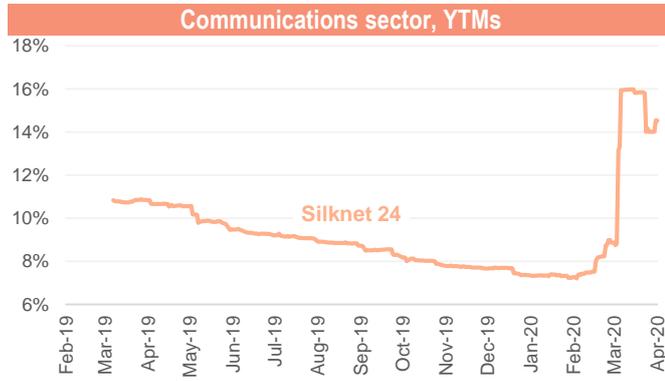
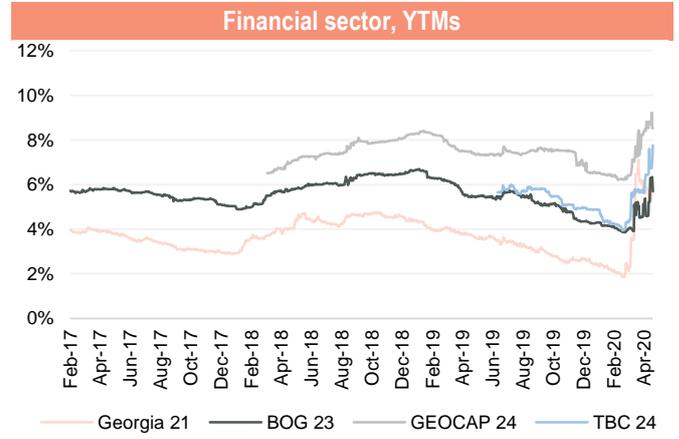
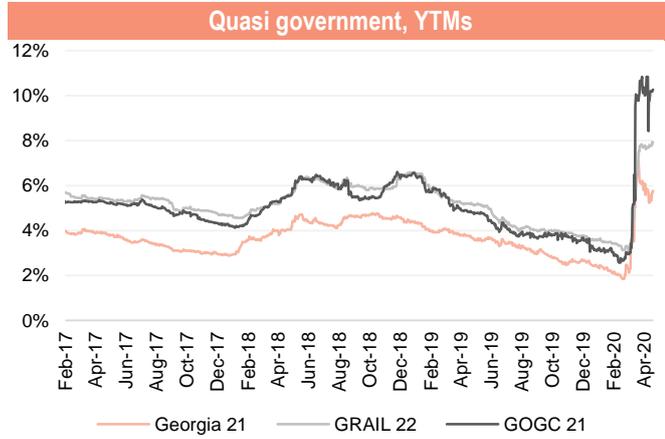
Selected corporate Eurobonds in regional countries



Source: Bloomberg, as of 22 April 2020
Note: GEOCAP is an investment holding company
* The notes are callable



Georgian corporate Eurobond YTM



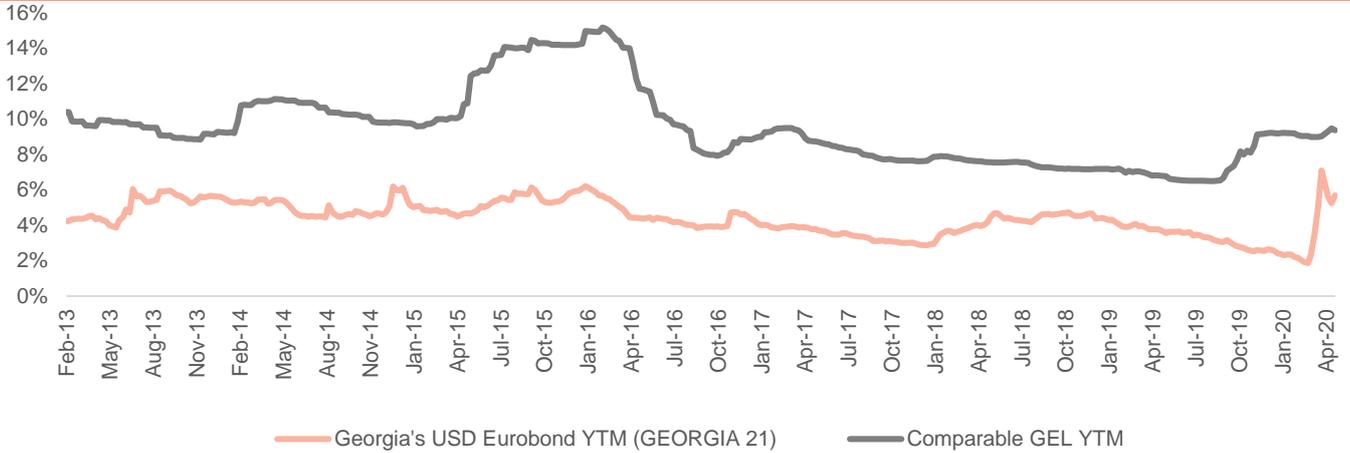
Source: Bloomberg

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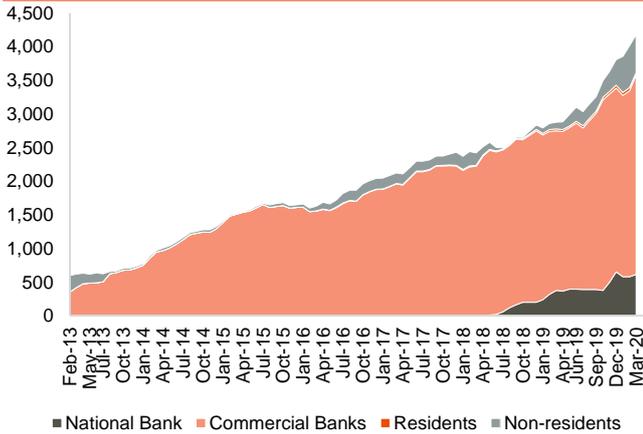
Georgian local treasury bonds

Georgia sovereign Eurobond vs. Georgian treasuries

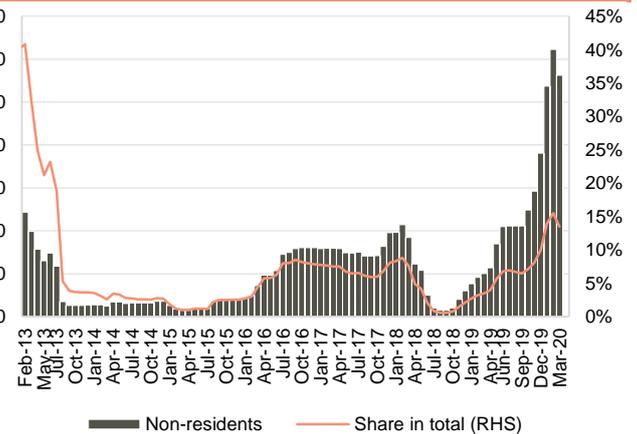


Source: Bloomberg, NBS, Galt & Taggart Research
Note: LC treasury yields are derived from daily yield curve information from NBS

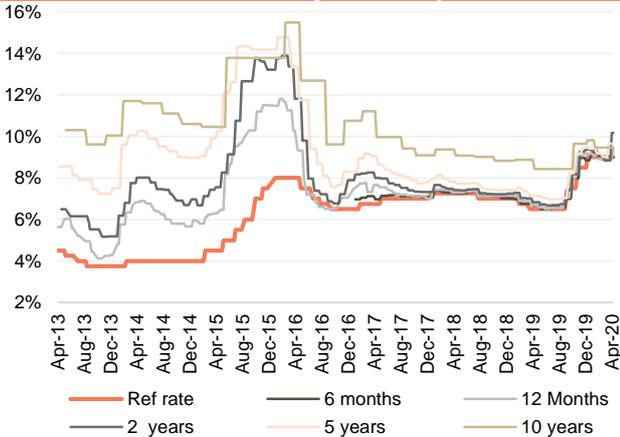
Georgian treasury securities by holder, GEL mn



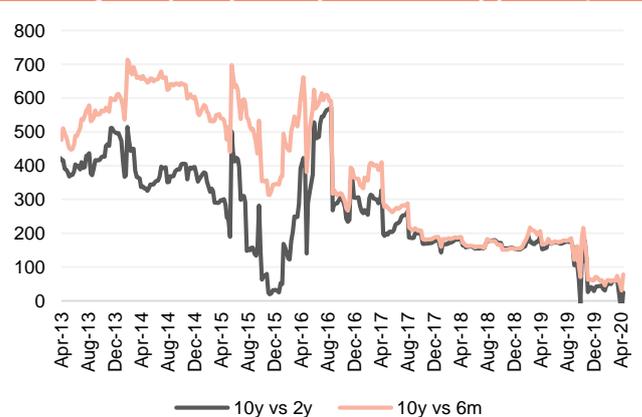
Non-resident holdings as % of total treasuries, GEL mn



Interest rates on Georgian treasury securities



Georgian 10y vs 2y and 10y vs 6m treasury yields, bps



Source: NBS

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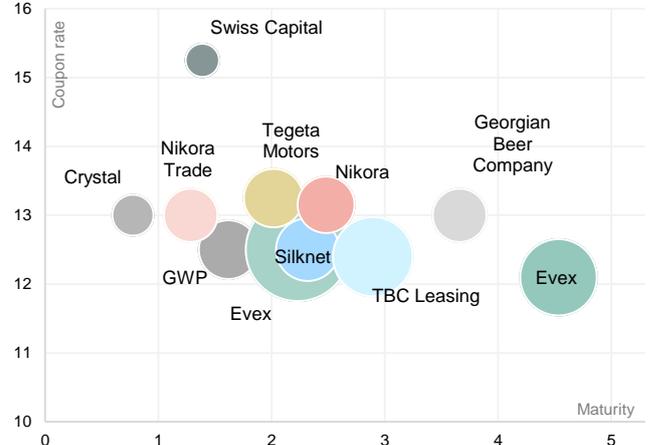
Georgian local corporate bonds

Georgian local corporate bonds, USD



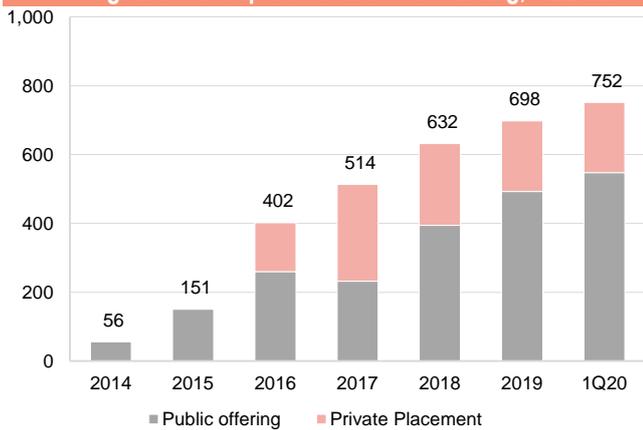
Source: NBS, Galt & Taggart Research
Note: the size of the bubble corresponds to the size of issuance, with max. at US\$ 35mn

Georgian local corporate bonds, GEL



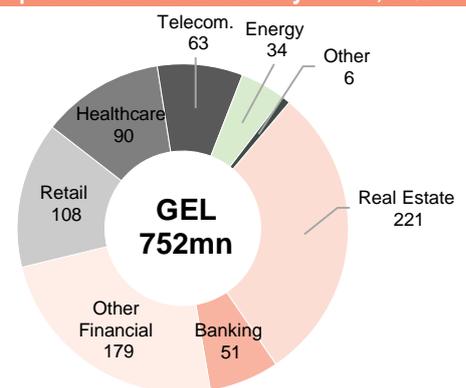
Source: NBS, Galt & Taggart Research
Note: the size of the bubble corresponds to the size of issuance, with max. at GEL 90mn
All GEL denominated bonds are floating, coupons are derived from adding spreads to a current 9.0% ref. rate

Georgian local corporate bonds outstanding, GEL mn



Source: NBS, Galt & Taggart Research

Local corporate bond distribution by sector, 1Q20



Source: NBS, Galt & Taggart Research

Appendix

Issuer	Ticker	ISIN	Currency	Coupon	Sector	Maturity	Duration	Amount, US\$ mn	Mid price	YTM Mid	Ratings (Moody's/Fitch/S&P)
Sovereign Eurobonds											
Georgia	GEORG	XS0617134092	USD	6.9%	Government	Apr-21	0.92	500	101.1	5.7	BB/Ba2/BB
Azerbaijan	AZERBJ	XS1678621522	USD	2.8%	Government	Sep-20	0.34	174	100.2	2.3	BB+/Ba2/-
Azerbaijan	AZERBJ	XS1678622090	USD	2.8%	Government	Sep-21	1.31	174	100.9	2.1	BB+/Ba2/-
Azerbaijan	AZERBJ	XS1044540547	USD	4.8%	Government	Mar-24	3.51	1,250	101.6	4.3	BB+/Ba2/-
Azerbaijan	AZERBJ	XS1678623064	USD	5.1%	Government	Sep-29	6.65	311	99.2	5.2	BB+/Ba2/-
Azerbaijan	AZERBJ	XS1678623734	USD	3.5%	Government	Sep-32	9.06	1,077	90.0	4.6	BB+/Ba2/-
Armenia	ARMEN	XS0974642273	USD	6.0%	Government	Sep-20	0.41	700	99.4	7.4	BB-/Ba3/-
Armenia	ARMEN	XS1207654853	USD	7.2%	Government	Mar-25	4.11	500	105.6	5.8	BB-/Ba3/-
Armenia	ARMEN	XS2010043904	USD	4.0%	Government	Sep-29	7.67	500	92.9	4.9	BB-/Ba3/-
Belarus	BELRUS	XS1634369067	USD	6.9%	Government	Feb-23	2.50	800	98.5	7.5	B/B3/B
Belarus	BELRUS	XS1634369224	USD	7.6%	Government	Jun-27	5.31	600	99.6	7.7	B/B3/B
Belarus	BELRUS	XS1760804184	USD	6.2%	Government	Feb-30	7.03	600	90.6	7.6	B/B3/B
Kazakhstan	KAZAKS	XS1120709669	USD	3.9%	Government	Oct-24	4.10	1,500	105.7	2.5	BBB/Baa3/BBB-
Kazakhstan	KAZAKS	XS1263054519	USD	5.1%	Government	Jul-25	4.57	2,500	110.9	2.9	BBB/Baa3/BBB-
Kazakhstan	KAZAKS	XS1263139856	USD	6.5%	Government	Jul-45	13.86	1,500	132.7	4.4	BBB/Baa3/BBB-
Kazakhstan	KAZAKS	XS1120709826	USD	4.9%	Government	Oct-44	14.87	1,000	113.7	4.0	BBB/Baa3/BBB-
Russia	RUSSIA	XS0504954347	USD	5.0%	Government	Apr-20	0.01	3,500	100.0	-0.5	BBB/Baa3/BBB-
Russia	RUSSIA	XS0767472458	USD	4.5%	Government	Apr-22	1.86	2,000	105.0	1.8	BBB/Baa3/BBB-
Russia	RUSSIA	XS0971721450	USD	4.9%	Government	Sep-23	3.13	3,000	109.1	2.1	BBB/Baa3/BBB-
Russia	RUSSIA	RU000A0JWHA4	USD	4.8%	Government	May-26	5.22	3,000	110.2	2.9	BBB/-/-
Russia	RUSSIA	XS0088543193	USD	12.8%	Government	Jun-28	5.74	2,500	167.3	3.3	BBB/Baa3/BBB-
Russia	RUSSIA	RU000A0JXTS9	USD	4.3%	Government	Jun-27	6.11	2,405	108.0	3.0	BBB/-/-
Russia	RUSSIA	RU000A0ZYNN4	USD	4.4%	Government	Mar-29	7.40	3,000	110.1	3.1	BBB/-/-
Russia	RUSSIA	RU000A1006S9	USD	5.1%	Government	Mar-35	10.76	4,000	117.0	3.6	BBB/-/-
Russia	RUSSIA	XS0767473852	USD	5.6%	Government	Apr-42	13.59	3,000	125.6	3.9	BBB/Baa3/BBB-
Russia	RUSSIA	XS0971721963	USD	5.9%	Government	Sep-43	13.95	1,500	129.7	3.9	BBB/Baa3/BBB-
Russia	RUSSIA	RU000A0JXU14	USD	5.3%	Government	Jun-47	15.47	7,000	123.1	3.9	BBB/-/-
Ukraine	UKRAIN	XS1303918939	USD	7.8%	Government	Sep-20	0.33	1,780	97.5	15.2	B/Caa1/B
Ukraine	UKRAIN	XS1303920083	USD	7.8%	Government	Sep-21	1.23	1,409	97.0	10.2	B/Caa1/B
Ukraine	UKRAIN	XS1303921214	USD	7.8%	Government	Sep-22	2.06	1,384	96.1	9.6	B/Caa1/B
Ukraine	UKRAIN	XS1303921487	USD	7.8%	Government	Sep-23	2.83	1,355	94.8	9.6	B/Caa1/B
Ukraine	UKRAIN	XS1303925041	USD	7.8%	Government	Sep-24	3.54	1,339	93.9	9.5	B/Caa1/B
Ukraine	UKRAIN	XS1303925470	USD	7.8%	Government	Sep-25	4.19	1,329	93.1	9.4	B/Caa1/B
Ukraine	UKRAIN	XS1303926528	USD	7.8%	Government	Sep-26	4.77	1,318	91.3	9.6	B/Caa1/B
Ukraine	UKRAIN	XS1303927179	USD	7.8%	Government	Sep-27	5.32	1,307	90.7	9.5	B/Caa1/B
Ukraine	UKRAIN	XS1902171757	USD	9.8%	Government	Nov-28	5.37	1,600	96.6	10.4	B/-/B

Issuer	Ticker	ISIN	Currency	Coupon	Sector	Maturity	Duration	Amount, US\$ mn	Mid price	YTM Mid	Ratings (Moody's/Fitch/S&P)
Corporate Eurobonds											
SILKNET JSC	SILNET	XS1843443430	USD	11.0%	Communications	Apr-24	3.01	200	89.5	14.6	B+/B1/-
TURK TELEKOMUNIKASYON AS	TURKTI	XS1028951264	USD	4.9%	Communications	Jun-24	3.59	500	91.6	7.3	BB-/-/BB-
TURK TELEKOMUNIKASYON AS	TURKTI	XS1955059420	USD	6.9%	Communications	Feb-25	3.98	500	96.6	7.7	BB-/-/BB-
TURKCELL ILETISIM HIZMET	TCELLT	XS1298711729	USD	5.8%	Communications	Oct-25	4.56	500	92.8	7.4	BB-/B1/BB-
TURKCELL ILETISIM HIZMET	TCELLT	XS1803215869	USD	5.8%	Communications	Apr-28	6.15	500	90.5	7.4	BB-/-/BB-
SOUTHERN GAS CORRIDOR	SGCAZE	XS1319820897	USD	6.9%	Energy	Mar-26	4.81	2000	104.7	5.9	BB+/-Ba2/-
STATE OIL CO OF THE AZER	SOIAZ	XS0903465127	USD	4.8%	Energy	Mar-23	2.64	1000	99.7	4.9	BB+/-Ba2/BB-
STATE OIL CO OF THE AZER	SOIAZ	XS1196496688	USD	7.0%	Energy	Mar-30	7.19	750	109.4	5.7	BB+/-/BB-
GEORGIAN OIL & GAS CORP	GEOROG	XS1319820384	USD	6.8%	Energy	Apr-21	0.93	250	96.9	10.1	BB-/-/BB-/-
KAZMUNAYGAS NATIONAL CO	KZOKZ	XS1595713279	USD	3.9%	Energy	Apr-22	1.88	500	99.0	4.4	BBB-/Baa3/BB
KAZMUNAYGAS NATIONAL CO	KZOKZ	XS0925015074	USD	4.4%	Energy	Apr-23	2.73	1000	100.1	4.4	BBB-/Baa3/BB
KAZMUNAYGAS NATIONAL CO	KZOKZ	XS1807299174	USD	4.8%	Energy	Apr-25	4.40	500	100.5	4.6	BBB-/Baa3/-
KAZMUNAYGAS NATIONAL CO	KZOKZ	XS1595713782	USD	4.8%	Energy	Apr-27	5.86	1000	98.4	5.0	BBB-/Baa3/BB
KAZMUNAYGAS NATIONAL CO	KZOKZ	XS1807300105	USD	5.4%	Energy	Apr-30	7.66	1250	100.7	5.3	BBB-/Baa3/-
KAZTRANS GAS JSC	KZTGKZ	XS1682544157	USD	4.4%	Energy	Sep-27	6.20	750	95.2	5.2	BBB-/Baa3/-
TUPRAS-TURKIYE PETROL RA	TUPRST	XS1686704948	USD	4.5%	Energy	Oct-24	3.91	700	87.3	7.9	BB-/B1/-
GEORGIAN RAILWAY JSC	GRAIL	XS0800346362	USD	7.8%	Industrial	Jul-22	1.95	500	99.5	8.0	BB-/-/B+
INTERNATIONAL BANK OF AZ	IBAZAZ	XS1678463784	USD	3.5%	Financial	Sep-24	3.87	1000	85.2	7.6	B-/-/-
BANK OF GEORGIA JSC	GEBGG	XS1405775880	USD	6.0%	Financial	Jul-23	2.88	350	100.9	5.7	BB-/Ba2/-
TBC BANK JSC	TBCBGE	XS1843434363	USD	5.8%	Financial	Jun-24	3.52	300	93.1	7.7	BB-/Ba2/-
AKBANK TAS	AKBNK	USM0375YAK49	USD	5.0%	Financial	Oct-22	2.28	500	94.8	7.3	B+/B2/-
AKBANK TAS	AKBNK	XS1210422074	USD	5.1%	Financial	Mar-25	4.18	500	87.5	8.3	B+/B2/-
TC ZIRAAT BANKASI AS	TCZIRA	XS1223394914	USD	4.8%	Financial	Apr-21	0.94	500	98.5	6.3	B+/B2/-
TC ZIRAAT BANKASI AS	TCZIRA	XS1605397394	USD	5.1%	Financial	May-22	1.81	600	94.3	8.2	B+/B2/-
TC ZIRAAT BANKASI AS	TCZIRA	XS1691349010	USD	5.1%	Financial	Sep-23	3.03	500	90.9	8.2	B+/B2/-
TURKIYE GARANTI BANKASI	GARAN	USM8931TAA71	USD	6.3%	Financial	Apr-21	0.94	500	100.4	5.8	B+/B2/-
TURKIYE GARANTI BANKASI	GARAN	USM8931TAF68	USD	5.3%	Financial	Sep-22	2.17	750	95.9	7.1	B+/B2/-
TURKIYE GARANTI BANKASI	GARAN	XS1576037284	USD	5.9%	Financial	Mar-23	2.58	500	95.9	7.5	B+/B2/-
TURKIYE GARANTI BANKASI	GARAN	XS2094608580	USD	5.3%	Financial	Dec-24	3.92	50	89.9	7.9	B-/-/-
TURKIYE IS BANKASI A.S	ISCTR	XS1079527211	USD	5.0%	Financial	Jun-21	1.09	750	98.8	6.1	B+/B3/-
TURKIYE IS BANKASI A.S	ISCTR	XS1390320981	USD	5.4%	Financial	Oct-21	1.36	750	98.5	6.5	B+/B3/-
TURKIYE IS BANKASI A.S	ISCTR	XS1508390090	USD	5.5%	Financial	Apr-22	1.84	600	97.0	7.2	B+/B3/-
TURKIYE IS BANKASI A.S	ISCTR	XS0847042024	USD	6.0%	Financial	Oct-22	2.23	1000	91.6	9.9	B/Caa2/-
TURKIYE IS BANKASI A.S	ISCTR	XS1003016018	USD	7.9%	Financial	Dec-23	2.96	400	94.2	9.8	B/Caa3/-
TURKIYE IS BANKASI A.S	ISCTR	XS1578203462	USD	6.1%	Financial	Apr-24	3.44	1250	92.6	8.3	B+/B3/-
TURKIYE IS BANKASI A.S	ISCTR	XS2041003901	USD	8.1%	Financial	Dec-29	5.98	50	86.9	10.3	B-/-/-

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