

# Regional Fixed Income Market Watch

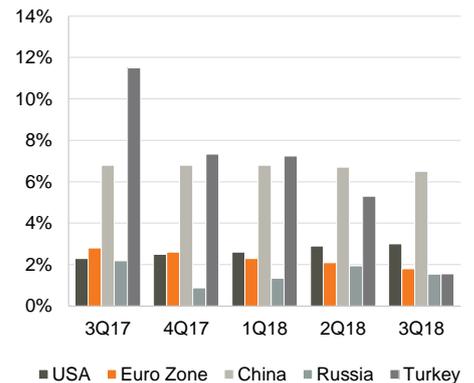
Georgia, Armenia, Azerbaijan, Belarus, Kazakhstan, Ukraine

Regional | Fixed Income  
 Monthly Bulletin  
 January 18, 2019

## Highlights

- Real GDP growth in the US was revised down to an annualized 3.4% y/y (3rd estimate) from 3.5% y/y (2nd estimate) in 3Q18. Unemployment rate was 3.9% in December 2018, up from 3.7% in previous month.
- Economic growth came in at 1.8% y/y in Russia, 2.2% y/y in Georgia, 3.6% y/y in Armenia and 4.3% y/y in Kazakhstan in November 2018, based on rapid estimates. In 11M18, real GDP growth was 3.2% y/y in Belarus and 1.0% y/y in Azerbaijan. Ukrainian economy grew by 2.8% y/y in 3Q18.
- Annual inflation in the US was 1.9% in December 2018, down from 2.2% in previous month. Based on the Eurostat flash estimate, annual inflation in EU19 was 1.6% in December 2018, down from 1.9% in November 2018.
- In December 2018, annual inflation was below the target level in Georgia (1.5%), Armenia (1.8%), and Belarus (5.6%); inflation was within the target range in Kazakhstan (5.3%), and above the target in Russia (4.3%), Ukraine (9.8%) and Turkey (20.3%). Annual inflation was 1.7% in Azerbaijan.
- Monetary policy rate was raised to 7.75% from 7.5% in Russia in December 2018 and has remained unchanged in other countries.
- Moody's upgraded credit rating of Ukraine to Caa1 from Caa2 and changed the outlook to stable in December 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		
	2017	2018F	2019F	2017	2018F	2019F	2017	2018F	2019F	2017	2018F	2019F	2017	2018F	2019F	2017	2018F	2019F
Armenia	7.5%	6.0%	4.8%	11.5	12.5	13.3	3,857	4,190	4,447	0.9%	3.0%	4.4%	-4.8%	-2.7%	-2.2%	-2.8%	-3.8%	-3.8%
Azerbaijan	0.1%	1.3%	3.6%	40.7	45.6	48.1	4,141	4,587	4,779	13.0%	3.5%	3.3%	-1.7%	4.8%	6.5%	4.1%	6.6%	8.1%
Belarus	2.4%	4.0%	3.1%	54.4	56.9	60.0	5,727	6,020	6,372	6.0%	5.5%	5.5%	-0.3%	-2.4%	-4.3%	-1.7%	-2.5%	-4.2%
Georgia	4.8%	5.0%	4.6%	15.1	16.5	17.2	4,047	4,400	4,600	6.0%	2.8%	3.1%	-0.9%	-0.9%	-2.2%	-8.8%	-9.0%	-9.5%
Kazakhstan	4.0%	3.7%	3.1%	159.4	184.2	195.7	8,762	9,977	10,447	7.4%	6.4%	5.6%	-6.4%	1.4%	1.4%	-3.4%	-0.2%	0.2%
Ukraine	2.5%	3.5%	2.7%	112.1	126.4	132.9	2,656	2,964	3,133	14.4%	10.9%	7.3%	-2.2%	-2.5%	-2.6%	-1.9%	-3.1%	-3.9%
Russia	1.5%	1.7%	1.8%	1,577.5	1,576.5	1,649.2	10,956	10,950	11,461	3.7%	2.8%	5.1%	-1.5%	1.6%	1.8%	2.2%	6.2%	5.2%
Turkey	7.4%	3.5%	0.4%	851.5	713.5	631.2	10,537	8,716	7,615	11.1%	15.0%	16.7%	-2.3%	-4.0%	-5.1%	-5.6%	-5.7%	-1.4%

Source: IMF, Statistic Offices, Central Banks

## 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	Caa1	Caa1	stable	B-	B-	stable
Russia	BBB-	BBB-	positive	Ba1	Ba1	positive	BBB	BBB-	stable
Turkey	BB+	BB	negative	Ba3	Ba3	negative	BB-	B+	stable

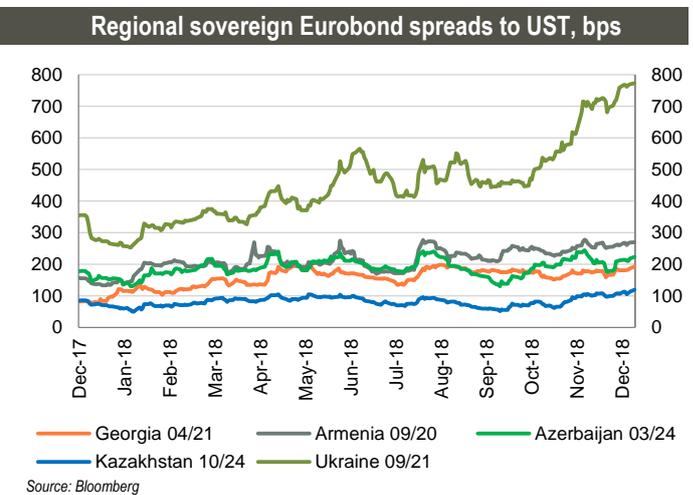
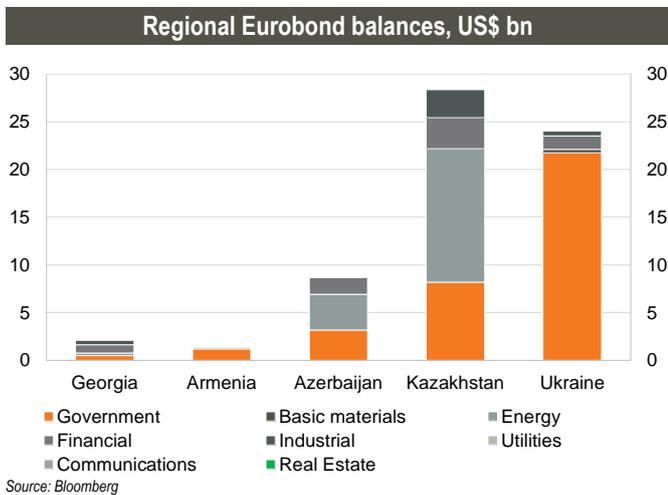
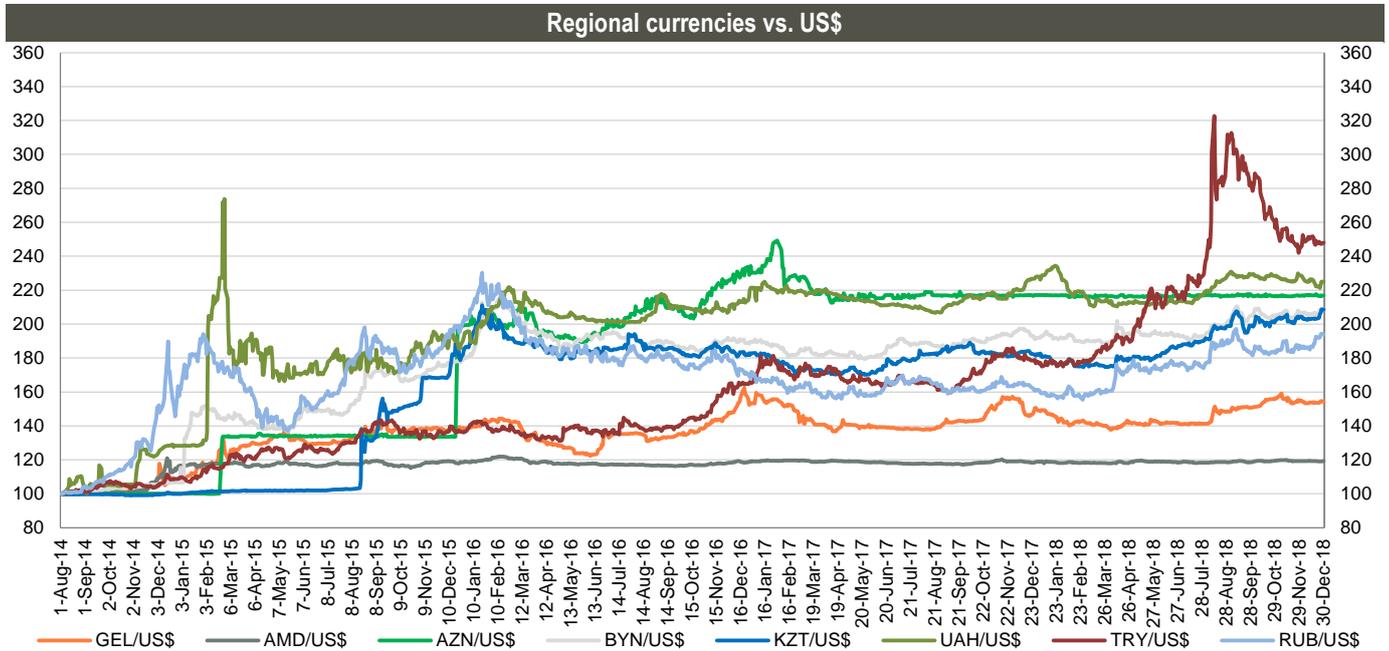
Source: Fitch Ratings, S&P Global, Moody's

## Monetary stance

	Inflation, y/y		MPR
	Dec-18	Dec-18	
Armenia	1.8%	6.0%	
Azerbaijan	1.7%	9.75%	
Belarus	5.6%	10.0%	
Georgia	1.5%	7.0%	
Kazakhstan	5.3%	9.25%	
Ukraine	9.8%	18.0%	
Russia	4.3%	7.75%	
Turkey	20.3%	24.0%	

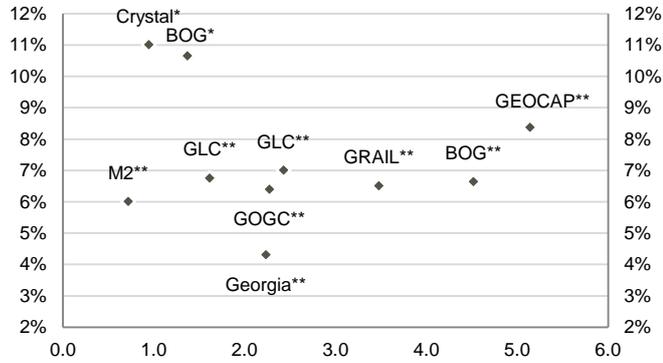
Source: Central banks, Statistics Offices

# Eurobonds



# Snapshot: Georgia

Yield curve

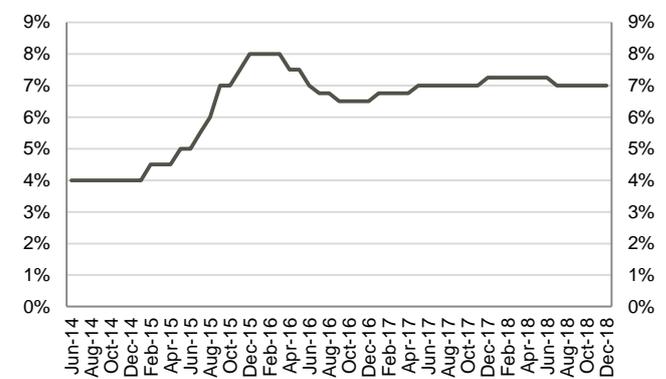


Remaining maturity

\*In GEL; \*\*In US\$

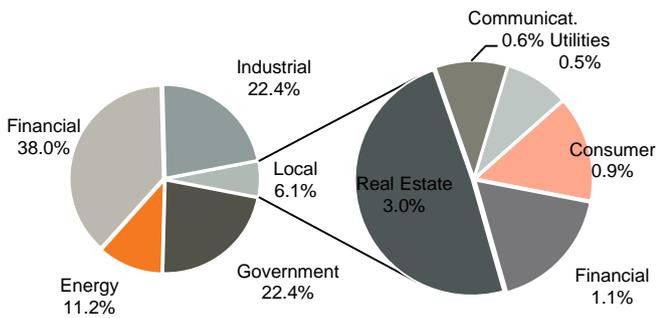
Source: Bloomberg, Galt & Taggart

Monetary policy rate



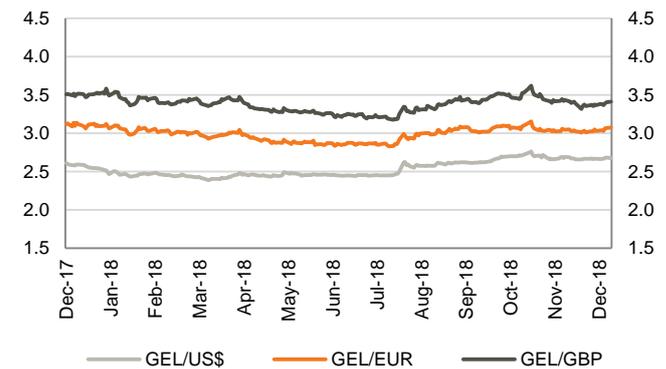
Source: National Bank of Georgia

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



Source: Bloomberg

Foreign exchange rates



Source: Bloomberg

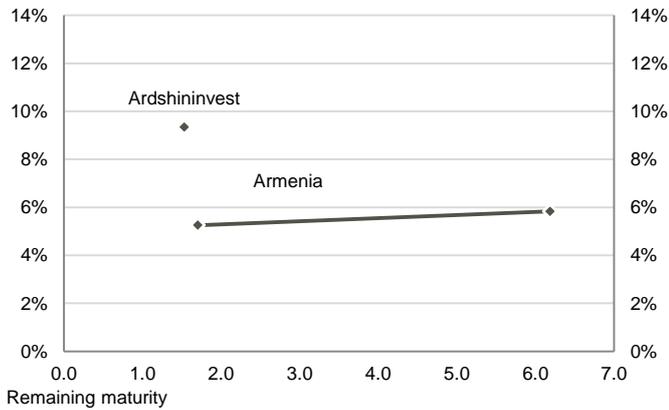
Bond performance

Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's/Scope)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Georgia	US\$	Government	GEORG	Apr-21	6.88%	BB-/BB-/Ba2/-	500	105.08	4.41	London
Georgian Oil & Gas Corp	US\$	Energy	GEOROG	Apr-21	6.75%	BB-/B+/-/-	250	100.35	6.43	London
Bank Of Georgia	US\$	Financial	GEBGG	Jul-23	6.00%	BB-/-/Ba2/-	350	97.58	6.51	Dublin
Bank Of Georgia	GEL	Financial	GEBGG	Jun-20	11.00%	BB-/-/Ba2/-	500	99.60	10.65	Dublin
Georgian Railway	US\$	Industrial	GRAIL	Jul-22	7.75%	B+/B+/-/-	500	103.52	6.52	London
Georgia Capital	US\$	Financial	GEOCAP	Mar-24	6.13%	-/B+/B2/-	300	90.90	8.24	Dublin
GWP	GEL	Utilities	GEWRPW	Dec-21	10.50%**	BB-*/-/-/-	30	N/A	N/A	Georgia
M2 Real Estate	US\$	Real Estate	\$M204J	Oct-19	7.50%	-/-/-	25	101.16	6.00	Georgia
Georgian Leasing Co	US\$	Financial	\$GLC02K	Aug-20	7.00%	B+/-/-/-	10	100.38	6.75	Georgia
Georgian Leasing Co	US\$	Financial	\$GLC03L	Jun-21	6.50%	B+/-/-/-	5	98.87	7.00	Georgia
Nikora	US\$	Consumer	\$NKR01J	Jun-19	9.00%	-/-/B+*	10	N/A	N/A	Georgia
Silknet	GEL	Communications	\$SLK01M	Aug-22	10.50%**	B+*/-/-/-	34	N/A	N/A	Georgia
MFO Crystal	GEL	Financial	\$CRS01J	Dec-19	11.50%**	B/-/-/-	10	100.89	11.25	Georgia
Georgian Beer Company	GEL	Consumer	\$GBC01N	Dec-23	11.00%	-/-/BB-	25	N/A	N/A	Georgia
Lisi Lake Development	US\$	Real Estate	\$LLD01L	Dec-21	8.00%	-/-/B+	12	N/A	N/A	Georgia
M2 Commercial Assets	US\$	Real Estate	N/A	Dec-21	7.50%	-/-/-	30	N/A	N/A	Not Listed

\*Company ratings; \*\*Floating rate  
Source: Bloomberg, Galt & Taggart

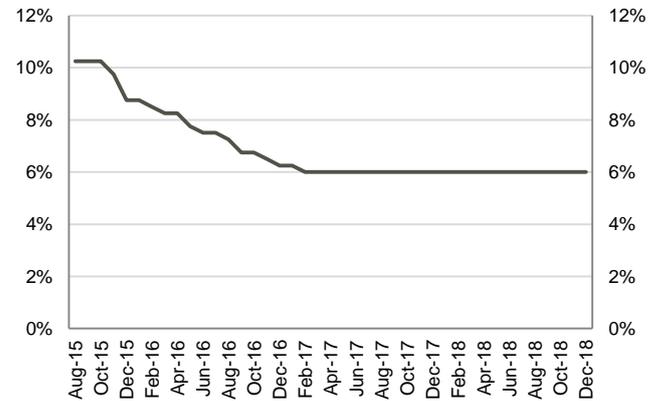
# Snapshot: Armenia

Yield curve



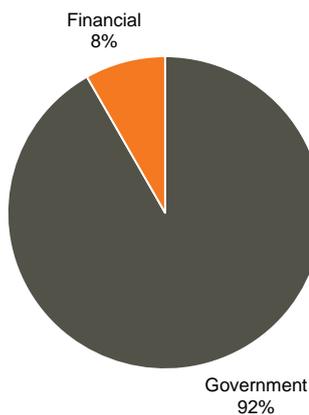
Source: Bloomberg

Monetary policy rate



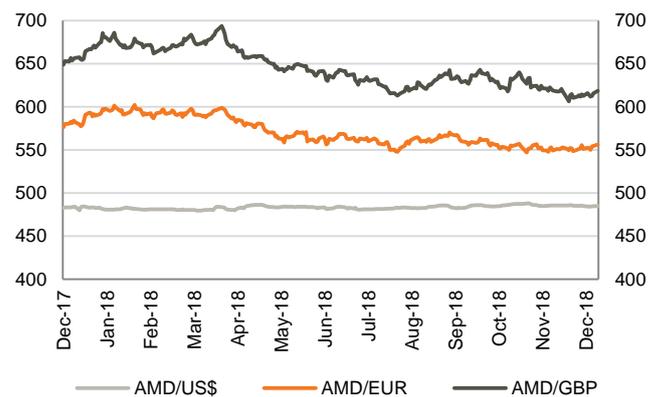
Source: Central Bank of Armenia

Bond universe by sector (US\$ 1.3bn total)



Source: Bloomberg

Foreign exchange rates



Source: Bloomberg

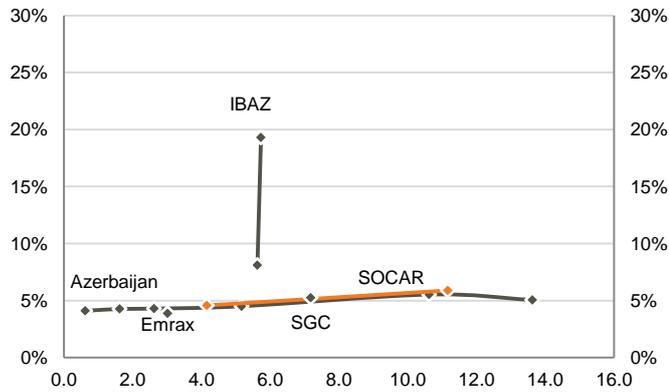
Bond performance

Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Armenia	US\$	Government	ARMEN	Sep-20	6.00%	B+/-/B1	700	101.80	4.73	Dublin
Republic Of Armenia	US\$	Government	ARMEN	Mar-25	7.15%	B+/-/B1	500	106.62	5.83	Dublin
Ardshinvestbk	US\$	Financial	ARBANK	Jul-20	12.00%	B+/-/B1	100	103.25	9.35	Dublin
Armswissbank	US\$	Financial	ARMSWI	Apr-19	8.00%	-/-	3	N/A	N/A	Armenia
Armswissbank	US\$	Financial	ARMSWI	Apr-20	8.50%	-/-	5	N/A	N/A	Armenia

Source: Bloomberg

# Snapshot: Azerbaijan

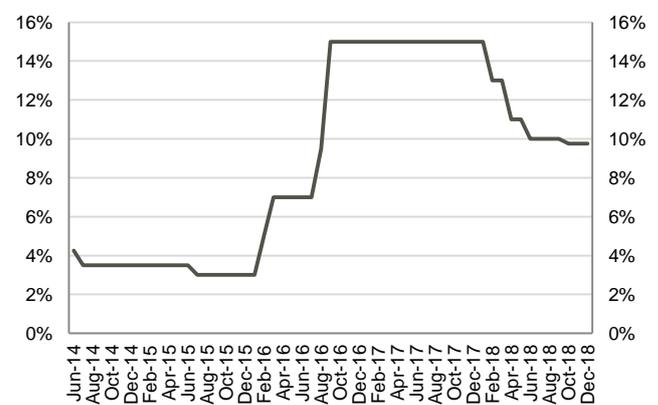
Yield curve



Remaining maturity

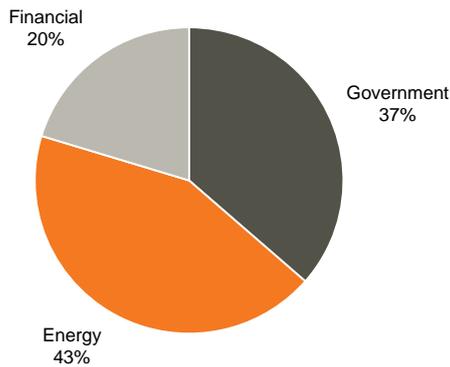
Source: Bloomberg

Monetary policy rate



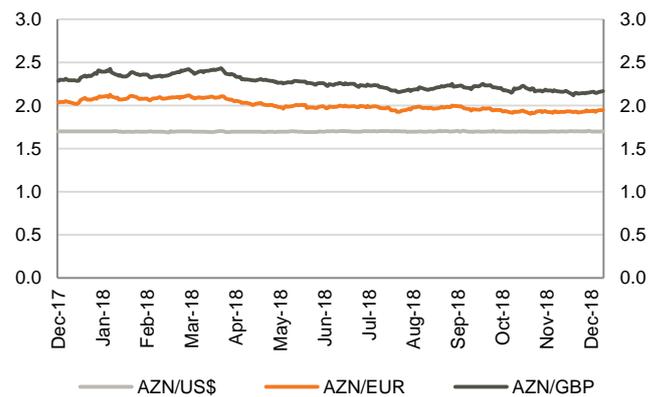
Source: Central Bank of Azerbaijan

Bond universe by sector (US\$ 8.7bn total)



Source: Bloomberg

Foreign exchange rates



Source: Bloomberg

Bond performance

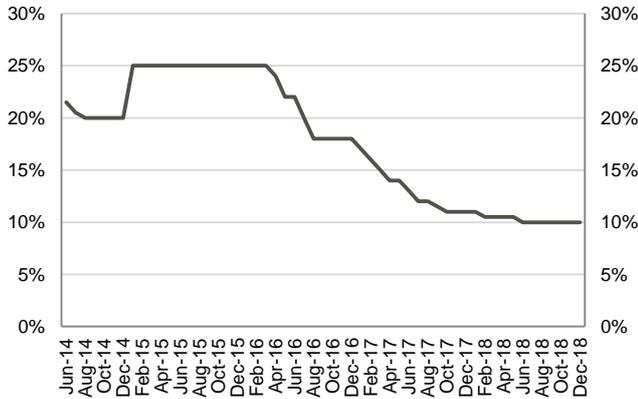
Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Azerbaijan	US\$	Government	AZERBJ	Sep-19	2.82%	BB+/-/Ba2	174	99.09	4.11	Not Listed
Republic Of Azerbaijan	US\$	Government	AZERBJ	Sep-20	2.82%	BB+/-/Ba2	174	97.28	4.27	Not Listed
Republic Of Azerbaijan	US\$	Government	AZERBJ	Sep-21	2.82%	BB+/-/Ba2	174	95.88	4.30	Not Listed
Republic Of Azerbaijan	US\$	Government	AZERBJ	Mar-24	4.75%	BB+/-/Ba2	1,250	100.94	4.51	Stuttgart
Republic Of Azerbaijan	US\$	Government	AZERBJ	Sep-29	5.13%	BB+/-/Ba2	311	96.57	5.53	Not Listed
Republic Of Azerbaijan	US\$	Government	AZERBJ	Sep-32	3.50%	BB+/-/Ba2	1,077	84.66	5.05	Not Listed
Southern Gas Corridor	US\$	Energy	SGCAZE	Mar-26	6.88%	BB+/-/Ba2	2,000	109.34	5.27	Dublin
SOCAR	US\$	Energy	SOIAZ	Mar-23	4.75%	BB+/BB-/Ba2	1,000	100.51	4.58	London
SOCAR	US\$	Energy	SOIAZ	Mar-30	6.95%	BB+/BB-/NR	750	108.43	5.89	London
Emraxbank	US\$	Financial	EMRXAZ	Jan-22	9.00%	-/-	10	114.09	3.90	Baku
IBAZ	US\$	Financial	IBAZAZ	Jun-19	5.63%	WD/-/WR	500	N/A	N/A	Stuttgart
IBAZ	US\$	Financial	IBAZAZ	Sep-24	3.50%	B-/-	1,000	79.06	8.11	Not Listed
IBAZ	US\$	Financial	IBAZAZ	Oct-24	8.25%	-/-/WR	250	62.63	19.31	Dublin

Source: Bloomberg



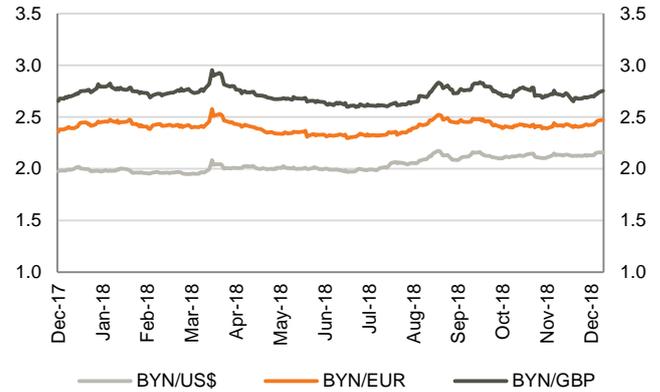
# Snapshot: Belarus

Monetary policy rate



Source: National Bank of Belarus

Foreign exchange rates



Source: Bloomberg

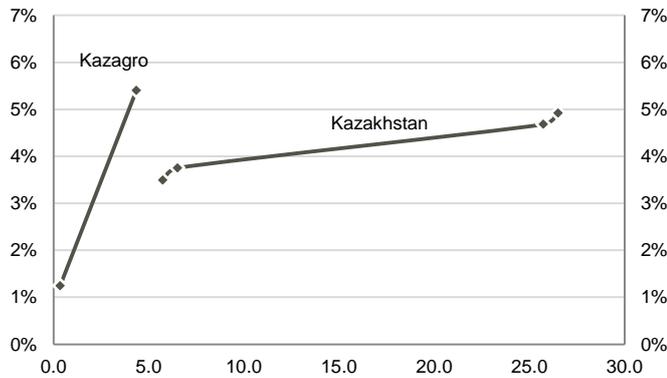
Bond performance

Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Belarus	US\$	Government	BELRUS	Feb-23	6.88%	B/B/B3	800	102.84	6.02	Dublin
Republic Of Belarus	US\$	Government	BELRUS	Jun-27	7.63%	B/B/B3	600	103.77	6.98	Dublin
Republic Of Belarus	US\$	Government	BELRUS	Feb-30	6.20%	B/B/B3	600	93.36	7.04	Dublin

Source: Bloomberg

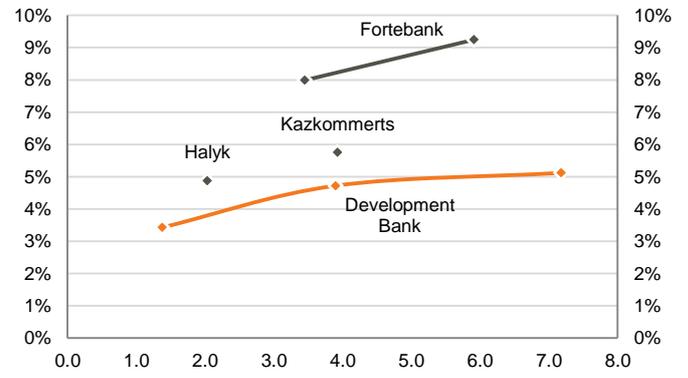
# Snapshot: Kazakhstan

**Yield curve (sovereign)**



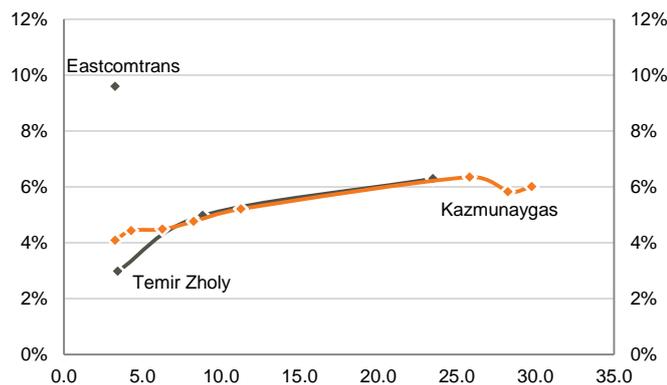
Remaining maturity  
Source: Bloomberg

**Yield curve (banks)**



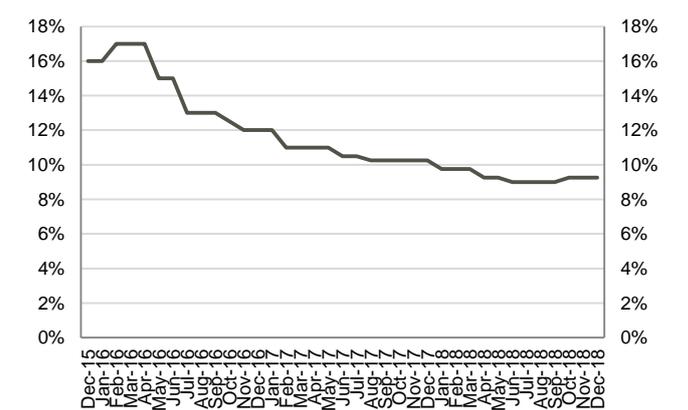
Remaining maturity  
Source: Bloomberg

**Yield curve (other sectors)**



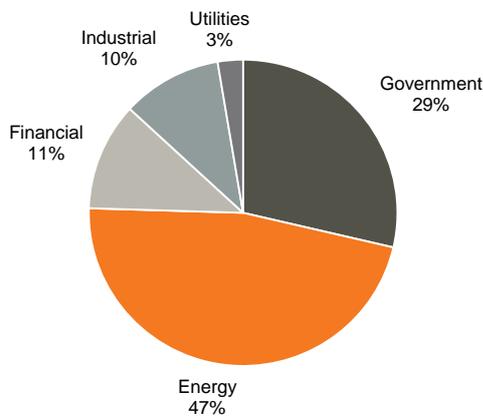
Remaining maturity  
Source: Bloomberg

**Monetary policy rate**



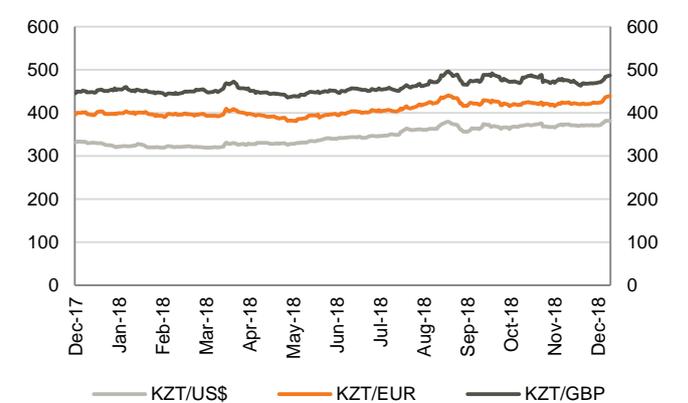
Source: National Bank of Kazakhstan

**Bond universe by sector (US\$ 28.4bn total)**



Source: Bloomberg

**Foreign exchange rates**



Source: Bloomberg

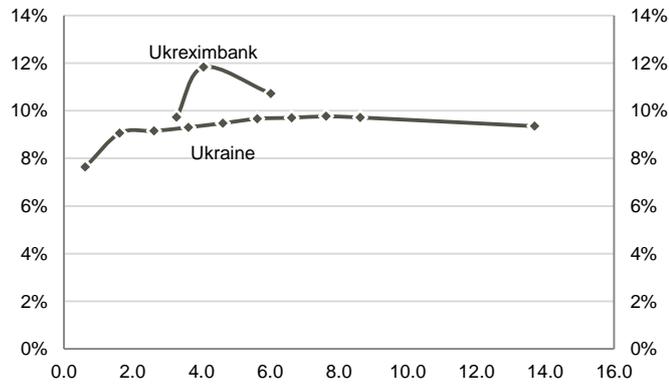
**Bond performance**

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	KAZAKS	Oct-24	3.88%	BBB/BBB-/Baa3	1,500	101.84	3.49	London
Republic Of Kazakhstan	US\$	Government	KAZAKS	Jul-25	5.13%	BBB/BBB-/Baa3	2,500	107.69	3.75	London
Republic Of Kazakhstan	US\$	Government	KAZAKS	Oct-44	4.88%	BBB/BBB-/Baa3	1,000	102.76	4.68	London
Republic Of Kazakhstan	US\$	Government	KAZAKS	Jul-45	6.50%	BBB/BBB-/Baa3	1,500	123.13	4.92	London
Kazagro Natl Mgmt Hldg	EUR	Government	KAZNMH	May-19	3.26%	BBB-/NR/Ba1	600	100.23	1.25	Dublin
Kazagro Natl Mgmt Hldg	US\$	Government	KAZNMH	May-23	4.63%	BBB-/NR/Ba1	1,000	96.99	5.40	Dublin
Kazmunaygas National Co	US\$	Energy	KZOKZ	May-20	7.00%	BBB-/BB/WR	1,500	N/A	N/A	Frankfurt
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-21	6.38%	BBB-/BB/WR	1,250	N/A	N/A	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-22	3.88%	BBB-/BB/Baa3	500	99.27	4.08	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-23	4.40%	BBB-/BB/Baa3	1,000	99.74	4.43	Kazakhstan
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-25	4.75%	BBB-/BB/Baa3	500	101.29	4.48	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	May-25	4.88%	BBB-/BB/Baa3	500	N/A	N/A	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-27	4.75%	BBB-/BB/Baa3	1,000	99.73	4.76	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-30	5.38%	BBB-/BB/Baa3	1,250	101.26	5.21	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-43	5.75%	BBB-/BB/WR	2,000	N/A	N/A	Kazakhstan
Kazmunaygas National Co	US\$	Energy	KZOKZ	Nov-44	6.00%	BBB-/BB/Baa3	1,000	95.02	6.35	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-47	5.75%	BBB-/BB/Baa3	1,250	98.87	5.82	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Oct-48	6.38%	BBB-/BB/Baa3	1,500	104.89	6.01	London
Kaztransgas	US\$	Utilities	KZTGKZ	Sep-27	4.38%	BBB-/BB/Baa3	750	95.45	5.01	Dublin
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Jun-20	6.50%	BBB-/BB+/Baa3	100	103.63	3.43	Kazakhstan
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Dec-22	4.13%	BBB-/BB+/Baa3	1,425	97.67	4.72	London
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Mar-26	6.00%	BBB-/BB+/Baa3	150	104.96	5.12	Kazakhstan
Fortebank	US\$	Financial	ALLIBK	Jun-22	14.00%	NR/B/-	61	117.42	7.99	Kazakhstan
Fortebank	US\$	Financial	ALLIBK	Dec-24	11.75%	B/B/-	237	110.86	9.25	Kazakhstan
Halyk Savings Bank-Kaz.	US\$	Financial	HSBKKZ	Jan-21	7.25%	BB/BB/Ba3	500	104.27	4.88	London
Kazkommertsbank	US\$	Financial	KKB	Dec-22	5.50%	BB/BB/-	750	99.01	5.75	Kazakhstan
Eastcomtrans	US\$	Industrial	EASTCM	Apr-22	8.00%	WD/-/B3	100	95.12	9.60	London
Kazakhstan Temir Zholy	CHF	Industrial	KTZKZ	Jun-19	2.59%	BBB-/BB-/Baa3	100	100.93	0.17	Zurich
Kazakhstan Temir Zholy	US\$	Industrial	KTZKZ	Oct-20	6.38%	WD/NR/WR	700	N/A	N/A	London
Kazakhstan Temir Zholy	CHF	Industrial	KTZKZ	Jun-22	3.64%	BBB-/BB-/Baa3	185	101.93	2.98	Zurich
Kazakhstan Temir Zholy	US\$	Industrial	KTZKZ	Nov-27	4.85%	BBB-/BB-/Baa3	780	99.02	4.97	Dublin
Kazakhstan Temir Zholy	US\$	Industrial	KTZKZ	Jul-42	3.88%	BBB-/BB-/Baa3	1,100	107.79	6.29	London

Source: Bloomberg

# Snapshot: Ukraine

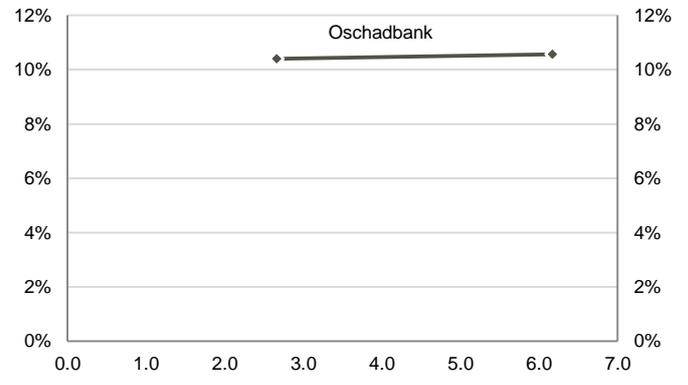
**Yield curve (sovereign)**



Remaining maturity

Source: Bloomberg

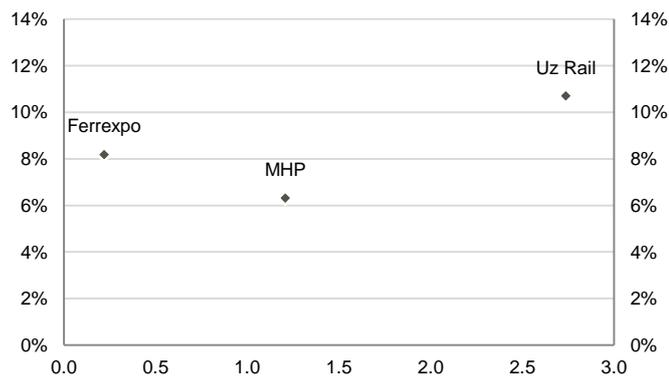
**Yield curve (banks)**



Remaining maturity

Source: Bloomberg

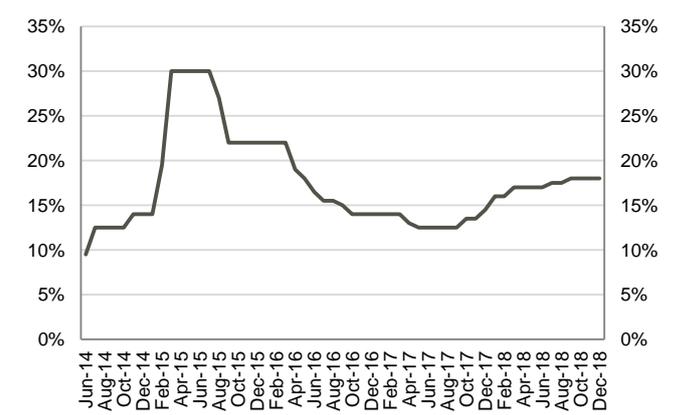
**Yield curve (other sectors)**



Remaining maturity

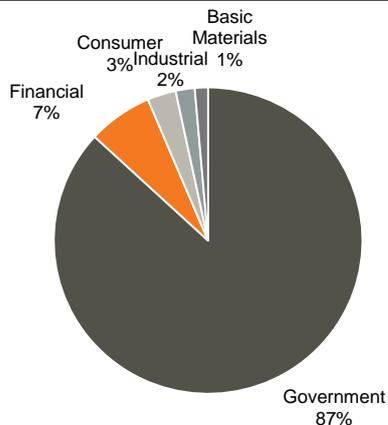
Source: Bloomberg

**Monetary policy rate**



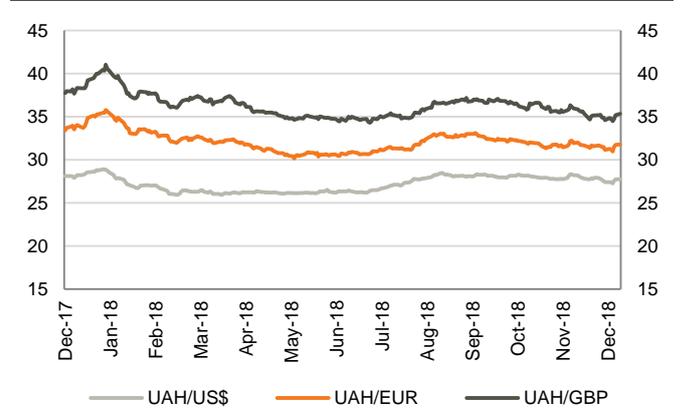
Source: National Bank of Ukraine

**Bond universe by sector (US\$ 25.0bn 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-/Caa1	1,822	99.76	7.64	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-20	7.75%	B-/B-/Caa1	1,780	97.88	9.06	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-21	7.75%	B-/B-/Caa1	1,409	96.50	9.15	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-22	7.75%	B-/B-/Caa1	1,384	95.09	9.30	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-23	7.75%	B-/B-/Caa1	1,355	93.44	9.48	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-24	7.75%	B-/B-/Caa1	1,339	91.68	9.66	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-25	7.75%	B-/B-/Caa1	1,329	90.36	9.71	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-26	7.75%	B-/B-/Caa1	1,318	89.08	9.76	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-27	7.75%	B-/B-/Caa1	1,307	88.41	9.72	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-32	7.38%	B-/B/-	3,000	84.69	9.35	Dublin
Ukraine Government	US\$	Government	UKRAIN	May-40	0.00%	-B/-	3,239	58.50	N/A	Dublin
Aid-Ukraine	US\$	Government	AID	Sep-21	1.47%	-/-	1,000	96.95	2.64	Frankfurt
Ukreximbank	US\$	Government	EXIMUK	Apr-22	9.63%	B-/Caa1	750	99.50	9.72	Dublin
Ukreximbank	US\$	Government	EXIMUK	Feb-23	9.00%	CCC-/Caa2	125	93.19	11.83	Dublin
Ukreximbank	US\$	Government	EXIMUK	Jan-25	9.75%	B-/Caa1	600	95.69	10.72	Dublin
Ferrexpo Finance	US\$	Basic Materials	FXPOLN	Apr-19	10.38%	B+/B/B3	186	100.15	8.18	Dublin
Ferrexpo Finance	US\$	Basic Materials	FXPOLN	Apr-19	10.38%	B+/B/B3	161	100.31	7.79	Dublin
MHP	US\$	Consumer	MHPSA	Apr-20	8.25%	B/B/-	750	101.88	6.32	Dublin
Privatbank	US\$	Financial	PRBANK	Feb-21	11.00%	-/-	220	N/A	N/A	Channel Isl.
Oschadbank	US\$	Financial	OSCHAD	Mar-23	9.38%	B-/Caa1	700	99.81	9.33	Dublin
Oschadbank	US\$	Financial	OSCHAD	Mar-25	9.63%	B-/Caa1	500	95.61	10.56	Dublin
Uz Rail Via Shortline	US\$	Industrial	RAILUA	Sep-21	9.88%	B-/CCC+/-	500	98.60	10.40	Dublin

Source: Bloomberg

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