



Regional Fixed Income Market Watch

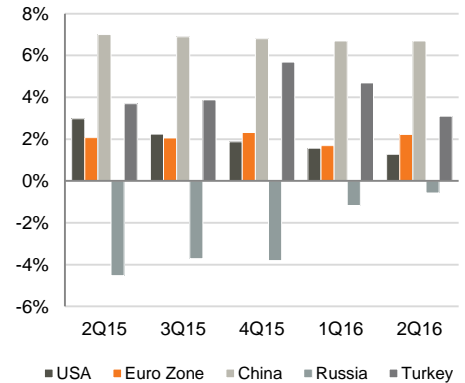
Georgia, Armenia, Azerbaijan, Belarus, Kazakhstan, Ukraine

Regional | Fixed Income
Monthly Bulletin
October 10, 2016

Highlights

- FED decided not to raise rates in the September 2016 meeting, increasing the likelihood of a rate increase in the December 2016 meeting.
- According to preliminary data, growth remained in negative territory in Azerbaijan and Belarus, with the respective economies contracting 3.1% y/y and 3.0% y/y in 8M16.
- Contraction in Armenia eased from 4.3% y/y in July 2016 to 0.5% y/y in August 2016. Growth accelerated in Georgia and Ukraine to 2.9% y/y and 2.7% y/y, respectively, from 2.1% y/y and 1.7% y/y in the previous month, while growth in Kazakhstan retreated from 0.6% y/y to 0.2% y/y.
- Inflation remained at double-digit levels in Kazakhstan, Azerbaijan, and Belarus; retreated from 7.2% y/y in July 2016 to 6.9% y/y in August 2016 in Russia; and increased from 7.9% y/y to 8.4% y/y in Ukraine. Inflation in Georgia was below 1.0% y/y in August 2016, while the price level in Armenia declined 1.9% y/y after a 1.3% y/y decline in July.
- Development company, M², completed its fourth successful issuance of US\$-denominated bonds – the largest to date by a Georgian company. The US\$ 25mn issuance on October 7, 2016, carries an annual coupon rate of 7.5%, payable semi-annually, with a maturity of three years. Galt & Taggart served as the sole placement agent. The bonds will be listed on the Georgian stock exchange.

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		
	2015A	2016F	2017F	2015A	2016F	2017F	2015A	2016F	2017F	2015A	2016F	2017F	2015A	2016F	2017F	2015A	2016F	2017F
Armenia	3.0%	3.2%	3.4%	10.5	10.8	11.2	3,521	3,596	3,731	3.7%	-0.5%	2.5%	-4.8%	-4.5%	-3.0%	-2.7%	-2.5%	-3.0%
Azerbaijan	1.1%	-2.4%	1.4%	54.0	35.7	38.5	5,739	3,759	4,028	4.0%	10.2%	8.5%	-6.8%	-9.9%	-3.9%	-0.4%	0.7%	3.1%
Belarus	-3.9%	-3.0%	-0.5%	54.6	48.1	49.5	5,749	5,092	5,266	13.5%	12.7%	12.0%	-3.5%	-5.3%	-8.2%	-3.8%	-4.9%	-4.8%
Georgia	2.8%	3.4%	5.2%	14.0	14.5	15.7	3,754	3,908	4,254	4.0%	2.6%	3.6%	-1.2%	-1.9%	-3.7%	-11.7%	-12.1%	-12.0%
Kazakhstan	1.2%	-0.8%	0.6%	184.4	128.1	148.3	10,426	7,138	8,141	6.5%	13.1%	9.3%	-6.8%	-5.6%	-4.1%	-2.4%	-2.2%	0.0%
Ukraine	-9.9%	1.5%	2.5%	90.5	87.2	95.3	2,125	2,052	2,247	48.7%	15.1%	11.0%	-1.2%	-3.7%	-4.4%	-0.3%	-1.5%	-2.1%
Russia	-3.7%	-0.8%	1.1%	1,326.0	1,267.8	1,442.4	9,243	8,838	10,060	15.5%	7.2%	5.0%	-3.5%	-3.9%	-1.5%	5.2%	3.0%	3.5%
Turkey	4.0%	3.3%	3.0%	717.9	735.7	769.5	9,186	9,317	9,647	7.7%	8.4%	8.2%	-1.0%	-1.9%	-1.6%	-4.5%	-4.4%	-5.6%

Source: IMF

Sovereign credit ratings

	Fitch			Moody's			S&P		
	LC	FC	Outlook	LC	FC	Outlook	LC	FC	Outlook
Armenia	B+	B+	stable	B1	B1	stable	NA	NA	NA
Azerbaijan	BB+	BB+	negative	Ba1	Ba1	negative	BB+	BB+	negative
Belarus	B-	B-	stable	Caa1	Caa1	stable	B-	B-	stable
Georgia	BB-	BB-	stable	Ba3	Ba3	stable	BB-	BB-	stable
Kazakhstan	BBB	BBB	stable	Baa3	Baa3	negative	BBB-	BBB-	negative
Ukraine	CCC	CCC	-	Caa3	Caa3	stable	B-	B-	stable
Russia	BBB-	BBB-	negative	Ba1	Ba1	negative	BBB-	BB+	negative
Turkey	BBB-	BBB-	negative	Ba1	Ba1	stable	BB+	BB	negative

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

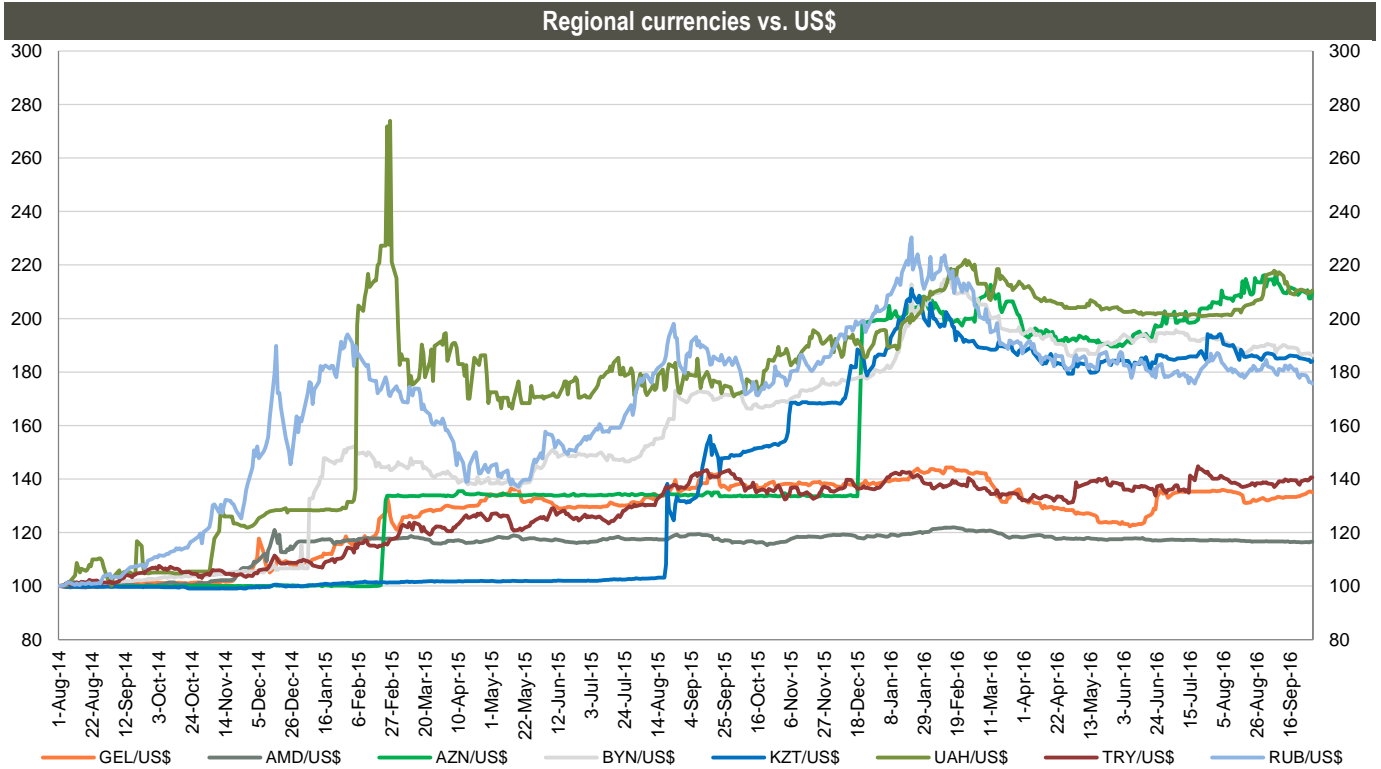
Monetary stance

	Inflation, y/y		MPR
	Aug-16	Sep-16	
Armenia	-1.9%	6.75%	
Azerbaijan	10.8%	15.00%	
Belarus	11.8%	18.00%	
Georgia	0.9%	6.50%	
Kazakhstan	17.6%	12.00%	
Ukraine	7.9%	15.00%	
Russia	6.9%	10.00%	
Turkey	8.0%	7.50%	

Source: Central banks, Statistics Offices

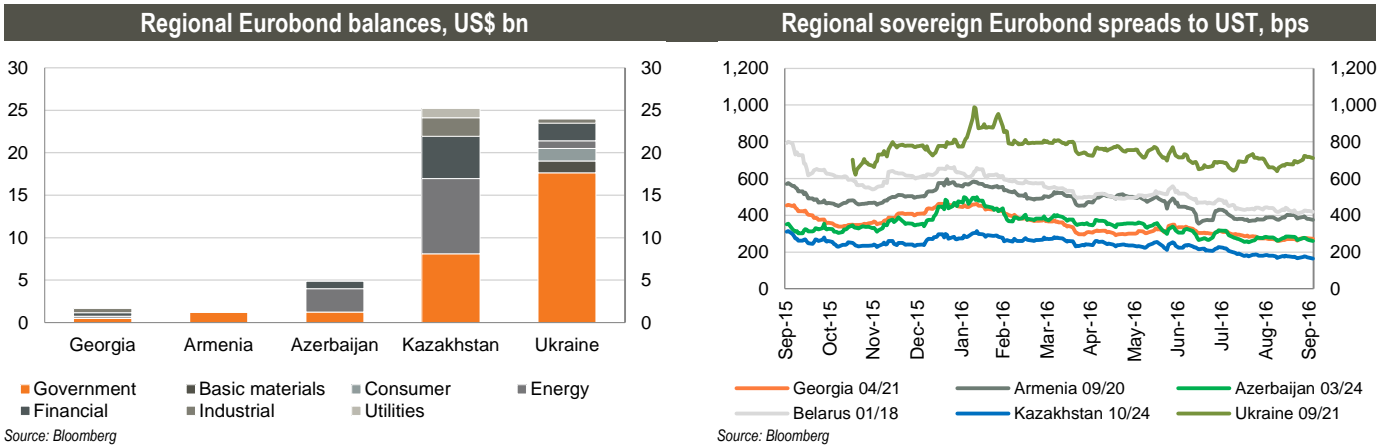


Eurobonds

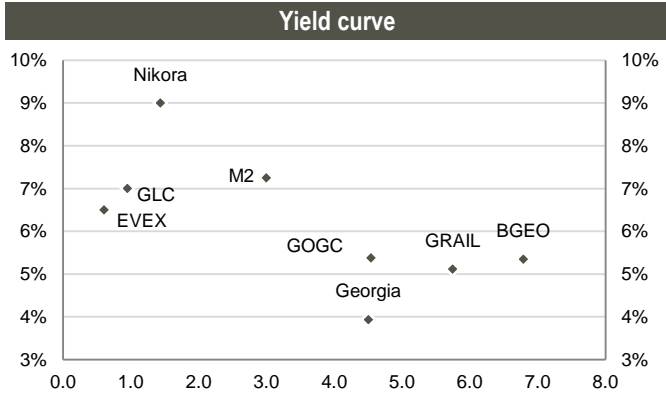


Source: Bloomberg

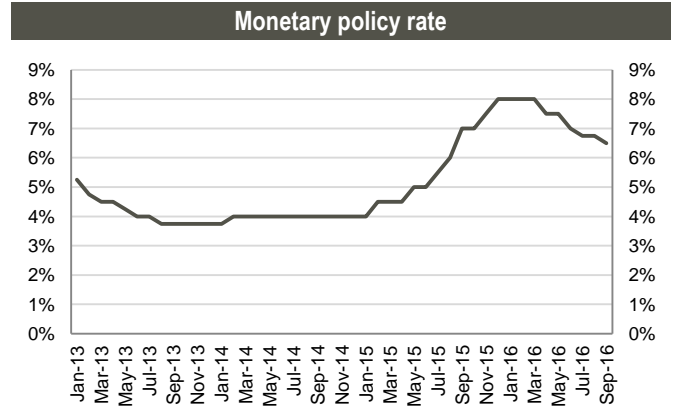
Note: 1 US\$ per local currency; Index growth means depreciation of the local currency, index decline means appreciation of the local currency; Aug-2014=100



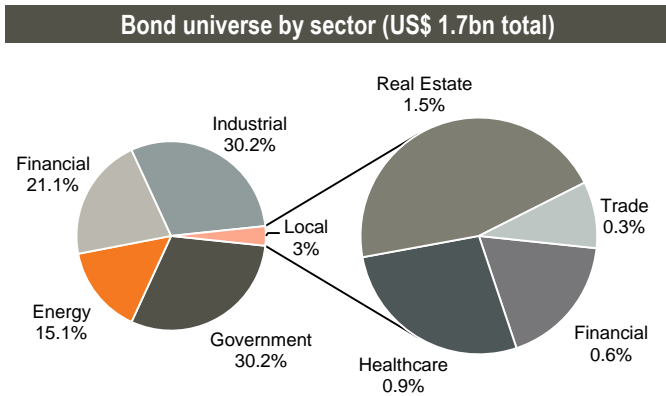
Snapshot: Georgia



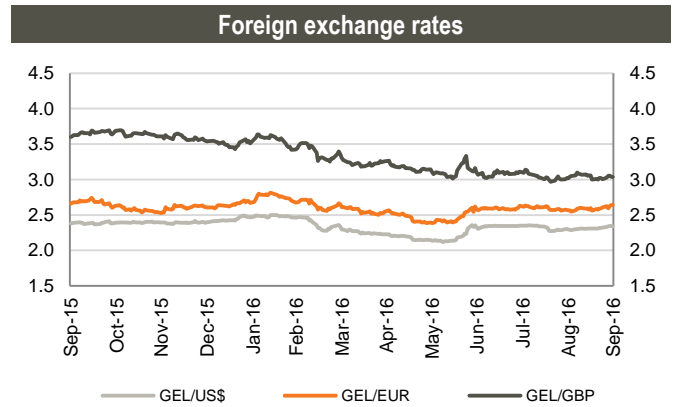
Remaining maturity
Source: Bloomberg, Galt & Taggart



Source: National Bank of Georgia



Source: Bloomberg



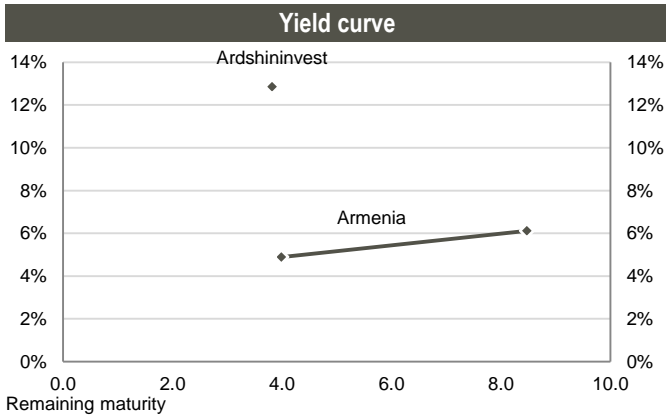
Source: Bloomberg

Bond performance

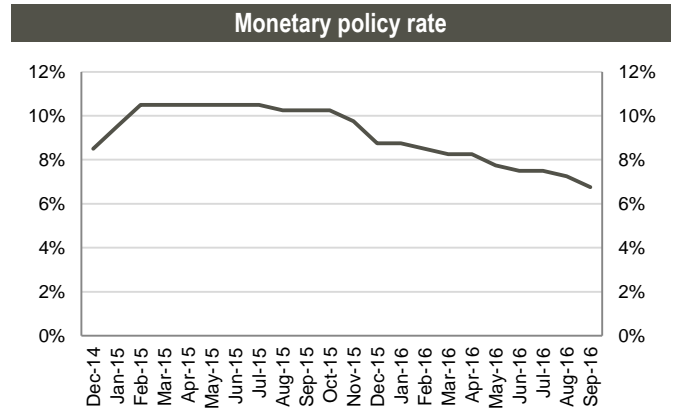
Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Georgia	US\$	Government	GEORG	Apr-21	6.88%	BB-/BB-/Ba3	500	111.74	3.93	London
Georgian Oil & Gas Corp	US\$	Energy	GEOROG	Apr-21	6.75%	BB-/B+/-	250	105.13	5.37	London
Georgian Railway	US\$	Industrial	GRAIL	Jul-22	7.75%	BB-/BB-/-	500	112.88	5.12	London
BGEO Group	US\$	Financial	BGEOLN	Jul-23	6.00%	BB-/-/B1	350	103.38	5.35	Dublin
Georgian Leasing Co	US\$	Financial	GEBGG	Sep-17	8.75%	-/-	10	101.50	7.00	Georgia
Evex Medical	US\$	Healthcare	EVEXMD	May-17	9.50%	-/-	15	101.75	6.50	Georgia
M2 Real Estate	US\$	Real Estate	GEBGG	Oct-19	7.50%	-/-	25	100.00	7.25	Georgia
Nikora Trade	US\$	Retail	NIKORA	Mar-18	11.00%	-/-	5	102.00	9.00	Georgia
GWP	GEL	Utilities	GEWRPW	Dec-17	15.0%	BB-*/-/-	6.0	N/A	N/A	Not Listed
GWP	GEL	Utilities	GEWRPW	Aug-17	14.0%	BB-*/-/-	2.6	N/A	N/A	Georgia

*Company ratings
Source: Bloomberg, Galt & Taggart

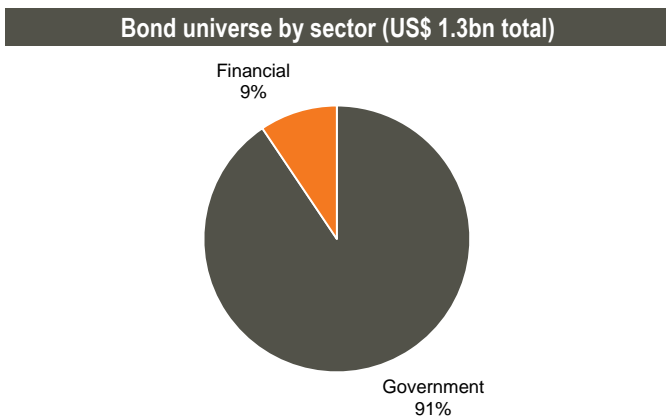
Snapshot: Armenia



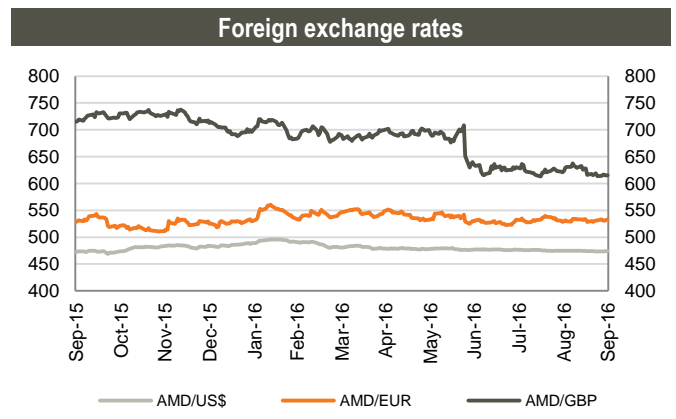
Source: Bloomberg



Source: Central Bank of Armenia



Source: Bloomberg



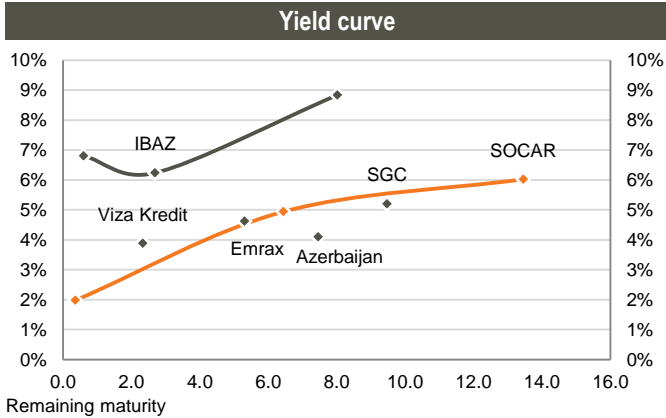
Source: Bloomberg

Bond performance

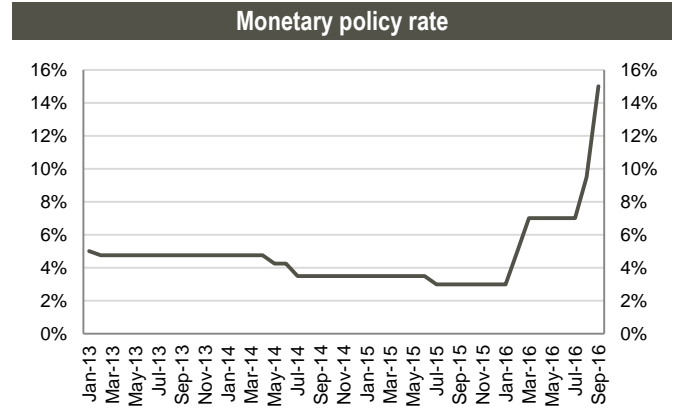
Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Armenia	US\$	Government	ARMEN	Sep-20	6.00%	B+/-/B1	700	103.62	4.89	Dublin
Republic Of Armenia	US\$	Government	ARMEN	Mar-25	7.15%	B+/-/B1	500	106.51	6.12	Dublin
Ardshinvestbk	US\$	Financial	ARBANK	Jul-20	12.00%	B+/-/B1	100	95.00	12.86	Dublin
Ameriabank	US\$	Financial	AMERIA	Jul-18	6.75%	B+/-/-	15	N/A	N/A	Armenia
Armswissbank	US\$	Financial	ARMSWI	Apr-19	8.00%	-/-	5	494.27	42.75	Armenia
Armswissbank	US\$	Financial	ARMSWI	Apr-20	8.50%	-/-	5	13.30	-63.91	Armenia

Source: Bloomberg

Snapshot: Azerbaijan

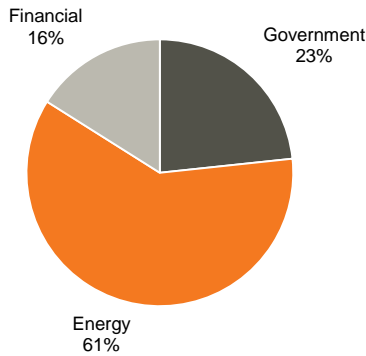


Source: Bloomberg



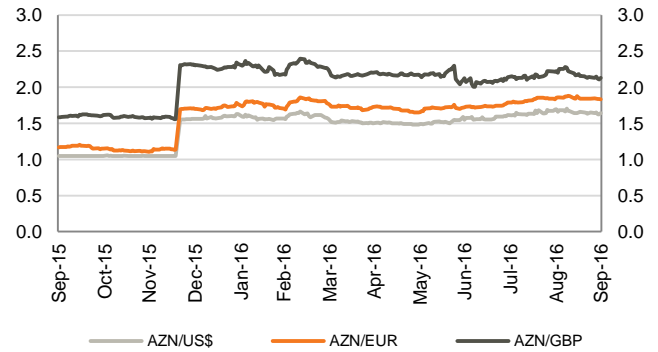
Source: Central Bank of Azerbaijan

Bond universe by sector (US\$ 5.4bn total)



Source: Bloomberg

Foreign exchange rates



Source: Bloomberg

Bond performance

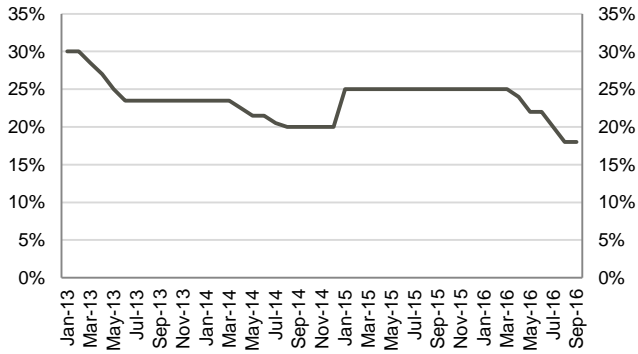
Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Azerbaijan	US\$	Government	AZERBJ	Mar-24	4.75%	BB+/-/Ba1	1,250	103.99	4.10	Dublin
Southern Gas Corridor	US\$	Energy	SGCAZE	Mar-26	6.88%	BB+/-/Ba1	1,000	112.25	5.20	Dublin
SOCAR	US\$	Energy	SOIAZ	Mar-23	4.75%	BB+/BB/Ba1	1,000	98.81	4.94	London
SOCAR	US\$	Energy	SOIAZ	Mar-30	6.95%	BB+/BB/NR	750	108.16	6.02	London
SOCAR	US\$	Energy	SOIAZ	Feb-17	5.45%	BB+/BB/Ba1	500	100.75	1.98	London
IBAZ	US\$	Financial	IBAZAZ	Jun-19	5.63%	BB-/Ba3	500	98.38	6.24	Stuttgart
IBAZ	US\$	Financial	IBAZAZ	Oct-24	8.25%	-/Ba3	250	95.88	8.84	Dublin
IBAZ	US\$	Financial	IBAZAZ	May-17	6.17%	-/B1	100	99.19	6.81	Cayman Isl.
Emraxbank	US\$	Financial	EMRXAZ	Jan-22	9.00%	-/-	10	119.96	4.62	Baku

Source: Bloomberg



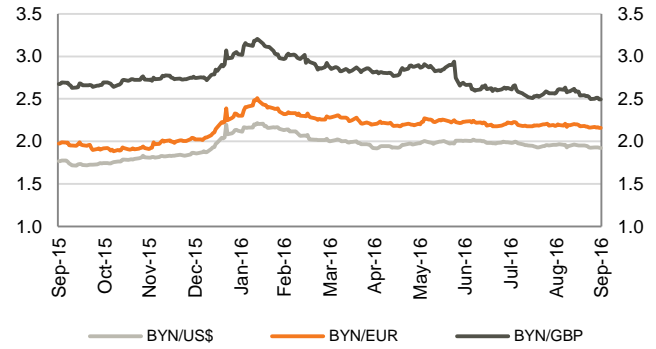
Snapshot: Belarus

Monetary policy rate



Source: National Bank of Belarus

Foreign exchange rates



Source: Bloomberg

Bond performance

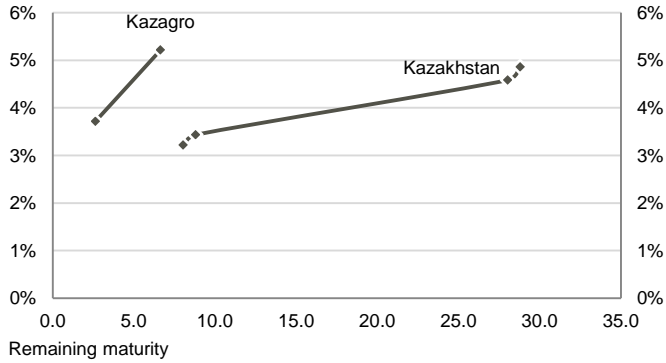
Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Belarus	US\$	Government	BELRUS	Jan-18	8.95%	-/B-/Caa1	800	104.87	4.91	Stuttgart

Source: Bloomberg



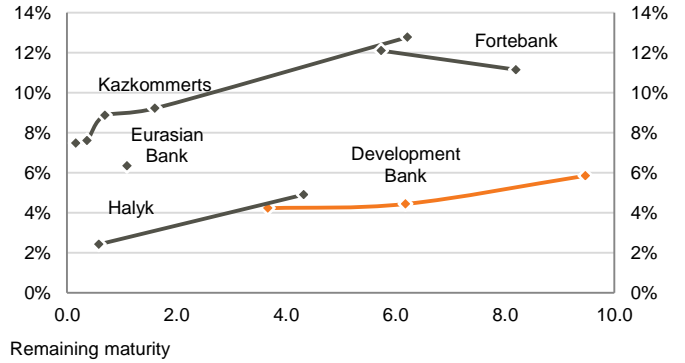
Snapshot: Kazakhstan

Yield curve (sovereign)



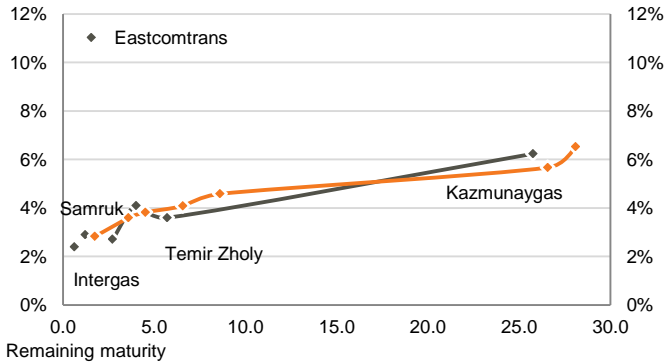
Source: Bloomberg

Yield curve (banks)



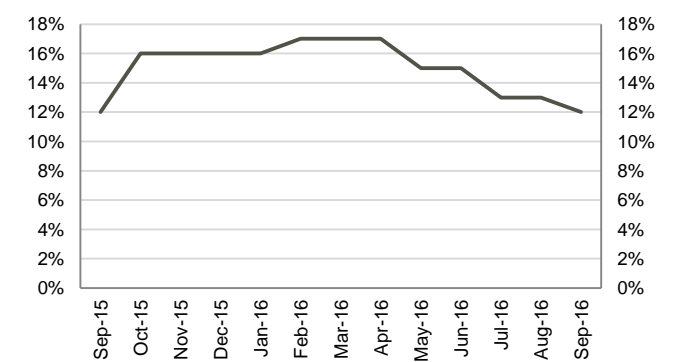
Source: Bloomberg

Yield curve (other sectors)



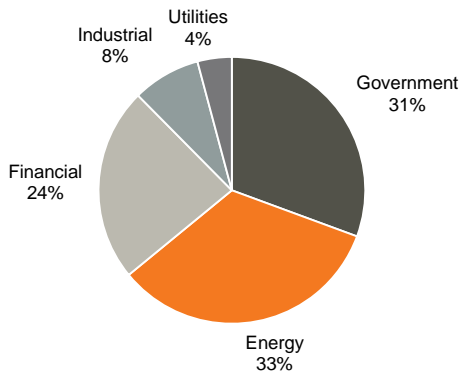
Source: Bloomberg

Monetary policy rate



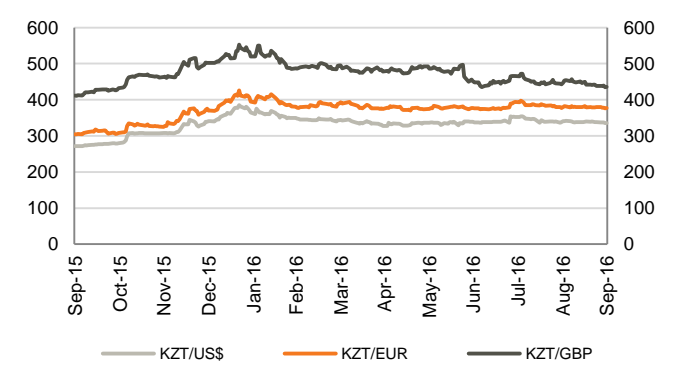
Source: National Bank of Kazakhstan

Bond universe by sector (US\$ 26.5bn total)



Source: Bloomberg

Foreign exchange rates



Source: Bloomberg



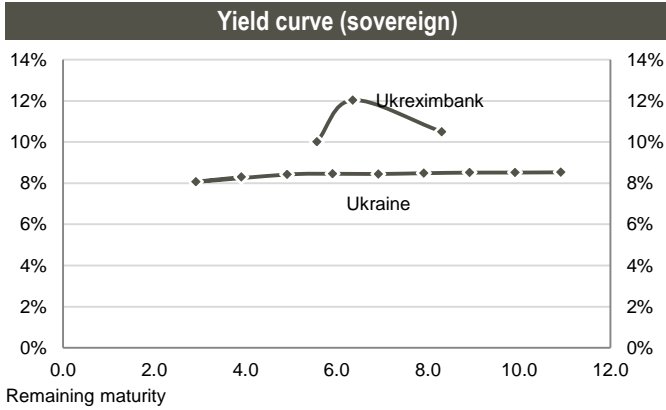
Bond performance

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	Jul-25	5.13%	BBB/BBB-/Baa3	2,500	112.64	3.44	London
Republic Of Kazakhstan	US\$	Government	KZAKS	Jul-45	6.50%	BBB/BBB-/Baa3	1,500	124.99	4.86	London
Republic Of Kazakhstan	US\$	Government	KZAKS	Oct-24	3.88%	BBB/BBB-/Baa3	1,500	104.52	3.22	London
Republic Of Kazakhstan	US\$	Government	KZAKS	Oct-44	4.88%	BBB/BBB-/Baa3	1,000	104.39	4.58	London
Kazagro Natl Mgmt Hldg	US\$	Government	KAZNMH	May-23	4.63%	BBB-/BB+/-	1,000	96.42	5.21	Dublin
Kazagro Natl Mgmt Hldg	EUR	Government	KAZNMH	May-19	3.26%	BBB-/BB+/-	600	98.53	3.72	Dublin
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-43	5.75%	BBB-/BB/Baa3	2,000	100.63	5.67	Kazakhstan
Kazmunaygas National Co	US\$	Energy	KZOKZ	Jul-18	9.13%	BBB-/BB/Baa3	1,600	110.50	2.83	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	May-20	7.00%	BBB-/BB/Baa3	1,500	111.25	3.59	Frankfurt
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-21	6.38%	BBB-/BB/Baa3	1,250	110.38	3.82	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-23	4.40%	BBB-/BB/Baa3	1,000	101.63	4.08	Kazakhstan
Kazmunaygas National Co	US\$	Energy	KZOKZ	Nov-44	6.00%	BBB-/BB/Baa3	1,000	92.13	6.52	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	May-25	4.88%	BBB-/BB/Baa3	500	101.63	4.58	London
Kazkommertsbank	US\$	Financial	KKB	Dec-22	5.50%	CCC/CCC+/-	750	69.25	12.77	Kazakhstan
Kazkommertsbank	EUR	Financial	KKB	Feb-17	6.88%	CCC/CCC+/Caa2u	750	99.38	7.62	London
Kazkommertsbank	US\$	Financial	KKB	Nov-16	7.50%	CCC/CCC+/Caa2u	500	99.75	7.49	London
Kazkommertsbank	US\$	Financial	KKB	May-18	8.50%	CCC/CCC+/Caa2u	300	98.63	9.22	London
Kazkommertsbank	US\$	Financial	KKB	Jun-17	5.95%	CC/CCC-/Caa3u	250	97.73	8.88	London
Halyk Savings Bank-Kaz.	US\$	Financial	HSBKKZ	May-17	7.25%	BB/BB/Ba3	700	102.63	2.42	London
Halyk Savings Bank-Kaz.	US\$	Financial	HSBKKZ	Jan-21	7.25%	BB/BB/Ba3	500	108.75	4.91	London
Eurasian Bank Jsc	US\$	Financial	EUBNKZ	Nov-17	7.50%	-/B/-	500	100.88	6.34	Kazakhstan
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Dec-22	4.13%	BBB-/BBB-/Baa3	1,425	98.15	4.44	London
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Mar-26	6.00%	BBB-/BBB-/Baa3	150	100.69	5.85	Kazakhstan
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Jun-20	6.50%	BBB-/BBB-/Baa3	100	107.07	4.23	Kazakhstan
Fortebank	US\$	Financial	ALLIBK	Dec-24	11.75%	-/B/-	237	101.88	11.15	Kazakhstan
Fortebank	US\$	Financial	ALLIBK	Jun-22	14.00%	NR/B/-	61	106.63	12.10	Kazakhstan
Kazakhstan Temir Zholy	US\$	Industrial	KTZKZ	Jul-42	6.95%	BBB-/BB/Baa3	1,100	109.00	6.24	London
Kazakhstan Temir Zholy	US\$	Industrial	KTZKZ	Oct-20	6.38%	BBB-/BB/Baa3	700	108.13	4.10	London
Kazakhstan Temir Zholy	CHF	Industrial	KTZKZ	Jun-22	3.64%	BBB-/BB/Baa3	185	99.50	3.60	Zurich
Kazakhstan Temir Zholy	CHF	Industrial	KTZKZ	Jun-19	2.59%	BBB-/BB/Baa3	100	99.00	2.71	Zurich
Eastcomtrans	US\$	Industrial	EASTCM	Apr-18	7.75%	B-/B3	100	94.38	11.03	London
Intergas Finance	US\$	Utilities	KZTGKZ	May-17	6.38%	BB+/BB/Baa3	600	102.13	2.40	London
Samruk-Energy	US\$	Utilities	SAMRUK	Dec-17	3.75%	BB/BB/-	500	100.75	2.90	Dublin

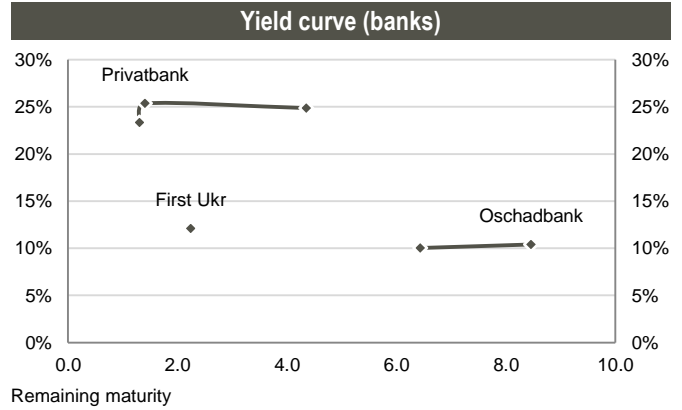
Source: Bloomberg



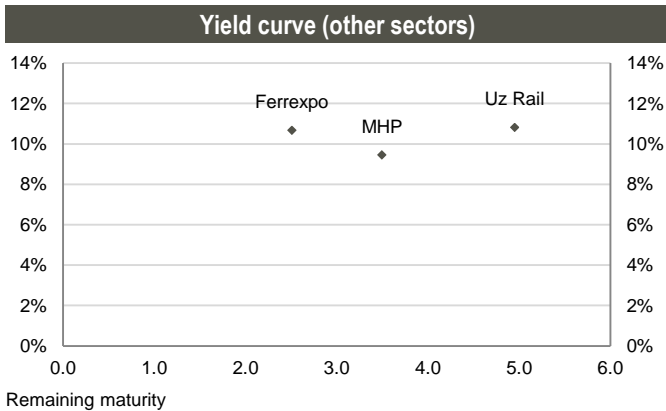
Snapshot: Ukraine



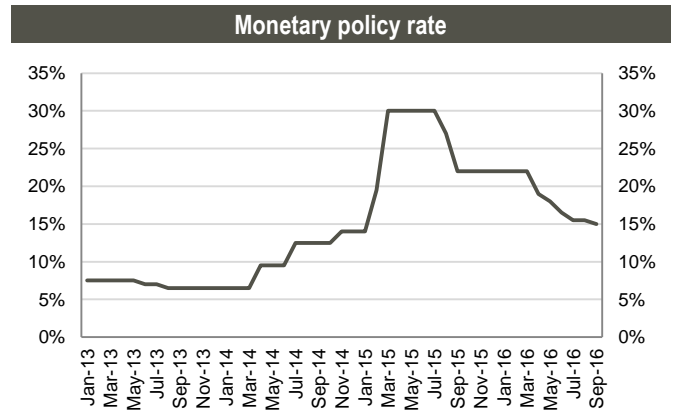
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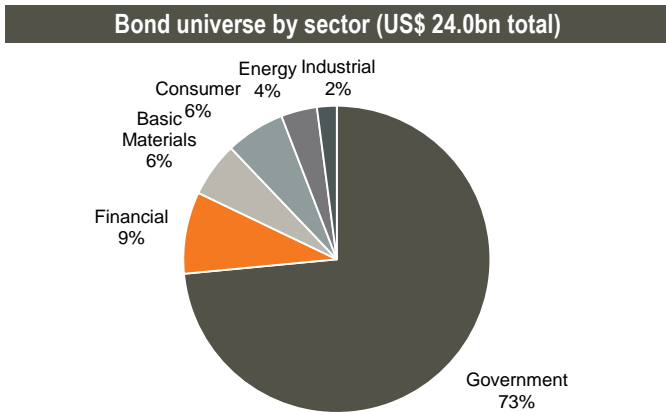
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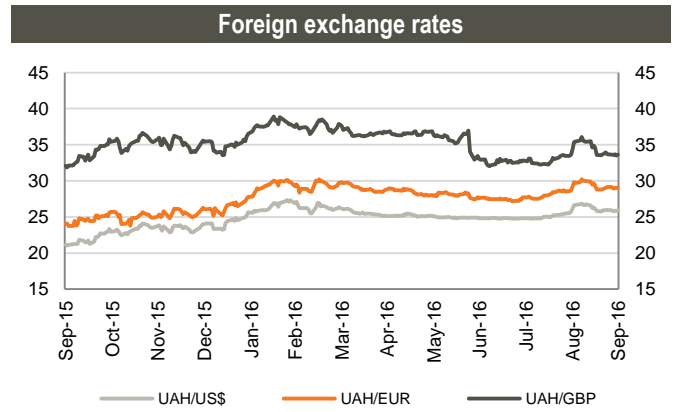
Source: Bloomberg



Source: National Bank of Ukraine



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
Ukraine	US\$	Government	UKRAIN	May-40	0.00%	-B-/-	3,214	32.00	N/A	Dublin
Ukraine	US\$	Government	UKRAIN	Sep-20	7.75%	CCC/B-/Caa3	1,780	97.98	8.30	Dublin
Ukraine	US\$	Government	UKRAIN	Sep-19	7.75%	CCC/B-/Caa3	1,744	98.94	8.06	Dublin
Ukraine	US\$	Government	UKRAIN	Sep-21	7.75%	CCC/B-/Caa3	1,409	97.03	8.42	Dublin
Ukraine	US\$	Government	UKRAIN	Sep-22	7.75%	CCC/B-/Caa3	1,384	96.45	8.46	Dublin
Ukraine	US\$	Government	UKRAIN	Sep-23	7.75%	CCC/B-/Caa3	1,355	96.17	8.45	Dublin
Ukraine	US\$	Government	UKRAIN	Sep-24	7.75%	CCC/B-/Caa3	1,339	95.56	8.49	Dublin
Ukraine	US\$	Government	UKRAIN	Sep-25	7.75%	CCC/B-/Caa3	1,329	95.00	8.51	Dublin
Ukraine	US\$	Government	UKRAIN	Sep-26	7.75%	CCC/B-/Caa3	1,318	94.75	8.52	Dublin
Ukraine	US\$	Government	UKRAIN	Sep-27	7.75%	CCC/B-/Caa3	1,307	94.23	8.53	Dublin
Ukreximbank	US\$	Government	EXIMUK	Apr-22	9.63%	CCC-/Caa3	750	98.17	10.01	Dublin
Ukreximbank	US\$	Government	EXIMUK	Jan-25	9.75%	CCC-/Caa3	600	95.60	10.49	Dublin
Ukreximbank	US\$	Government	EXIMUK	Feb-23	7.87%	C-/Ca	125	83.07	12.03	Dublin
Metinvest	US\$	Basic Materials	METINV	Feb-18	8.75%	C-/Caa3	750	80.13	N/A	Dublin
Metinvest	US\$	Basic Materials	METINV	Nov-17	10.50%	C/-	290	79.75	N/A	Dublin
Ferrexpo Finance	US\$	Basic Materials	FXPOLN	Apr-19	10.38%	CCC/CCC/Caa3	186	98.50	10.67	Dublin
Ferrexpo Finance	US\$	Basic Materials	FXPOLN	Apr-19	10.38%	CCC/CCC/Caa3	161	99.00	10.67	Dublin
MHP	US\$	Consumer	MHPSA	Apr-20	8.25%	CCC/B-/-	750	96.13	9.45	Dublin
Ukriandfarming	US\$	Consumer	UKRLAN	Mar-18	10.88%	WD/NR/-	500	29.00	126.52	Dublin
Avangardco Investments	US\$	Consumer	AVINPU	Oct-18	10.00%	WD/-/-	200	15.13	138.23	London
Dtek Finance	US\$	Energy	DTEKUA	Apr-18	7.88%	C-/Ca	750	68.13	N/A	Trace
Dtek Finance	US\$	Energy	DTEKUA	Mar-18	10.38%	C/-	160	68.00	N/A	Dublin
Oschadbank	US\$	Financial	OSCHAD	Mar-23	9.38%	CCC-/Caa3	700	96.61	10.03	Dublin
Oschadbank	US\$	Financial	OSCHAD	Mar-25	9.63%	CCC-/Caa3	500	95.30	10.40	Dublin
First Ukr.	US\$	Financial	PUMBUZ	Dec-18	11.00%	NR/-WR	275	97.25	12.10	Zurich
Privatbank	US\$	Financial	PRBANK	Feb-21	11.00%	-/-	220	63.50	24.87	Channel Isl.
Privatbank	US\$	Financial	PRBANK	Jan-18	10.25%	CCC/-WR	200	85.38	23.32	London
Privatbank	US\$	Financial	PRBANK	Feb-18	10.88%	CCC-/Cau	175	83.00	25.36	Dublin
Uz Rail Via Shortline	US\$	Industrial	RAILUA	Sep-21	9.88%	CCC/CCC+/-	500	96.25	10.80	Dublin

Source: Bloomberg



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Galt & Taggart

Address: 79 D. Agmashenebeli Avenue, Tbilisi 0102, Georgia

Tel: + (995) 32 2401 111

Email: gt@gt.ge