



Regional Fixed Income Market Watch

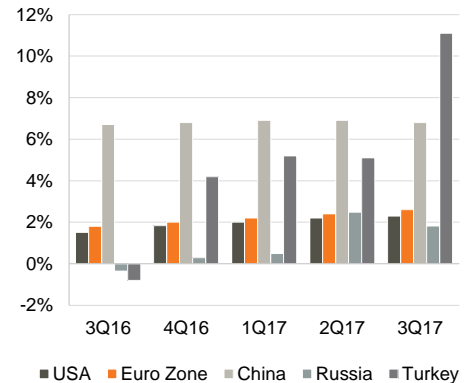
Georgia, Armenia, Azerbaijan, Belarus, Kazakhstan, Ukraine

Regional | Fixed Income
Monthly Bulletin
January 15, 2018

Highlights

- US GDP growth in 3Q17 was revised down to an annualized 3.2% y/y (3rd estimate) from an annualized 3.3% y/y (2nd estimate). GDP growth in EU19 was 2.6% y/y in 3Q17. The Turkish economy grew 11.1% y/y in 3Q17, from a low base in 3Q16 (-0.8% y/y), reflecting increases in private consumption and investment expenditures.
- Based on rapid estimates, economic growth in November 2017 came in at 9.2% y/y in Armenia, 3.7% y/y in Georgia, and 2.3% y/y in Kazakhstan. In 11M17, GDP was up 2.2% y/y in Belarus and down 0.2% y/y in Azerbaijan.
- Annual inflation in the US was up to 2.2% in November 2017 from 2.0% in the previous month. Based on the Eurostat flash estimate, annual inflation in EU19 was down to 1.4% in December 2017 from 1.5% in November 2017.
- In December 2017, annual inflation decreased in Turkey (11.9%), Georgia (6.7%), and Kazakhstan (7.1%) and increased in Armenia (2.6%). In Russia inflation remained unchanged at 2.5% in December 2017. November 2017 figures indicate a decrease in annual inflation to 13.6% in Ukraine and 10.5% in Azerbaijan and an increase to 4.9% in Belarus.
- In December 2017, in response to increased inflation expectations, the Georgian and Ukrainian central banks raised monetary policy rates further to 7.25% and 14.5%, respectively, while the Russian central bank lowered its monetary policy rate to 7.75%, given the downward deviation of inflation from the target level of 4.0%. The policy rate has remained unchanged in other countries.

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	stable	NA	NA	NA
Azerbaijan	BB+	BB+	negative	Ba2	Ba2	stable	BB+	BB+	negative
Belarus	B-	B-	Positive	Caa1	Caa1	stable	B	B	stable
Georgia	BB-	BB-	stable	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	stable	BBB-	BB+	positive
Turkey	BBB-	BB+	stable	Ba1	Ba1	negative	BB+	BB	negative

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

Monetary stance

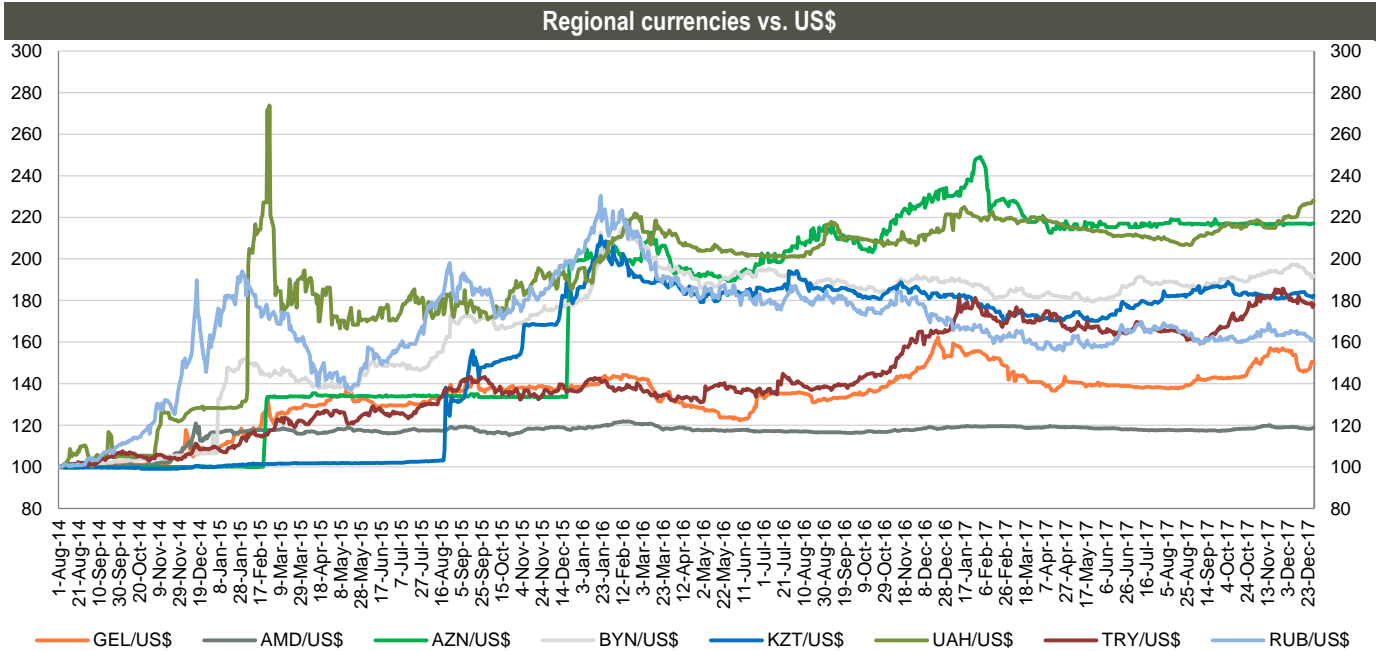
	Inflation, y/y		MPR
	Dec-17	Dec-17	
Armenia	2.6%	6.0%	
Azerbaijan	10.5%*	15.0%	
Belarus	4.9%*	11.0%	
Georgia	6.7%	7.25%	
Kazakhstan	7.1%	10.25%	
Ukraine	13.6%*	14.5%	
Russia	2.5%	7.75%	
Turkey	11.9%	8.0%	

*November 2017

Source: Central banks, Statistics Offices

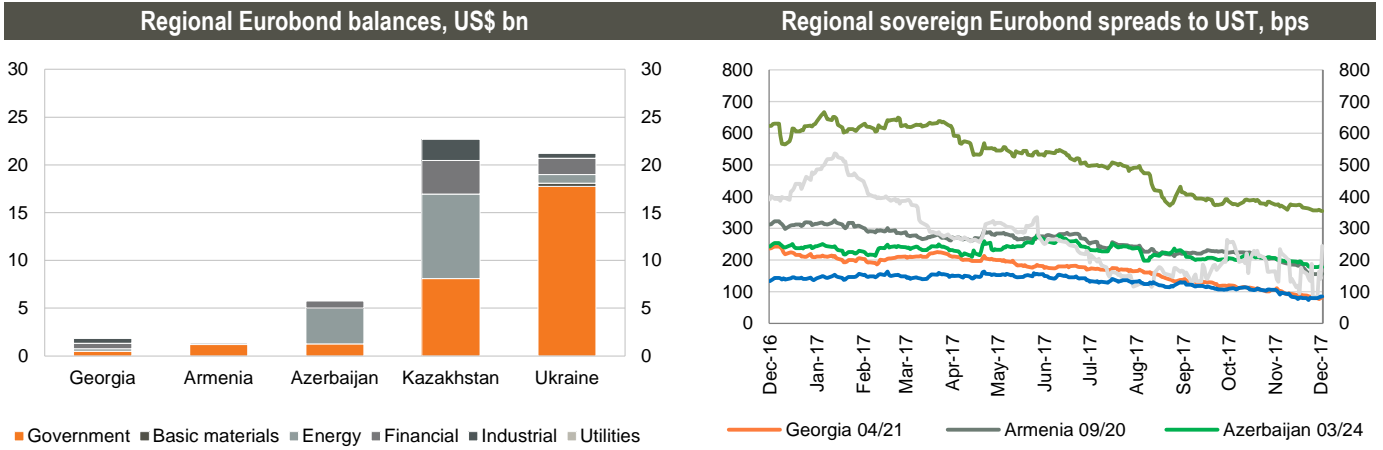


Eurobonds



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

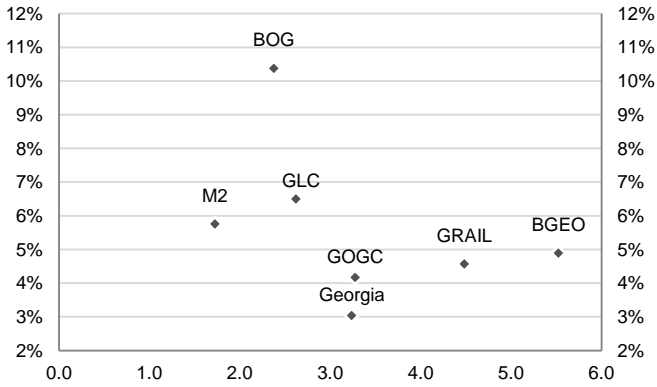


Source: Bloomberg

Source: Bloomberg

Snapshot: Georgia

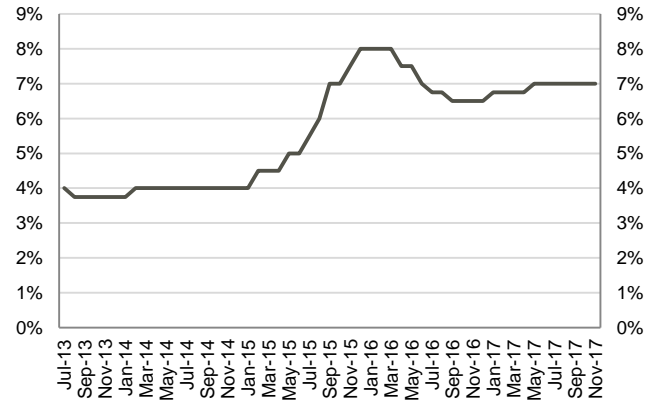
Yield curve



Remaining maturity

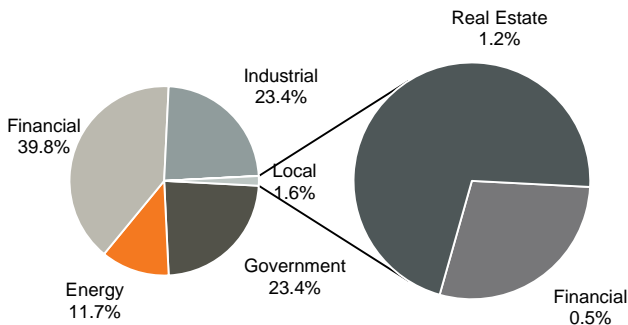
Source: Bloomberg, Galt & Taggart

Monetary policy rate



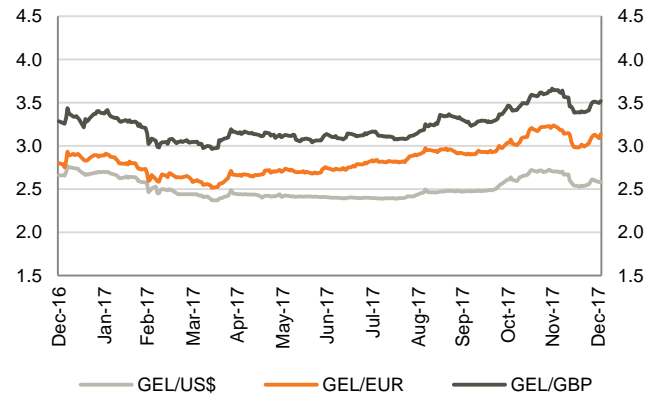
Source: National Bank of Georgia

Bond universe by sector (US\$ 1.8bn 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 Georgia	US\$	Government	GEORG	Apr-21	6.88%	BB-/BB-/Ba2	500	111.63	3.04	London
Georgian Oil & Gas Corp	US\$	Energy	GEOROG	Apr-21	6.75%	BB-/B+/-	250	107.50	4.16	London
BGEO Group	US\$	Financial	BGEOLN	Jul-23	6.00%	BB-/B1	350	105.00	4.89	Dublin
Bank Of Georgia	GEL	Financial	GEBGG	Jun-20	11.00%	BB-/B2	500	100.48	10.37	Dublin
Georgian Railway	US\$	Industrial	GRAIL	Jul-22	7.75%	B+/B+/-	500	112.58	4.56	London
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	101.60	5.75	Georgia
GWP	GEL	Utilities	GEWRPW	Dec-21	10.75%**	BB-/B1	30.0	N/A	N/A	Not Listed

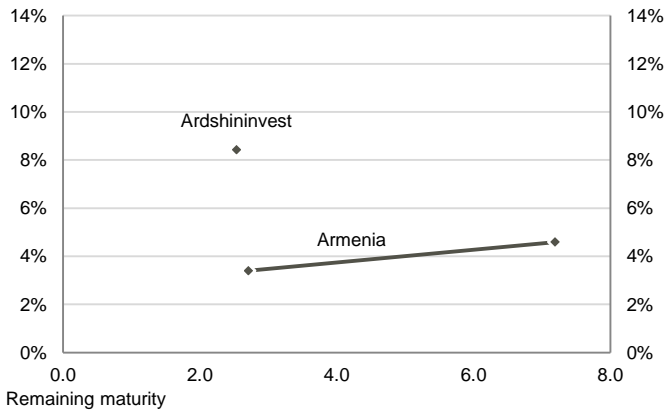
*Company ratings

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

Source: Bloomberg, Galt & Taggart

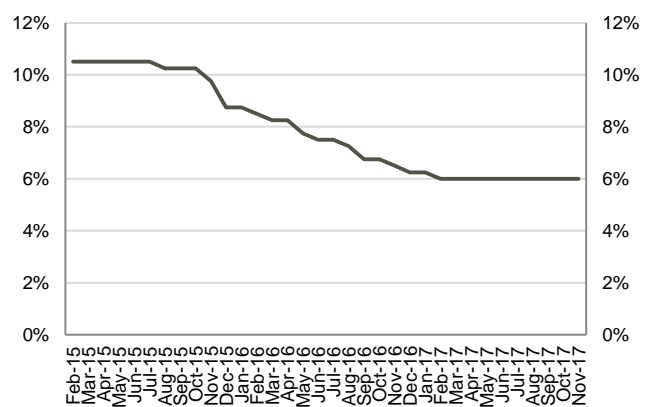
Snapshot: Armenia

Yield curve



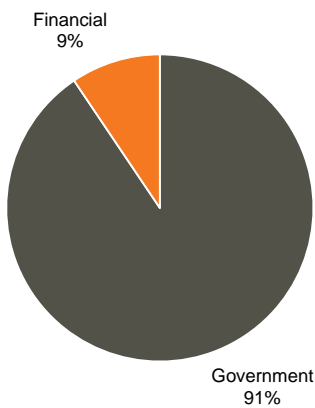
Source: Bloomberg

Monetary policy rate



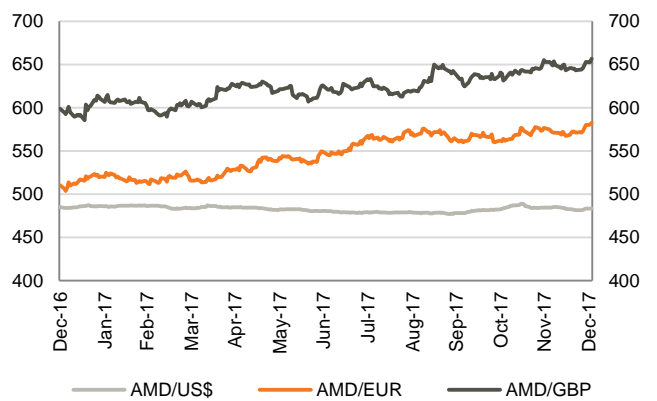
Source: Central Bank of Armenia

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



Source: Bloomberg

Foreign exchange rates



Source: Bloomberg

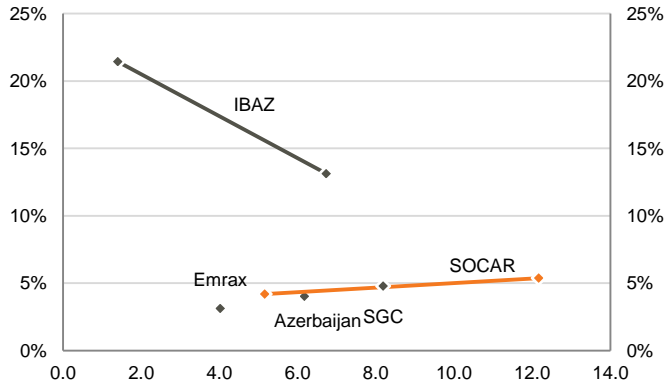
Bond performance

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	106.50	3.40	Dublin
Republic Of Armenia	US\$	Government	ARMEN	Mar-25	7.15%	B+/-/B1	500	115.34	4.59	Dublin
Ameriabank	US\$	Financial	AMERIA	Jul-18	6.75%	WD/-/-	15	N/A	N/A	Armenia
Ardshininvestbk	US\$	Financial	ARBANK	Jul-20	12.00%	B+/-/B1	100	107.00	8.42	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

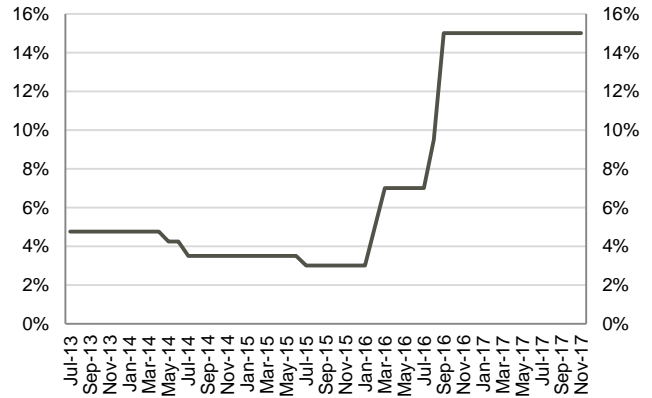
Yield curve



Remaining maturity

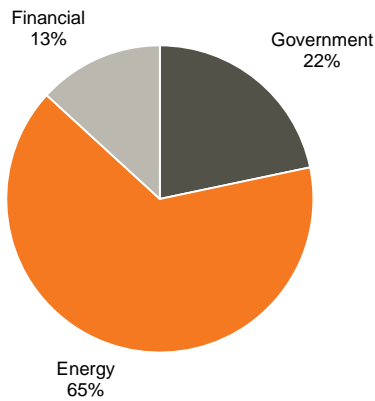
Source: Bloomberg

Monetary policy rate



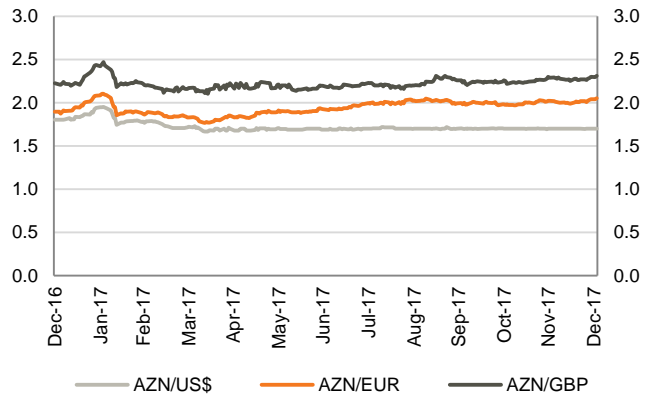
Source: Central Bank of Azerbaijan

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



Source: Bloomberg

Foreign exchange rates



Source: Bloomberg

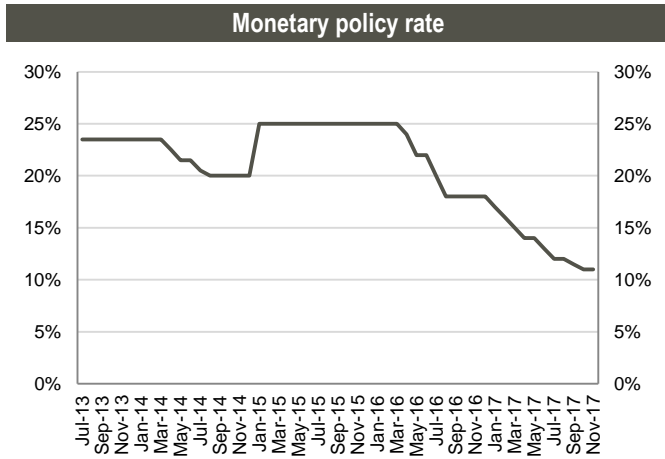
Bond performance

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	103.85	4.01	Stuttgart
Southern Gas Corridor	US\$	Energy	SGCAZE	Mar-26	6.88%	BB+/-/Ba2	2,000	113.92	4.78	Dublin
SOCAR	US\$	Energy	SOIAZ	Mar-23	4.75%	BB+/BB-/Ba2	1,000	102.50	4.19	London
SOCAR	US\$	Energy	SOIAZ	Mar-30	6.95%	BB+/BB-/NR	750	113.79	5.37	London
Emraxbank	US\$	Financial	EMRXAZ	Jan-22	9.00%	-/-	10	121.89	3.11	Baku
IBAZ	US\$	Financial	IBAZAZ	Jun-19	5.63%	WD/-/WR	500	81.88	21.43	Stuttgart
IBAZ	US\$	Financial	IBAZAZ	Oct-24	8.25%	-/-/WR	250	78.38	13.13	Dublin

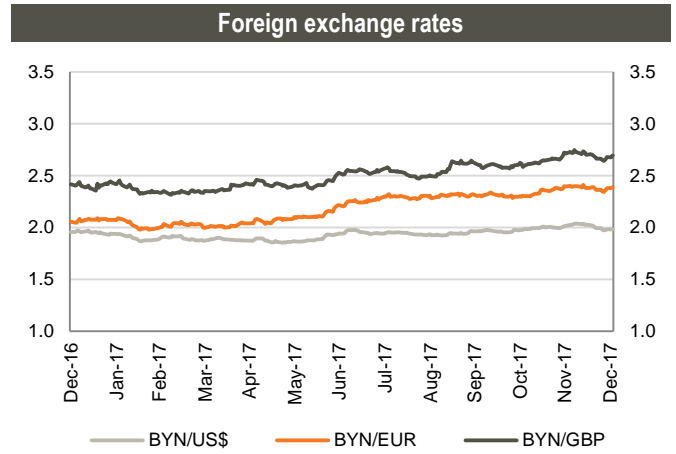
Source: Bloomberg



Snapshot: Belarus



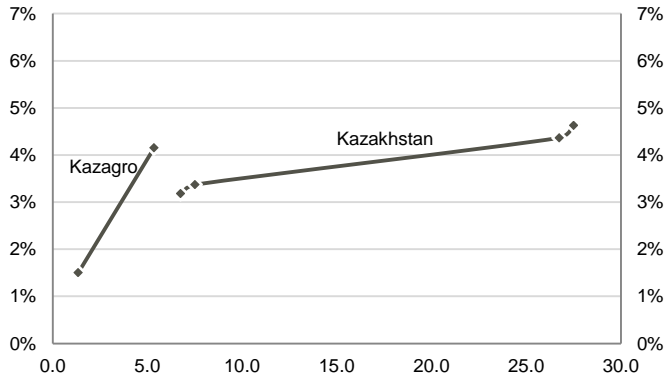
Source: National Bank of Belarus



Source: Bloomberg

Snapshot: Kazakhstan

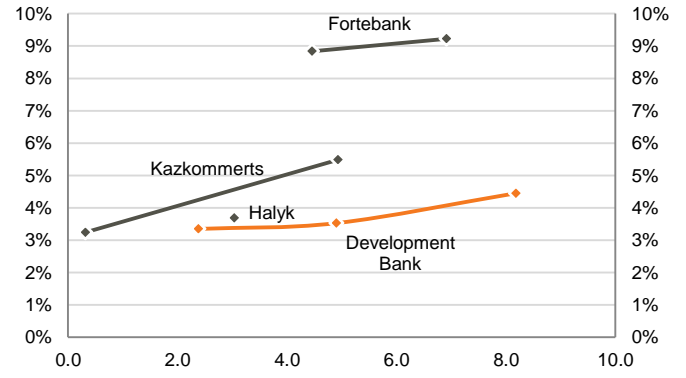
Yield curve (sovereign)



Remaining maturity

Source: Bloomberg

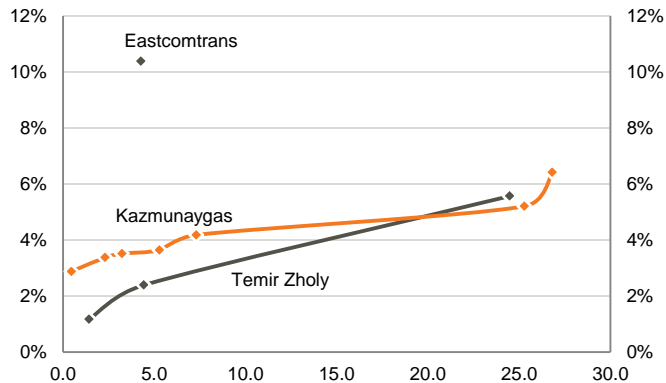
Yield curve (banks)



Remaining maturity

Source: Bloomberg

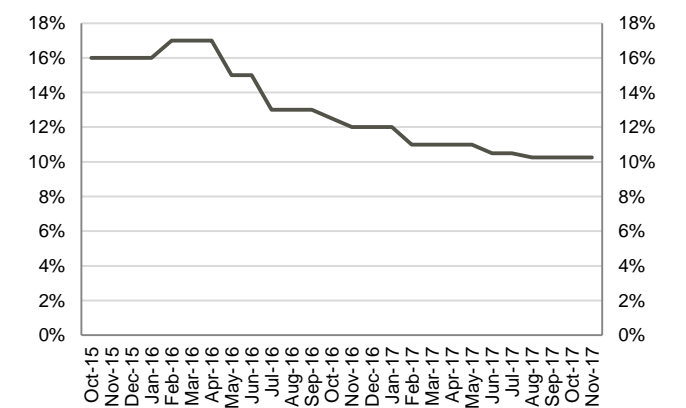
Yield curve (other sectors)



Remaining maturity

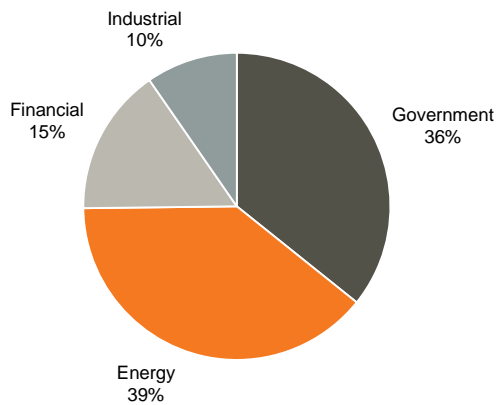
Source: Bloomberg

Monetary policy rate



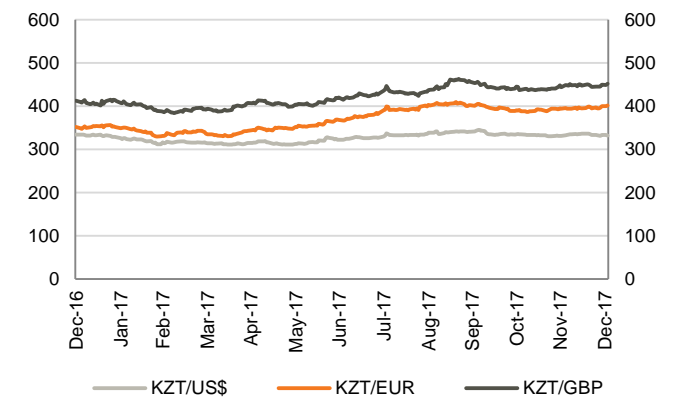
Source: National Bank of Kazakhstan

Bond universe by sector (US\$ 22.7bn total)



Source: Bloomberg

Foreign exchange rates



Source: Bloomberg



Bond performance

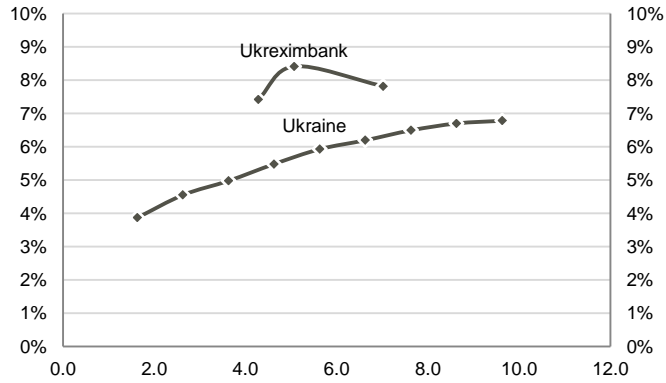
Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Kazakhstan	US\$	Government	KZAKS	Oct-24	3.88%	BBB/BBB-/Baa3	1,500	104.02	3.18	London
Republic Of Kazakhstan	US\$	Government	KZAKS	Jul-25	5.13%	BBB/BBB-/Baa3	2,500	111.41	3.37	London
Republic Of Kazakhstan	US\$	Government	KZAKS	Oct-44	4.88%	BBB/BBB-/Baa3	1,000	107.94	4.36	London
Republic Of Kazakhstan	US\$	Government	KZAKS	Jul-45	6.50%	BBB/BBB-/Baa3	1,500	128.75	4.63	London
Kazagro Natl Mgmt Hldg	EUR	Government	KAZNMH	May-19	3.26%	BBB-/BB-/	600	102.25	1.50	Dublin
Kazagro Natl Mgmt Hldg	US\$	Government	KAZNMH	May-23	4.63%	BBB-/BB-/	1,000	102.19	4.15	Dublin
Kazmunaygas National Co	US\$	Energy	KZOKZ	Jul-18	9.13%	BBB-/BB-/Baa3	1,600	102.78	2.88	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	May-20	7.00%	BBB-/BB-/Baa3	1,500	107.88	3.38	Frankfurt
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-21	6.38%	BBB-/BB-/Baa3	1,250	108.54	3.52	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-23	4.40%	BBB-/BB-/Baa3	1,000	103.47	3.64	Kazakhstan
Kazmunaygas National Co	US\$	Energy	KZOKZ	May-25	4.88%	BBB-/BB-/Baa3	500	103.89	4.18	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-43	5.75%	BBB-/BB-/Baa3	2,000	107.36	5.21	Kazakhstan
Kazmunaygas National Co	US\$	Energy	KZOKZ	Nov-44	6.00%	BBB-/BB-/Baa3	1,000	94.06	6.42	London
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Jun-20	6.50%	BBB-/BB+/Baa3	100	106.97	3.35	Kazakhstan
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Dec-22	4.13%	BBB-/BB+/Baa3	1,425	102.55	3.53	London
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Mar-26	6.00%	BBB-/BB+/Baa3	150	110.15	4.45	Kazakhstan
Fortebank	US\$	Financial	ALLIBK	Jun-22	14.00%	NR/B-/	61	117.99	8.84	Kazakhstan
Fortebank	US\$	Financial	ALLIBK	Dec-24	11.75%	-/B-/	237	112.38	9.22	Kazakhstan
Halyk Savings Bank-Kaz.	US\$	Financial	HSBKKZ	Jan-21	7.25%	BB/BB/Baa3	500	109.99	3.68	London
Kazkommertsbank	US\$	Financial	KKB	May-18	8.50%	BB-/B+/B1	300	101.51	3.24	London
Kazkommertsbank	US\$	Financial	KKB	Dec-22	5.50%	BB-/B+/-	750	99.88	5.48	Kazakhstan
Eastcomtrans	US\$	Industrial	EASTCM	Apr-22	8.00%	WD-/B3	100	90.71	10.39	London
Kazakhstan Temir Zholy	CHF	Industrial	KTZKZ	Jun-19	2.59%	BBB-/BB-/Baa3	100	101.92	1.17	Zurich
Kazakhstan Temir Zholy	US\$	Industrial	KTZKZ	Oct-20	6.38%	BBB-/BB-/WR	700	N/A	N/A	London
Kazakhstan Temir Zholy	CHF	Industrial	KTZKZ	Jun-22	3.64%	BBB-/BB-/Baa3	185	104.85	2.39	Zurich
Kazakhstan Temir Zholy	US\$	Industrial	KTZKZ	Jul-42	6.95%	BBB-/BB-/Baa3	1,100	118.18	5.57	London

Source: Bloomberg



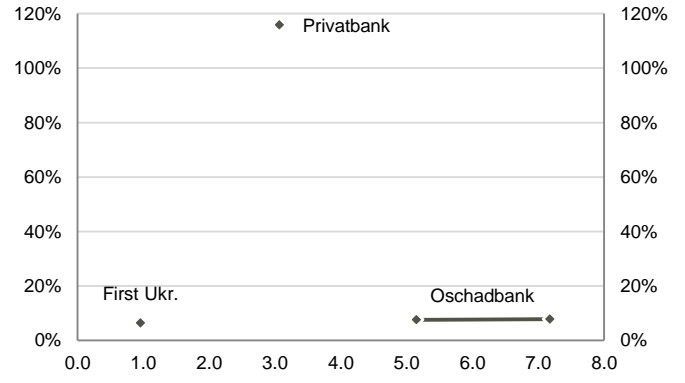
Snapshot: Ukraine

Yield curve (sovereign)



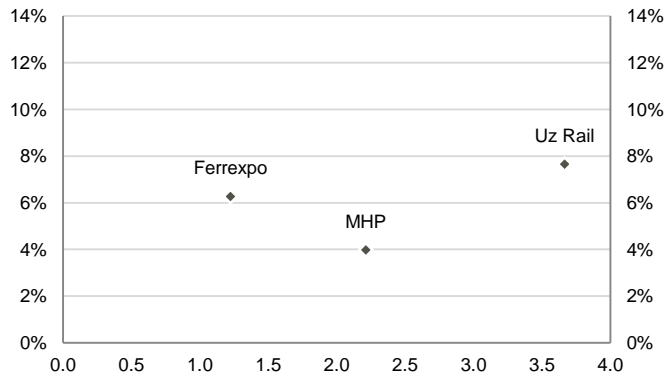
Remaining maturity
Source: Bloomberg

Yield curve (banks)



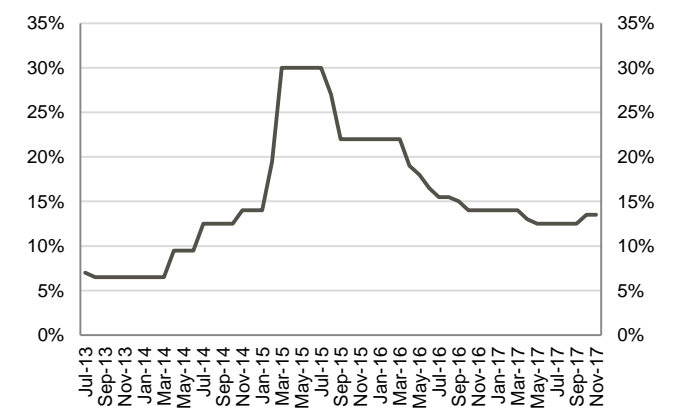
Remaining maturity
Source: Bloomberg

Yield curve (other sectors)



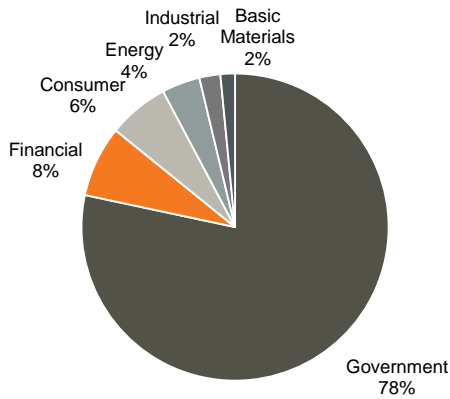
Remaining maturity
Source: Bloomberg

Monetary policy rate



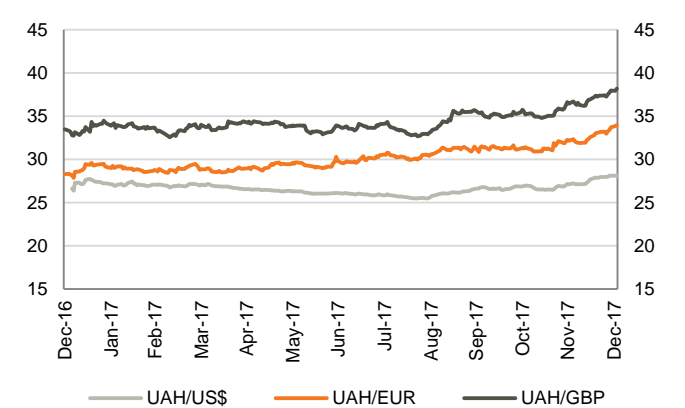
Source: National Bank of Ukraine

Bond universe by sector (US\$ 23.4bn 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
Ukraine Government	US\$	Government	UKRAIN	Sep-19	7.75%	B-/B-/Caa2	1,822	105.90	3.87	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-20	7.75%	B-/B-/Caa2	1,780	107.63	4.55	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-21	7.75%	B-/B-/Caa2	1,409	108.92	4.98	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-22	7.75%	B-/B-/Caa2	1,384	109.00	5.48	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-23	7.75%	B-/B-/Caa2	1,355	108.47	5.93	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-24	7.75%	B-/B-/Caa2	1,339	108.15	6.20	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-25	7.75%	B-/B-/Caa2	1,329	107.29	6.50	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-26	7.75%	B-/B-/Caa2	1,318	106.64	6.70	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-27	7.75%	B-/B-/Caa2	1,307	106.62	6.78	Dublin
Ukraine Government	US\$	Government	UKRAIN	May-40	0.00%	-B/-	3,214	60.00	N/A	Dublin
Ukreximbank	US\$	Government	EXIMUK	Apr-22	9.63%	B-/B-/Caa2	750	107.69	7.42	Dublin
Ukreximbank	US\$	Government	EXIMUK	Feb-23	8.16%	CC-/B-/Caa3	125	101.87	8.42	Dublin
Ukreximbank	US\$	Government	EXIMUK	Jan-25	9.75%	B-/B-/Caa2	600	110.06	7.82	Dublin
Ferrexpo Finance	US\$	Basic Materials	FXPOLN	Apr-19	10.38%	B-/B-/Caa1	186	104.50	6.26	Dublin
Ferrexpo Finance	US\$	Basic Materials	FXPOLN	Apr-19	10.38%	B-/B-/Caa1	161	104.54	6.28	Dublin
Avangardco Investments	US\$	Consumer	AVINPU	Oct-18	10.00%	WD/-	200	22.63	361.48	London
MHP	US\$	Consumer	MHPSA	Apr-20	8.25%	B/B/-	750	108.75	3.97	Dublin
Ukrlandfarming	US\$	Consumer	UKRLAN	Mar-18	10.88%	WD/NR/-	500	22.38	1,797.10	Dublin
Dtek Finance	US\$	Energy	DTEKUA	Mar-18	10.38%	WD/-	160	N/A	N/A	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	103.88	6.43	Zurich
Privatbank	US\$	Financial	PRBANK	Feb-21	11.00%	-/-	220	13.38	115.83	Channel Isl.
Oschadbank	US\$	Financial	OSCHAD	Mar-23	9.38%	B-/B-/Caa2	700	107.48	7.53	Dublin
Oschadbank	US\$	Financial	OSCHAD	Mar-25	9.63%	B-/B-/Caa2	500	109.71	7.79	Dublin
Uz Rail Via Shortline	US\$	Industrial	RAILUA	Sep-21	9.88%	CCC/CCC+/-	500	106.65	7.65	Dublin

Source: Bloomberg

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