

# Regional Fixed Income Market Watch

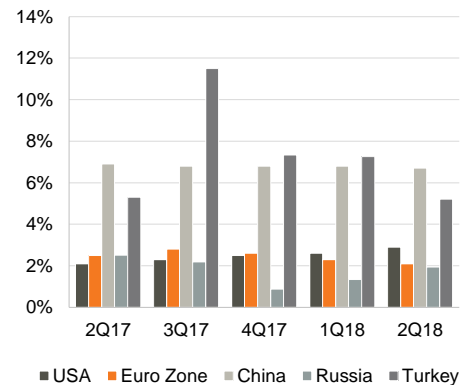
Georgia, Armenia, Azerbaijan, Belarus, Kazakhstan, Ukraine

Regional | Fixed Income  
Monthly Bulletin  
October 18, 2018

## Highlights

- Real GDP growth in the US was an annualized 4.2% y/y (3rd estimate) in 2Q18, unchanged from the 2nd estimate. In September 2018, unemployment rate declined by 0.2ppts to 3.7%.
- Based on rapid estimates, in August 2018, economic growth slowed in all regional economies and came in at 2.1% y/y in Kazakhstan, 2.0% y/y in Georgia, 1.1% y/y in Russia, and 0.6% y/y in Armenia. In 8M18, real GDP growth was 3.7% y/y in Belarus and 0.7% y/y in Azerbaijan.
- In September 2018, annual inflation in the US was 2.3%, down from 2.7% in previous month. Based on the Eurostat flash estimate, annual inflation in EU19 was 2.1% in September 2018, up from 2.0% in August 2018.
- In September 2018, annual inflation was below the target level in Georgia (2.7%), Russia (3.4%), Armenia (3.5%) and Belarus (5.6%); inflation was within the target range in Kazakhstan (6.1%), and above the target in Ukraine (8.9%) and Turkey (24.5%).
- Monetary policy rate was increased to 9.25% (from 9.0%) in Kazakhstan as of October 17, 2018. 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		
	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	5.0%	5.5%	4.8%	15.2	16.7	17.8	4,068	4,506	4,806	6.0%	2.8%	2.7%	-0.9%	-1.6%	-1.5%	-8.8%	-10.2%	-9.9%
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	Caa2	Caa2	positive	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

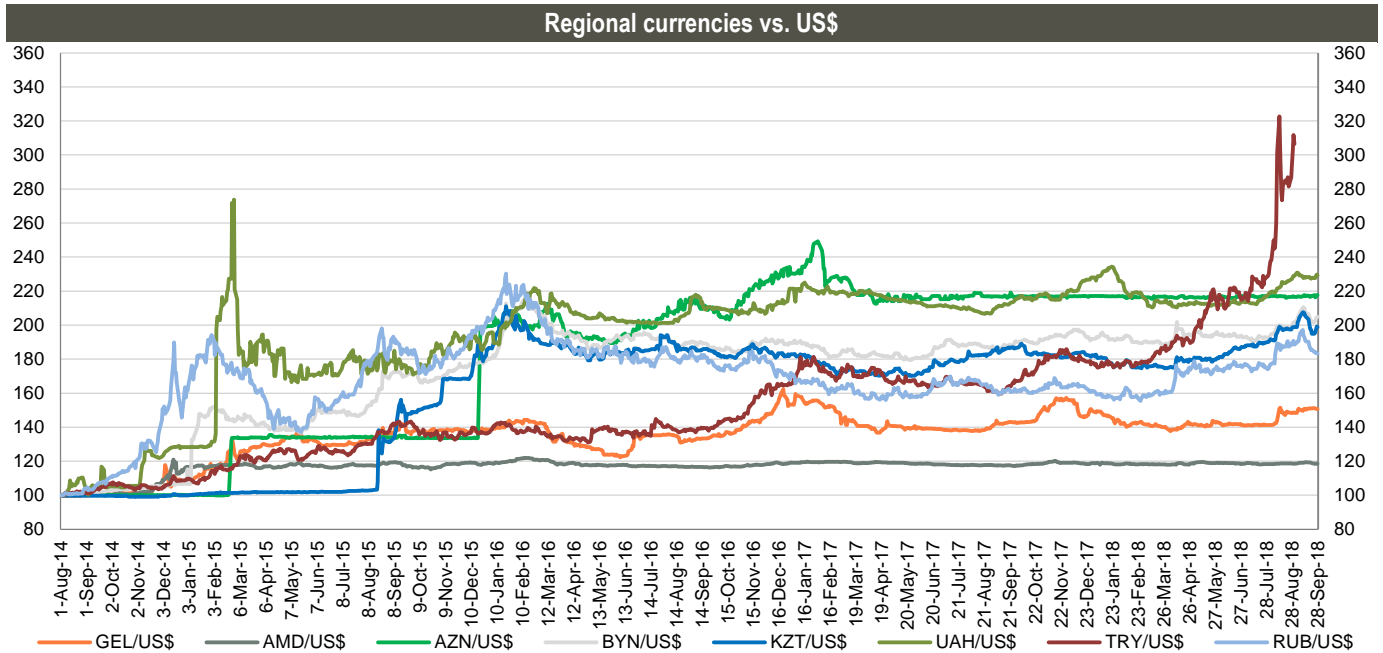
	Inflation, y/y		MPR
	Sep-18	Latest-18	
Armenia	3.5%	6.0%	
Azerbaijan	2.0%*	10.0%	
Belarus	5.6%	10.0%	
Georgia	2.7%	7.0%	
Kazakhstan	6.1%	9.25%	
Ukraine	8.9%	18.0%	
Russia	3.4%	7.5%	
Turkey	24.5%	24.0%	

Source: Central banks, Statistics Offices

\* Aug-18

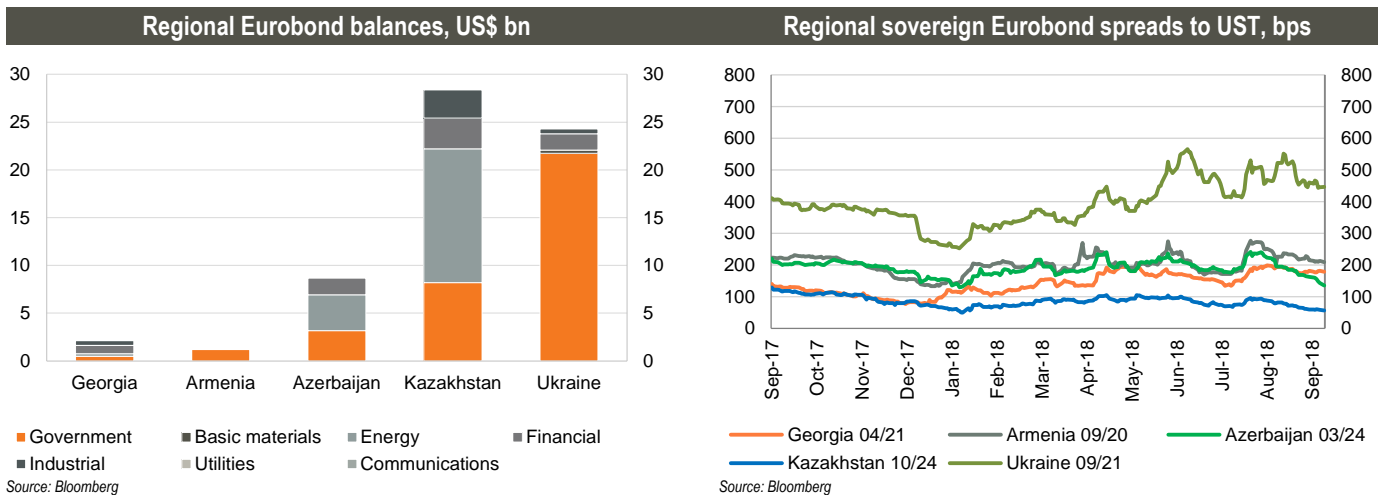


# Eurobonds



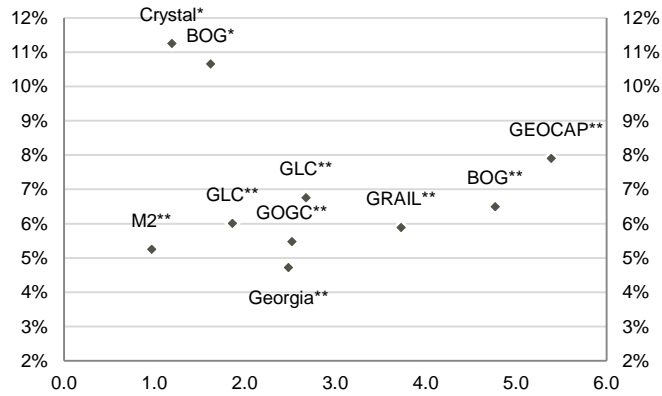
Source: Bloomberg

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



# Snapshot: Georgia

Yield curve



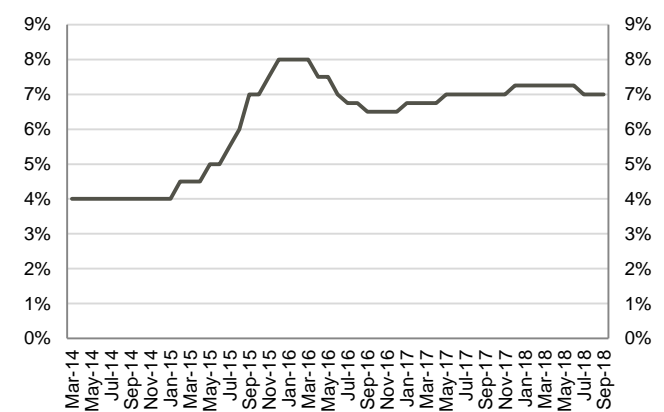
Remaining maturity

\*In GEL

\*\*In US\$

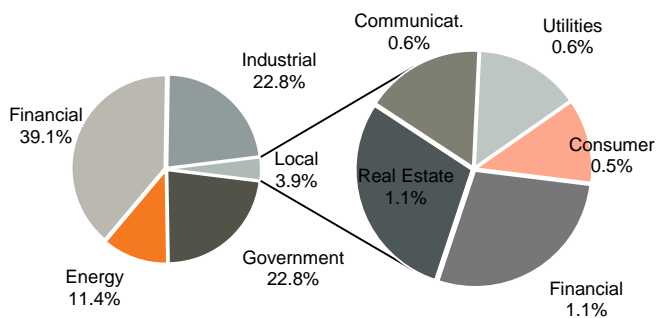
Source: Bloomberg, Galt & Taggart

Monetary policy rate



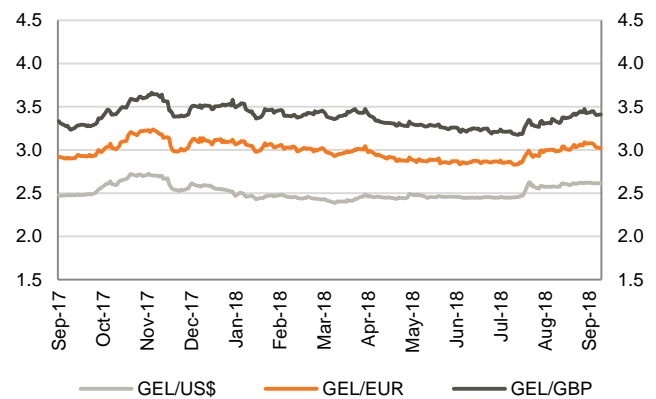
Source: National Bank of Georgia

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	104.78	4.72	London
Georgian Oil & Gas Corp	US\$	Energy	GEOROG	Apr-21	6.75%	BB-/B+/-/-	250	102.59	5.47	London
Bank Of Georgia	US\$	Financial	GEBGG	Jul-23	6.00%	BB-/B-/Ba2/-	350	97.72	6.49	Dublin
Bank Of Georgia	GEL	Financial	GEBGG	Jun-20	11.00%	BB-/B-/Ba2/-	500	99.54	10.65	Dublin
Georgian Railway	US\$	Industrial	GRAIL	Jul-22	7.75%	B+/B+/-/-	500	105.85	5.88	London
Georgia Capital	US\$	Financial	GEOCAP	Mar-24	6.13%	-B+/B2/-	300	92.05	7.90	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	101.89	5.25	Georgia
Georgian Leasing Co	US\$	Financial	\$GLC02K	Aug-20	7.00%	-/-/-	10	100.86	6.00	Georgia
Georgian Leasing Co	US\$	Financial	\$GLC03L	Jun-21	6.50%	-/-/-	5	98.73	6.75	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%**	BB-/B-/Ba2/-	10	100.00	11.25	Georgia

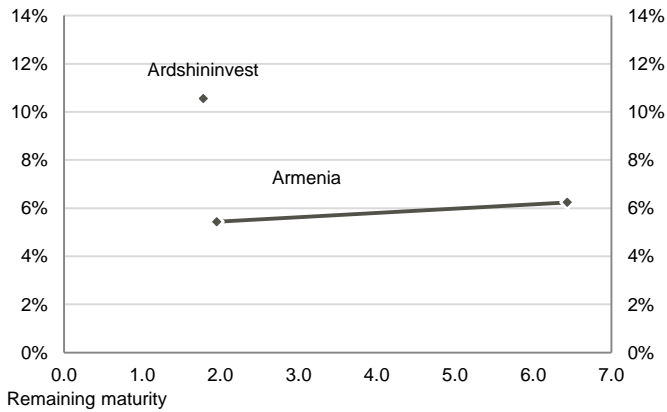
\*Company ratings

\*\*Floating rate

Source: Bloomberg, Galt & Taggart

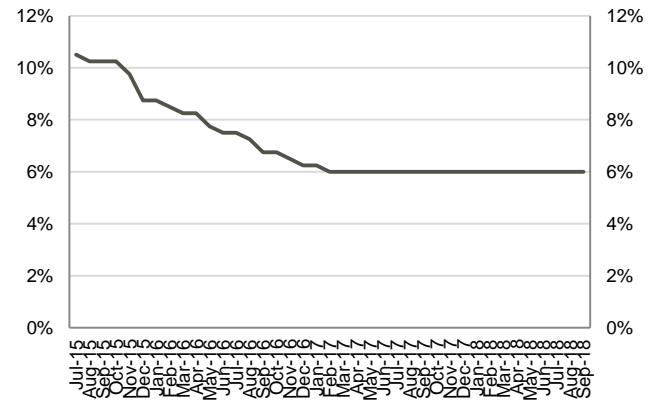
# Snapshot: Armenia

**Yield curve**



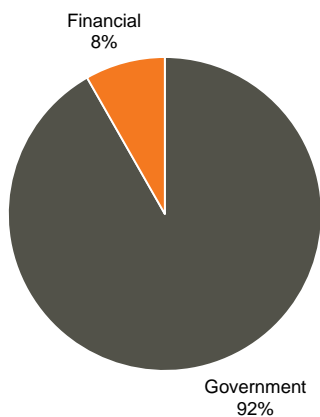
Source: Bloomberg

**Monetary policy rate**



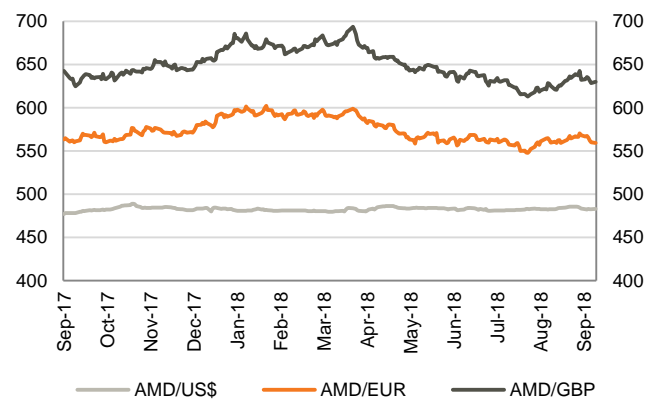
Source: Central Bank of Armenia

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



Source: Bloomberg

**Foreign exchange rates**



Source: Bloomberg

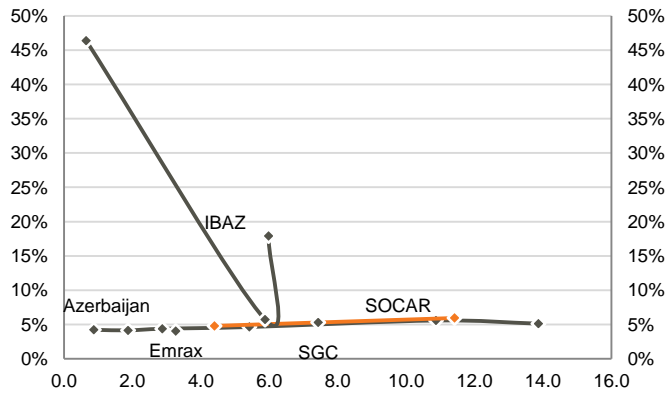
**Bond performance**

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	100.81	5.43	Dublin
Republic Of Armenia	US\$	Government	ARMEN	Mar-25	7.15%	B+/-/B1	500	104.55	6.24	Dublin
Ardshininvestbk	US\$	Financial	ARBANK	Jul-20	12.00%	B+/-/B1	100	101.75	10.56	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

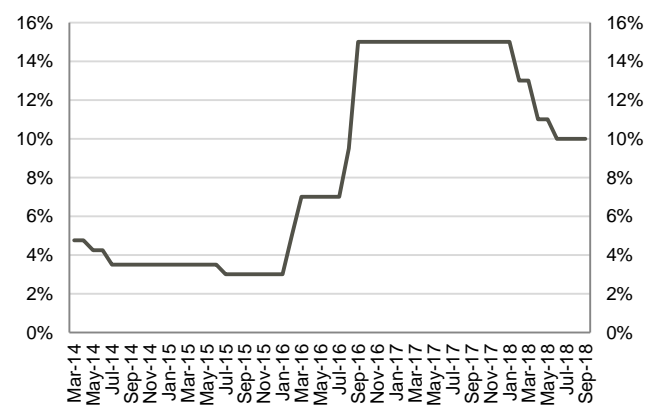
Yield curve



Remaining maturity

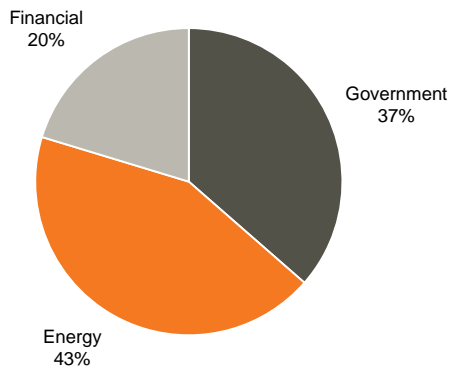
Source: Bloomberg

Monetary policy rate



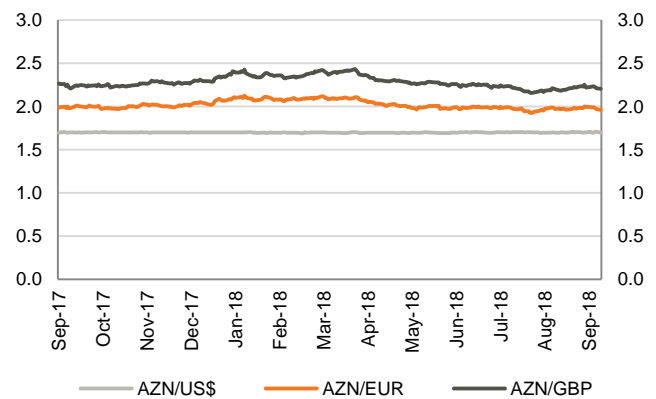
Source: Central Bank of Azerbaijan

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



Source: Bloomberg

Foreign exchange rates



Source: Bloomberg

Bond performance

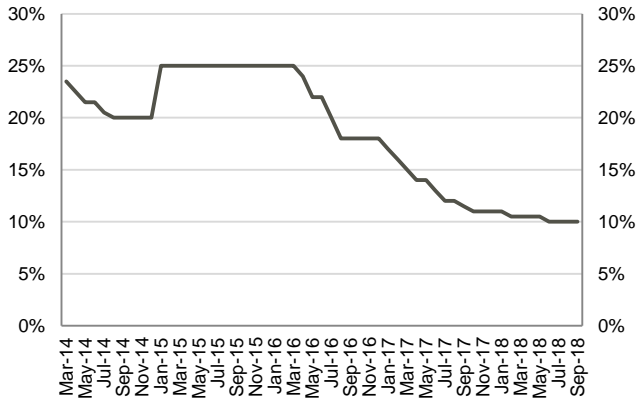
Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Azerbaijan	US\$	Government	AZERBJ	Sep-19	2.82%	BB+/-/Ba2	174	98.62	4.24	Not Listed
Republic Of Azerbaijan	US\$	Government	AZERBJ	Sep-20	2.82%	BB+/-/Ba2	174	97.39	4.15	Not Listed
Republic Of Azerbaijan	US\$	Government	AZERBJ	Sep-21	2.82%	BB+/-/Ba2	174	95.24	4.39	Not Listed
Republic Of Azerbaijan	US\$	Government	AZERBJ	Mar-24	4.75%	BB+/-/Ba2	1,250	100.30	4.64	Stuttgart
Republic Of Azerbaijan	US\$	Government	AZERBJ	Sep-29	5.13%	BB+/-/Ba2	311	96.09	5.59	Not Listed
Republic Of Azerbaijan	US\$	Government	AZERBJ	Sep-32	3.50%	BB+/-/Ba2	1,077	83.67	5.13	Not Listed
Southern Gas Corridor	US\$	Energy	SGCAZE	Mar-26	6.88%	BB+/-/Ba2	2,000	109.09	5.33	Dublin
SOCAR	US\$	Energy	SOIAZ	Mar-23	4.75%	BB+/BB-/Ba2	1,000	99.60	4.80	London
SOCAR	US\$	Energy	SOIAZ	Mar-30	6.95%	BB+/BB-/NR	750	107.84	5.96	London
Emraxbank	US\$	Financial	EMRXAZ	Jan-22	9.00%	-/-	10	114.83	4.03	Baku
IBAZ	US\$	Financial	IBAZAZ	Jun-19	5.63%	WD/-/WR	500	79.13	46.36	Stuttgart
IBAZ	US\$	Financial	IBAZAZ	Sep-24	3.50%	B-/-	1,000	88.06	5.73	Not Listed
IBAZ	US\$	Financial	IBAZAZ	Oct-24	8.25%	-/-/WR	250	63.25	17.89	Dublin

Source: Bloomberg



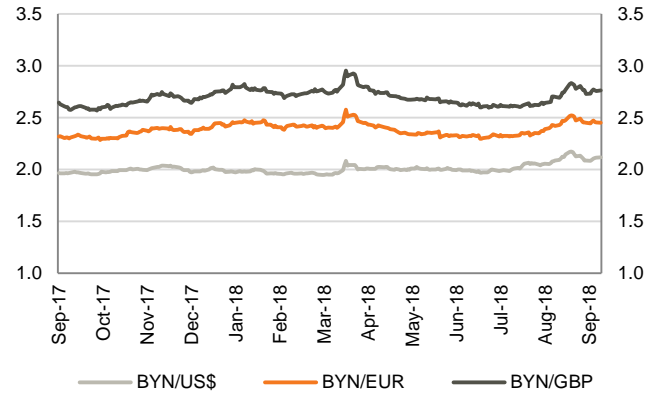
# Snapshot: Belarus

Monetary policy rate



Source: National Bank of Belarus

Foreign exchange rates



Source: Bloomberg

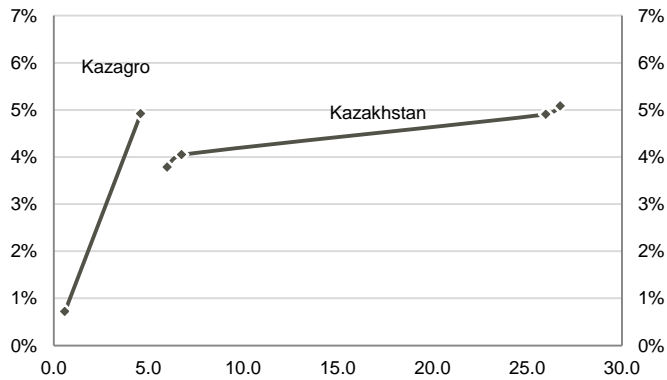
Bond performance

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	103.79	5.80	Dublin
Republic Of Belarus	US\$	Government	BELRUS	Jun-27	7.63%	B/B/B3	600	105.39	6.76	Dublin
Republic Of Belarus	US\$	Government	BELRUS	Feb-30	6.20%	B/B/-	600	95.29	6.77	Dublin

Source: Bloomberg

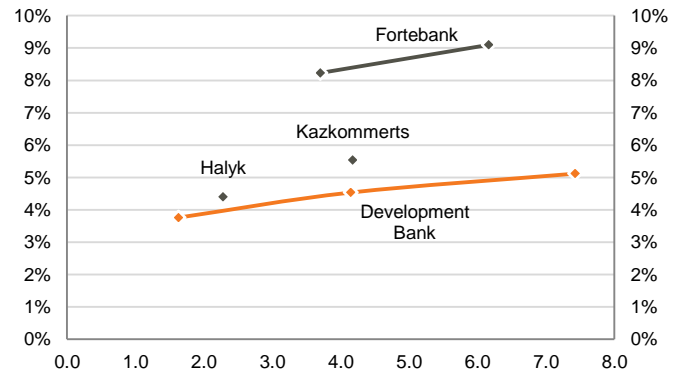
# Snapshot: Kazakhstan

**Yield curve (sovereign)**



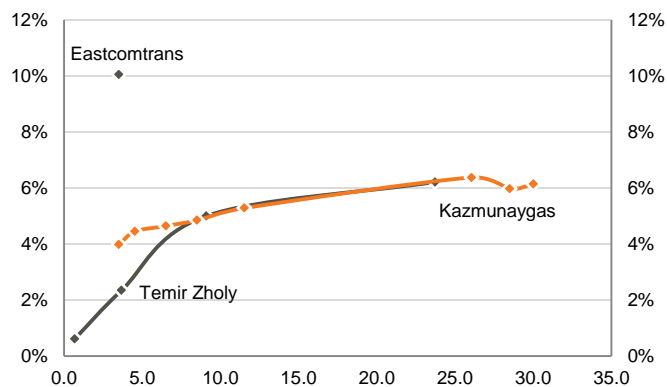
Remaining maturity  
Source: Bloomberg

**Yield curve (banks)**



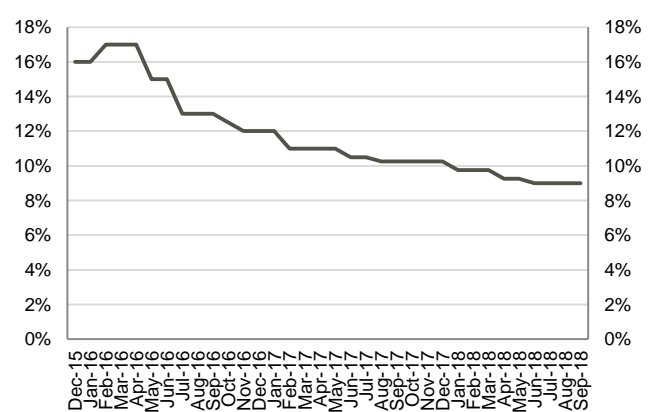
Remaining maturity  
Source: Bloomberg

**Yield curve (other sectors)**



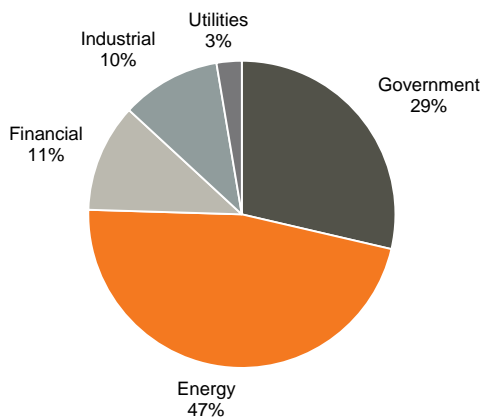
Remaining maturity  
Source: Bloomberg

**Monetary policy rate**



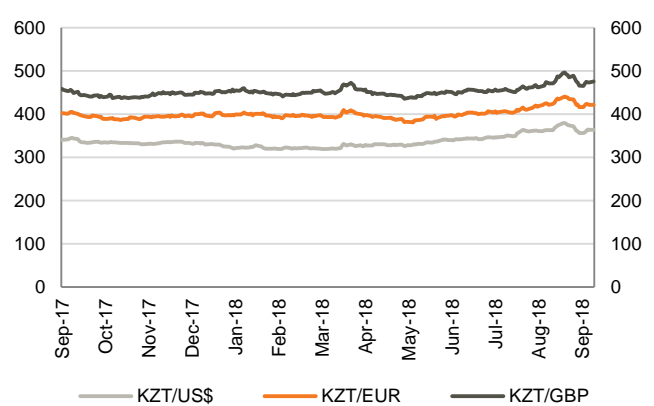
Source: National Bank of Kazakhstan

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



Source: Bloomberg

**Foreign exchange rates**



Source: Bloomberg

**Bond performance**

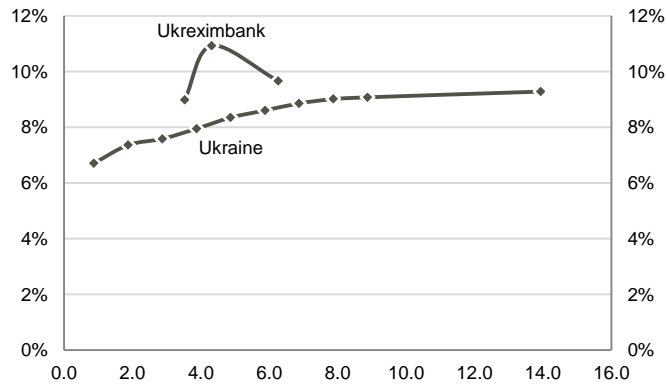
Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Kazakhstan	US\$	Government	KZAKS	Oct-24	3.88%	BBB/BBB-/Baa3	1,500	100.34	3.79	London
Republic Of Kazakhstan	US\$	Government	KZAKS	Jul-25	5.13%	BBB/BBB-/Baa3	2,500	106.15	4.05	London
Republic Of Kazakhstan	US\$	Government	KZAKS	Oct-44	4.88%	BBB/BBB-/Baa3	1,000	99.40	4.91	London
Republic Of Kazakhstan	US\$	Government	KZAKS	Jul-45	6.50%	BBB/BBB-/Baa3	1,500	120.47	5.08	London
Kazagro Natl Mgmt Hldg	EUR	Government	KAZNMH	May-19	3.26%	BBB-/NR/Ba1	600	101.00	0.72	Dublin
Kazagro Natl Mgmt Hldg	US\$	Government	KAZNMH	May-23	4.63%	BBB-/NR/Ba1	1,000	98.61	4.92	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	99.52	3.98	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-23	4.40%	BBB-/BB-/Baa3	1,000	99.64	4.45	Kazakhstan
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-25	4.75%	BBB-/BB-/Baa3	500	100.42	4.64	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	99.16	4.85	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-30	5.38%	BBB-/BB-/Baa3	1,250	100.57	5.28	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	94.75	6.38	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-47	5.75%	BBB-/BB-/Baa3	1,250	96.84	5.97	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Oct-48	6.38%	BBB-/BB-/Baa3	1,500	102.90	6.14	London
Kaztransgas	US\$	Utilities	KZTGKZ	Sep-27	4.38%	BBB-/BB-/Baa3	750	94.67	5.10	Dublin
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Jun-20	6.50%	BBB-/BB+/Baa3	100	104.04	3.76	Kazakhstan
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Dec-22	4.13%	BBB-/BB+/Baa3	1,425	98.26	4.53	London
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Mar-26	6.00%	BBB-/BB+/Baa3	150	105.08	5.12	Kazakhstan
Fortebank	US\$	Financial	ALLIBK	Jun-22	14.00%	NR/B/-	61	117.26	8.23	Kazakhstan
Fortebank	US\$	Financial	ALLIBK	Dec-24	11.75%	B/B/-	237	112.01	9.10	Kazakhstan
Halyk Savings Bank-Kaz.	US\$	Financial	HSBKKZ	Jan-21	7.25%	BB/BB/Ba3	500	105.94	4.40	London
Kazkommertsbank	US\$	Financial	KKB	Dec-22	5.50%	BB/BB/-	750	99.69	5.54	Kazakhstan
Eastcomtrans	US\$	Industrial	EASTCM	Apr-22	8.00%	WD/-/B3	100	93.17	10.05	London
Kazakhstan Temir Zholy	CHF	Industrial	KTZKZ	Jun-19	2.59%	BBB-/BB-/Baa3	100	101.15	0.61	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	104.12	2.34	Zurich
Kazakhstan Temir Zholy	US\$	Industrial	KTZKZ	Nov-27	4.85%	BBB-/BB-/Baa3	780	98.75	5.00	Dublin
Kazakhstan Temir Zholy	US\$	Industrial	KTZKZ	Jul-42	3.88%	BBB-/BB-/Baa3	1,100	108.77	6.22	London

Source: Bloomberg



# Snapshot: Ukraine

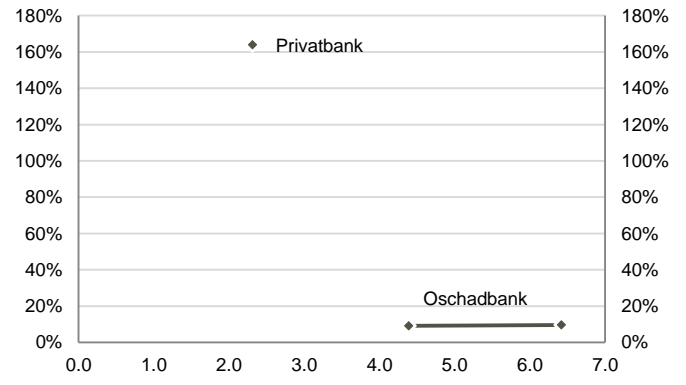
**Yield curve (sovereign)**



Remaining maturity

Source: Bloomberg

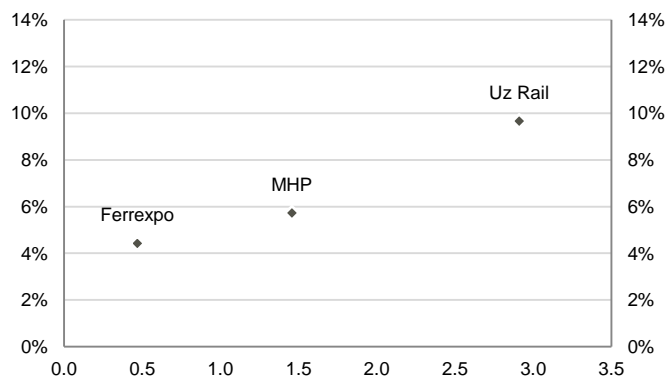
**Yield curve (banks)**



Remaining maturity

Source: Bloomberg

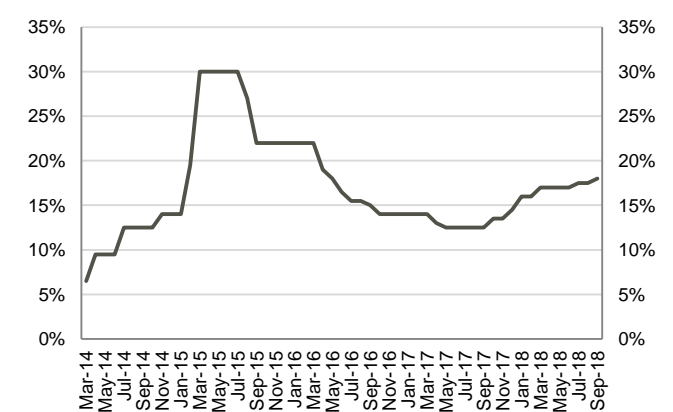
**Yield curve (other sectors)**



Remaining maturity

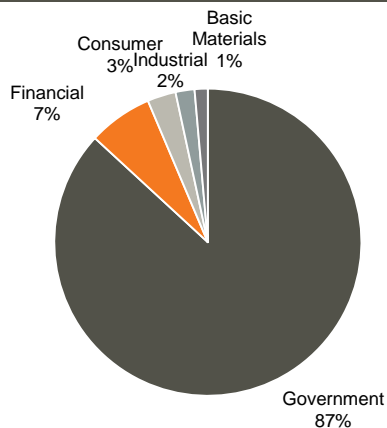
Source: Bloomberg

**Monetary policy rate**



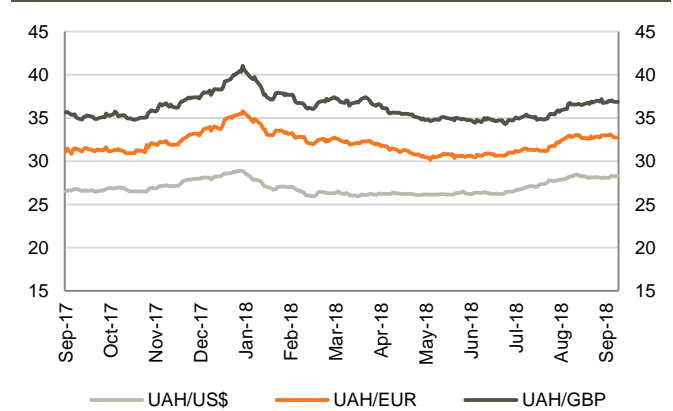
Source: National Bank of Ukraine

**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-/Caa2	1,822	100.61	6.71	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-20	7.75%	B-/B-/Caa2	1,780	100.50	7.36	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-21	7.75%	B-/B-/Caa2	1,409	100.20	7.58	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-22	7.75%	B-/B-/Caa2	1,384	99.16	7.95	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-23	7.75%	B-/B-/Caa2	1,355	97.39	8.35	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-24	7.75%	B-/B-/Caa2	1,339	95.89	8.60	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-25	7.75%	B-/B-/Caa2	1,329	94.01	8.86	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-26	7.75%	B-/B-/Caa2	1,318	92.71	9.01	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-27	7.75%	B-/B-/Caa2	1,307	91.82	9.07	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-32	7.38%	B-/B/-	3,000	85.03	9.28	Dublin
Ukraine Government	US\$	Government	UKRAIN	May-40	0.00%	-B/-	3,214	50.37	N/A	Dublin
Aid-Ukraine	US\$	Government	AID	Sep-21	1.47%	-/-	1,000	95.55	3.03	Frankfurt
Ukreximbank	US\$	Government	EXIMUK	Apr-22	9.63%	B-/Caa2	750	101.57	8.99	Dublin
Ukreximbank	US\$	Government	EXIMUK	Feb-23	9.00%	CCC-/Caa3	125	94.88	10.92	Dublin
Ukreximbank	US\$	Government	EXIMUK	Jan-25	9.75%	B-/Caa2	600	100.08	9.65	Dublin
Ferrexpo Finance	US\$	Basic Materials	FXPOLN	Apr-19	10.38%	B/B/Caa1	186	102.50	4.42	Dublin
Ferrexpo Finance	US\$	Basic Materials	FXPOLN	Apr-19	10.38%	B/B/Caa1	161	102.27	4.68	Dublin
MHP	US\$	Consumer	MHPSA	Apr-20	8.25%	B/B/-	750	102.97	5.73	Dublin
First Ukr.	US\$	Financial	PUMBUZ	Dec-18	11.00%	NR/-/WR	275	101.09	3.71	Zurich
Privatbank	US\$	Financial	PRBANK	Feb-21	11.00%	-/-	220	9.34	163.92	Channel Isl.
Oschadbank	US\$	Financial	OSCHAD	Mar-23	9.38%	B-/Caa2	700	100.71	9.12	Dublin
Oschadbank	US\$	Financial	OSCHAD	Mar-25	9.63%	B-/Caa2	500	100.11	9.56	Dublin
Uz Rail Via Shortline	US\$	Industrial	RAILUA	Sep-21	9.88%	CCC/CCC+/-	500	100.13	9.67	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](mailto:gt@gt.ge)