



Regional Fixed Income Market Watch

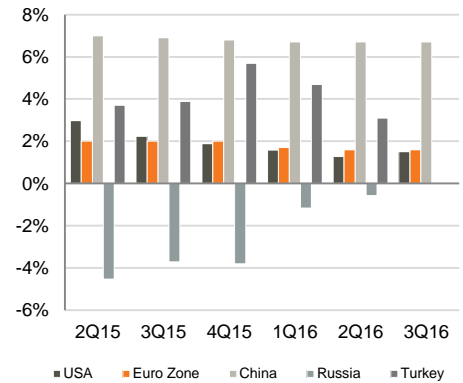
Georgia, Armenia, Azerbaijan, Belarus, Kazakhstan, Ukraine

Regional | Fixed Income
Monthly Bulletin
January 10, 2017

Highlights

- US Federal Open Market Committee increased federal funds rate by 25 basis points to a range of 0.50-0.75% at its December meeting, the first increase since December 2015. Additionally, the expectation for the number of quarter-point rate hikes in 2017 was increased from two to three.
- 3Q16 GDP growth in the USA was revised up from an annualized 3.2% to an annualized 3.5%, beating expectations.
- European Central Bank kept its benchmark interest rate at 0.0% and announced a cut in asset purchases from EUR 80bn to EUR 60bn per month, starting April 2017.
- According to short-term indicators, growth in November 2016 accelerated in Kazakhstan (+2.7% y/y) and Georgia (+2.0% y/y), but decelerated to 3.2% y/y in Ukraine. Following four months of contraction, growth in Armenia came in at 2.3% y/y in November 2016.
- Negative growth persisted in Azerbaijan (-3.9% y/y) and Belarus (-2.7% y/y) in 11M16.
- Inflation in November 2016 accelerated further in Azerbaijan (+17.1% y/y) and Belarus (+11.4% y/y) and retreated in Kazakhstan (+8.7% y/y), Russia (+5.8% y/y), and Ukraine (+12.1% y/y). Inflation in Georgia returned to positive territory (+0.2% y/y), while deflation slowed in Armenia (-0.6% y/y).
- Armenian Central Bank cut its refinancing rate further to 6.25%, down 25 basis points, on December 27, 2016.

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-	stable	Ba1	Ba1	negative	BBB-	BB+	stable
Turkey	BBB-	BBB-	negative	Ba1	Ba1	stable	BB+	BB	negative

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

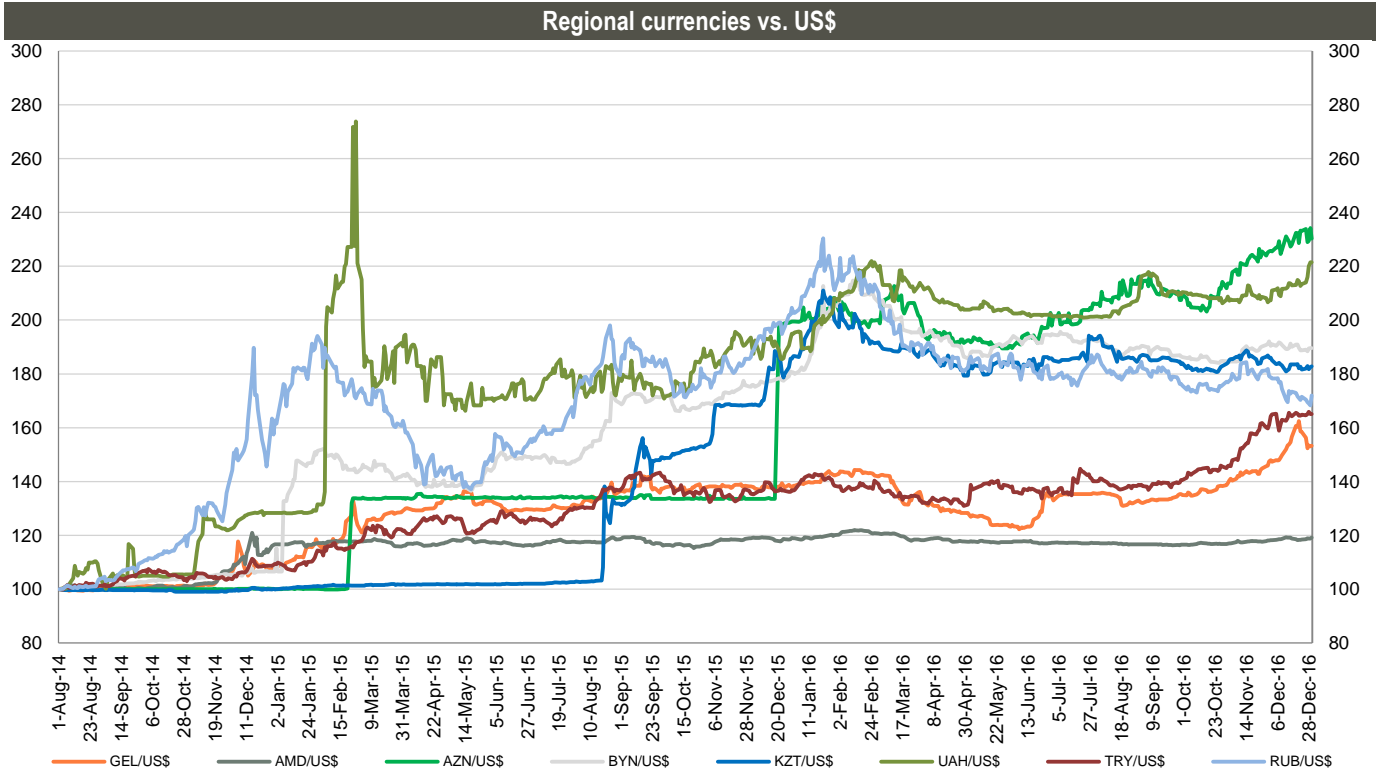
Monetary stance

	Inflation, y/y		MPR
	Nov-16	Dec-16	
Armenia	-0.6%	6.25%	
Azerbaijan	17.1%	15.00%	
Belarus	11.4%	18.00%	
Georgia	0.2%	6.50%	
Kazakhstan	8.7%	12.00%	
Ukraine	12.1%	14.00%	
Russia	5.8%	10.00%	
Turkey	7.0%	8.00%	

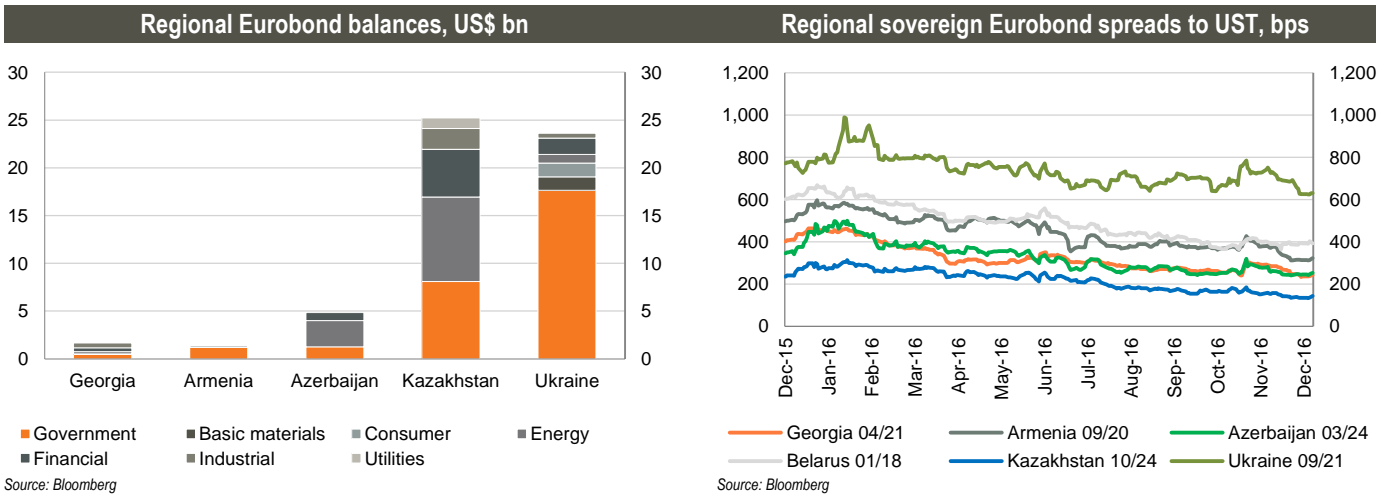
Source: Central banks, Statistics Offices



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

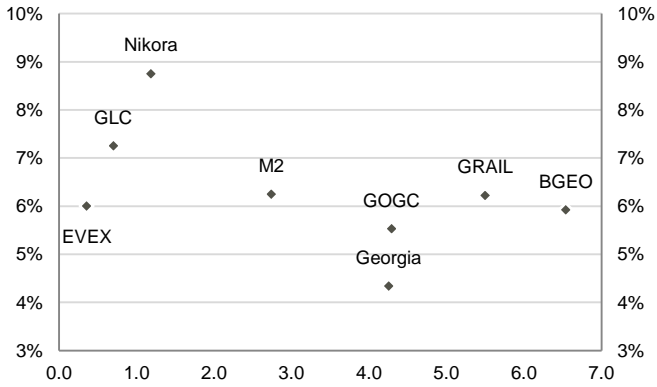


Source: Bloomberg

Source: Bloomberg

Snapshot: Georgia

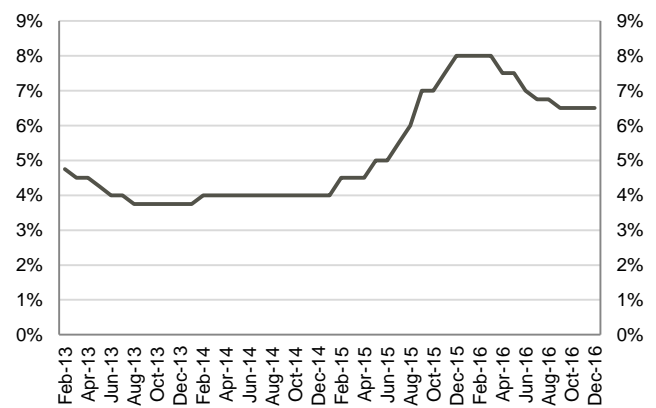
Yield curve



Remaining maturity

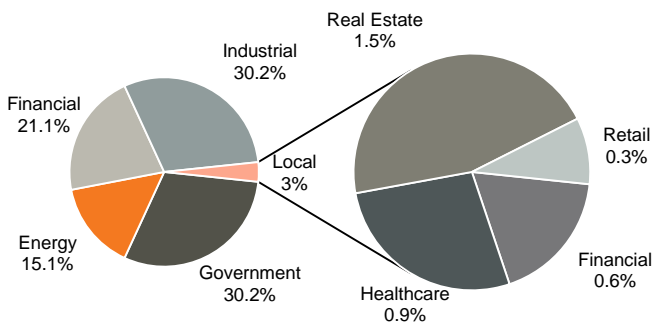
Source: Bloomberg, Galt & Taggart

Monetary policy rate



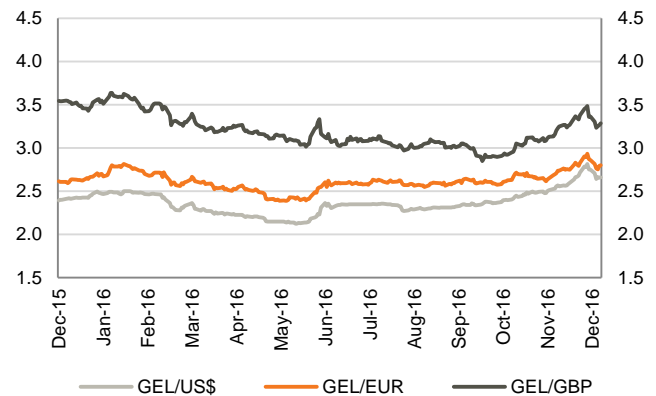
Source: National Bank of Georgia

Bond universe by sector (US\$ 1.7bn 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 Georgia	US\$	Government	GEORG	Apr-21	6.88%	BB-/BB-/Ba3	500	109.41	4.34	London
Georgian Oil & Gas Corp	US\$	Energy	GEOROG	Apr-21	6.75%	BB-/B+/-	250	104.25	5.53	London
BGEO Group	US\$	Financial	BGEOLN	Jul-23	6.00%	BB-/B1	350	100.13	5.92	Dublin
Georgian Railway	US\$	Industrial	GRAIL	Jul-22	7.75%	BB-/B+/-	500	106.88	6.22	London
Georgian Leasing Co	US\$	Financial	GEBGG	Sep-17	8.75%	-/-	10	100.60	7.25	Georgia
EVEX Medical	US\$	Healthcare	EVEXMD	May-17	9.50%	-/-	15	101.10	5.50	Georgia
M2 Real Estate	US\$	Real Estate	GEBGG	Oct-19	7.50%	-/-	25	100.50	6.50	Georgia
Nikora Trade	US\$	Retail	NIKORA	Mar-18	11.00%	-/-	5	102.00	8.75	Georgia
GWP	GEL	Utilities	GEWRPW	Dec-21	10.00%**	BB-/B1	30.0	N/A	N/A	Not Listed
GWP	GEL	Utilities	GEWRPW	Aug-17	14.00%	BB-/B1	2.6	N/A	N/A	Georgia

*Company ratings

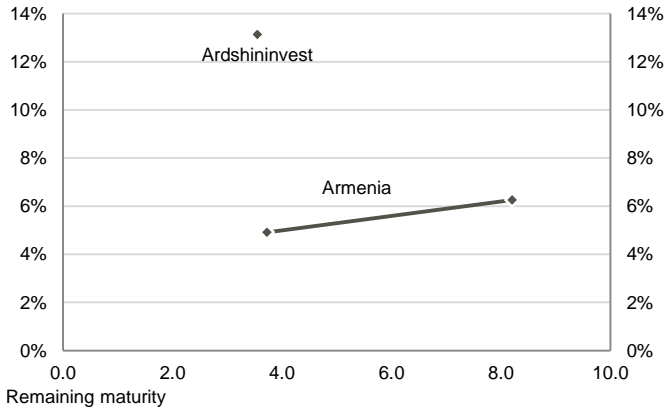
**Floating rate with 3.5% over the NBG's refinancing rate

Source: Bloomberg, Galt & Taggart



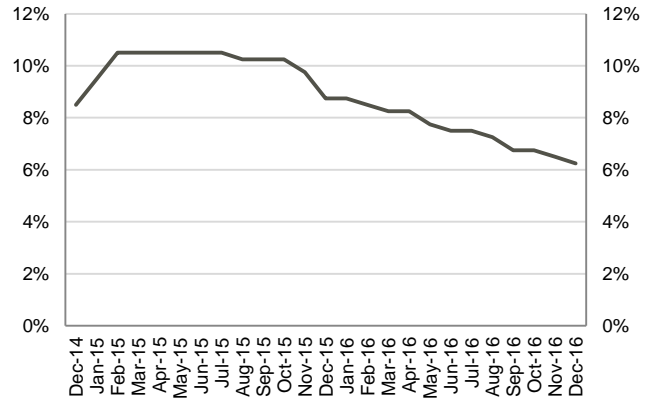
Snapshot: Armenia

Yield curve



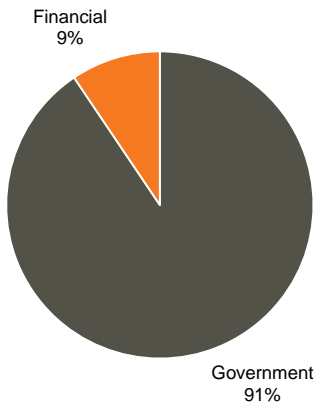
Source: Bloomberg

Monetary policy rate



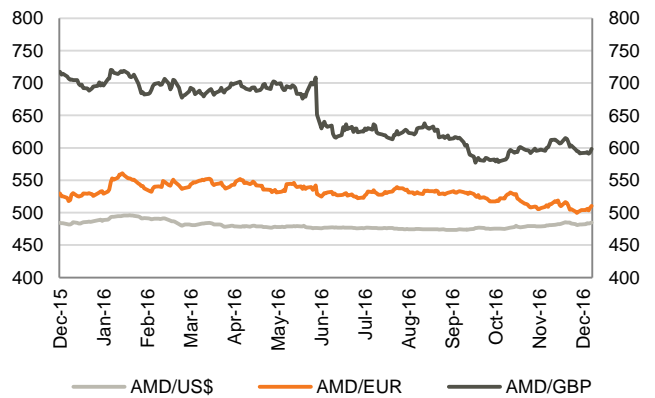
Source: Central Bank of Armenia

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



Source: Bloomberg

Foreign exchange rates



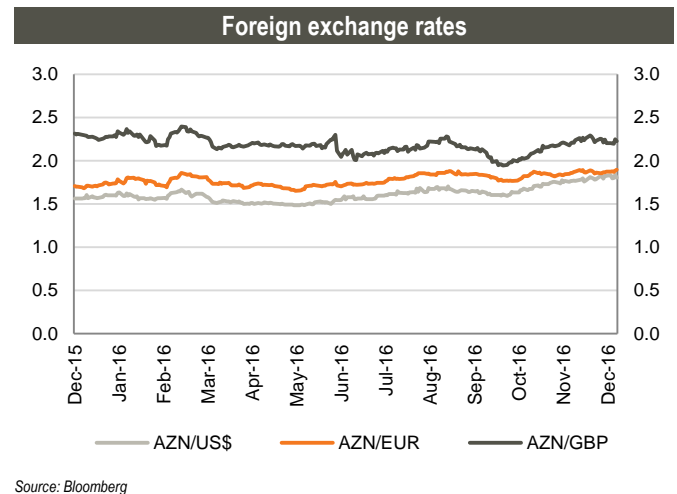
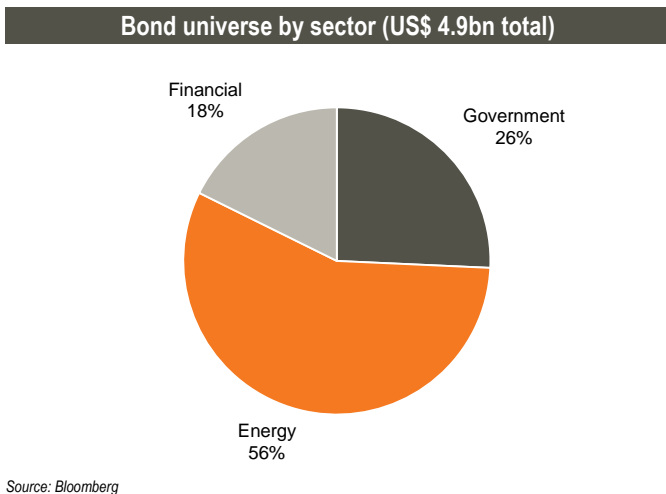
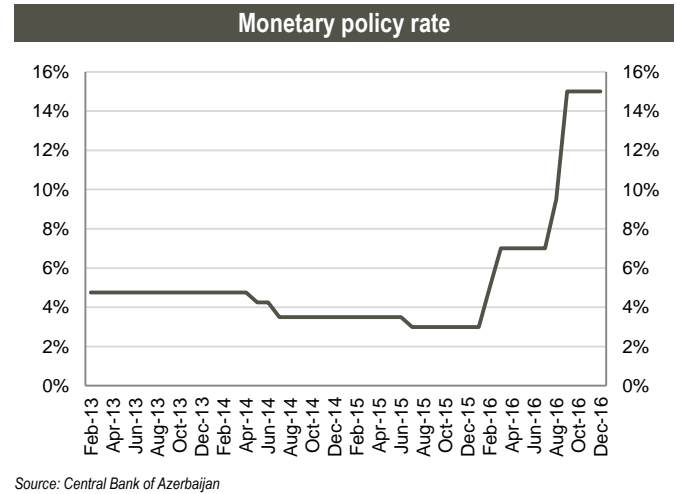
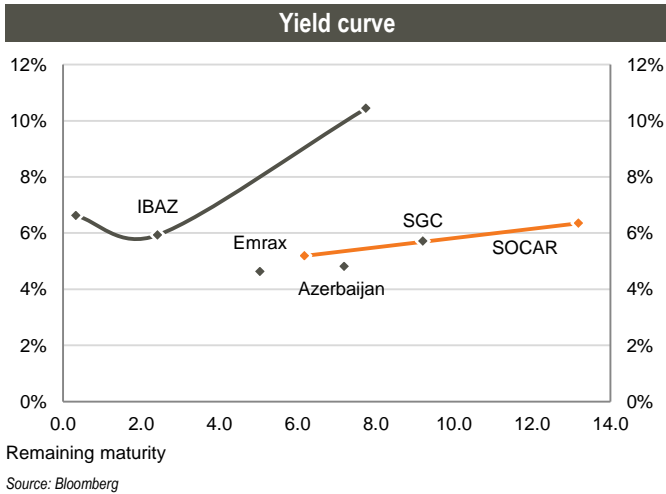
Source: Bloomberg

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	103.33	4.91	Dublin
Republic Of Armenia	US\$	Government	ARMEN	Mar-25	7.15%	B+/-/B1	500	105.36	6.26	Dublin
Ameriabank	US\$	Financial	AMERIA	Jul-18	6.75%	B+/-/	15	N/A	N/A	Armenia
Ardshinvestbk	US\$	Financial	ARBANK	Jul-20	12.00%	B+/-/B1	100	96.38	13.14	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



Bond performance

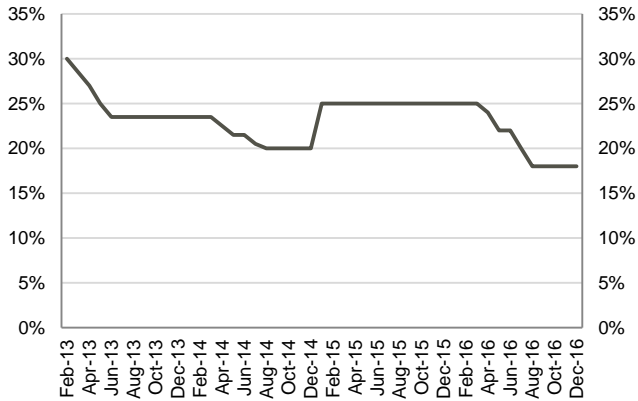
Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Azerbaijan	US\$	Government	AZERBJ	Mar-24	4.75%	BB+/-/Ba1	1,250	99.43	4.81	Stuttgart
Southern Gas Corridor	US\$	Energy	SGCAZE	Mar-26	6.88%	BB+/-/Ba1	1,000	108.00	5.71	Dublin
SOCAR	US\$	Energy	SOIAZ	Mar-23	4.75%	BB+/BB/Ba1	1,000	97.62	5.19	London
SOCAR	US\$	Energy	SOIAZ	Mar-30	6.95%	BB+/BB/NR	750	105.11	6.35	London
Emraxbank	US\$	Financial	EMRXAZ	Jan-22	9.00%	-/-	10	119.07	4.63	Baku
IBAZ	US\$	Financial	IBAZAZ	May-17	6.17%	-/-B1	100	99.70	6.62	Cayman Isl.
IBAZ	US\$	Financial	IBAZAZ	Jun-19	5.63%	BB/-/Ba3	500	99.00	5.93	Stuttgart
IBAZ	US\$	Financial	IBAZAZ	Oct-24	8.25%	-/-Ba3	250	87.75	10.44	Dublin

Source: Bloomberg



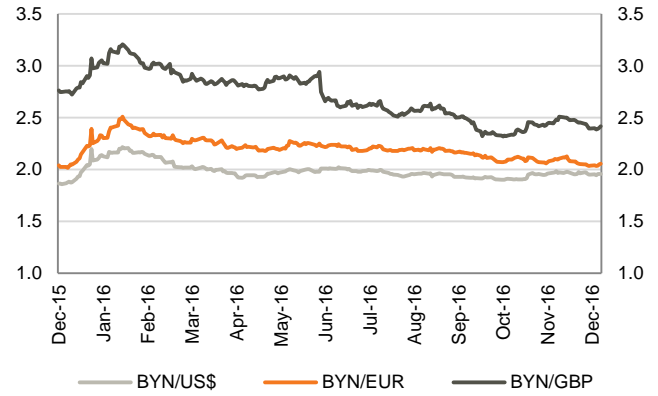
Snapshot: Belarus

Monetary policy rate



Source: National Bank of Belarus

Foreign exchange rates



Source: Bloomberg

Bond performance

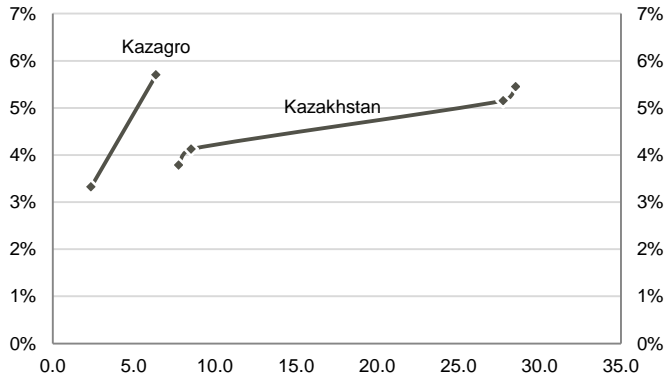
Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Belarus	US\$	Government	BELRUS	Jan-18	8.95%	-/B-/Caa1	800	103.79	4.88	Stuttgart

Source: Bloomberg



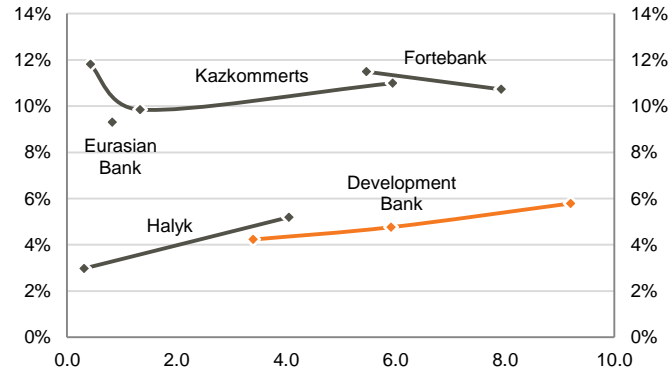
Snapshot: Kazakhstan

Yield curve (sovereign)



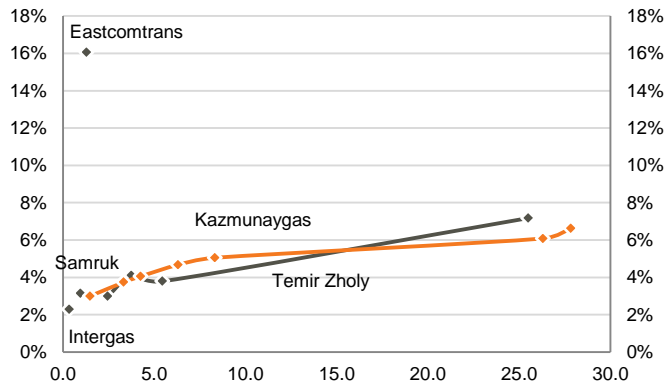
Remaining maturity
Source: Bloomberg

Yield curve (banks)



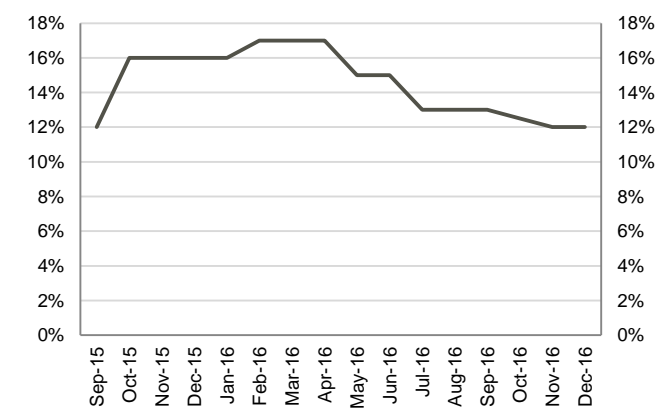
Remaining maturity
Source: Bloomberg

Yield curve (other sectors)



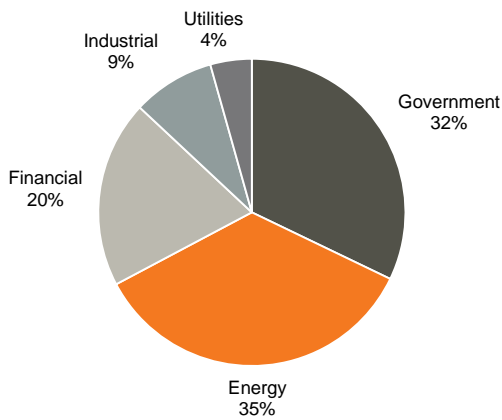
Remaining maturity
Source: Bloomberg

Monetary policy rate



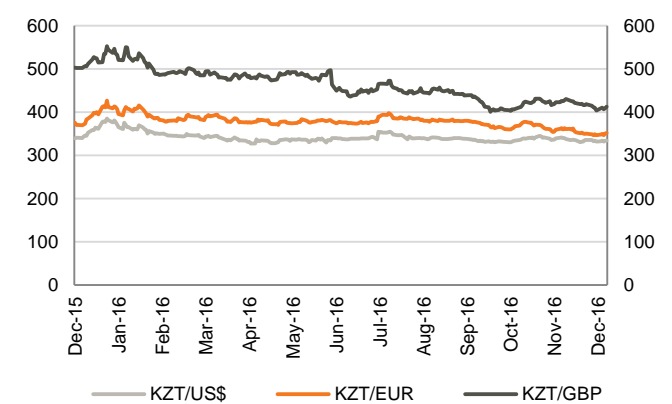
Source: National Bank of Kazakhstan

Bond universe by sector (US\$ 25.2bn total)



Source: Bloomberg

Foreign exchange rates



Source: Bloomberg



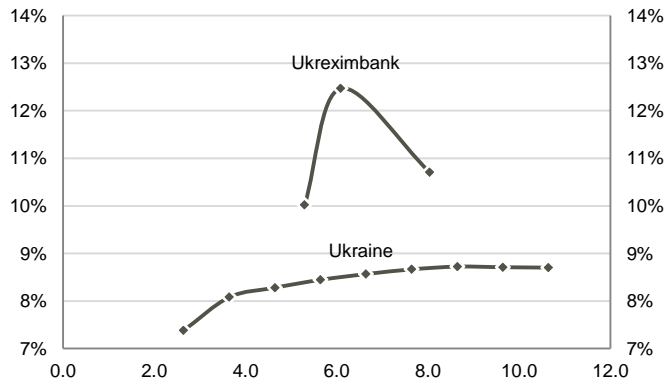
Bond performance

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	100.48	3.78	London
Republic Of Kazakhstan	US\$	Government	KZAKS	Jul-25	5.13%	BBB/BBB-/Baa3	2,500	107.01	4.13	London
Republic Of Kazakhstan	US\$	Government	KZAKS	Oct-44	4.88%	BBB/BBB-/Baa3	1,000	95.68	5.15	London
Republic Of Kazakhstan	US\$	Government	KZAKS	Jul-45	6.50%	BBB/BBB-/Baa3	1,500	114.70	5.45	London
Kazagro Natl Mgmt Hldg	EUR	Government	KAZNMH	May-19	3.26%	BBB-/BB+/-	600	99.40	3.32	Dublin
Kazagro Natl Mgmt Hldg	US\$	Government	KAZNMH	May-23	4.63%	BBB-/BB+/-	1,000	94.13	5.70	Dublin
Kazmunaygas National Co	US\$	Energy	KZOKZ	Jul-18	9.13%	BBB-/BB/Baa3	1,600	108.75	3.00	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	May-20	7.00%	BBB-/BB/Baa3	1,500	110.00	3.74	Frankfurt
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-21	6.38%	BBB-/BB/Baa3	1,250	108.75	4.05	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-23	4.40%	BBB-/BB/Baa3	1,000	98.13	4.68	Kazakhstan
Kazmunaygas National Co	US\$	Energy	KZOKZ	May-25	4.88%	BBB-/BB/Baa3	500	98.25	5.05	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-43	5.75%	BBB-/BB/Baa3	2,000	95.00	6.08	Kazakhstan
Kazmunaygas National Co	US\$	Energy	KZOKZ	Nov-44	6.00%	BBB-/BB/Baa3	1,000	90.38	6.63	London
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Jun-20	6.50%	BBB-/BBB-/Baa3	100	106.78	4.23	Kazakhstan
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Dec-22	4.13%	BBB-/BBB-/Baa3	1,425	96.64	4.76	London
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Mar-26	6.00%	BBB-/BBB-/Baa3	150	100.71	5.79	Kazakhstan
Eurasian Bank	US\$	Financial	EUBNKZ	Nov-17	7.50%	-/B/-	500	98.25	9.30	Kazakhstan
Fortebank	US\$	Financial	ALLIBK	Jun-22	14.00%	NR/B/-	61	108.88	11.49	Kazakhstan
Fortebank	US\$	Financial	ALLIBK	Dec-24	11.75%	-/B/-	237	104.88	10.72	Kazakhstan
Halyk Savings Bank-Kaz.	US\$	Financial	HSBKKZ	May-17	7.25%	BB/BB/Baa3	700	101.25	2.98	London
Halyk Savings Bank-Kaz.	US\$	Financial	HSBKKZ	Jan-21	7.25%	BB/BB/Baa3	500	107.38	5.19	London
Kazkommertsbank	US\$	Financial	KKB	Jun-17	5.95%	CC/CCC/Caa3	250	96.60	11.81	London
Kazkommertsbank	US\$	Financial	KKB	May-18	8.50%	CCC/B-/Caa2	300	98.00	9.85	London
Kazkommertsbank	US\$	Financial	KKB	Dec-22	5.50%	CCC/B/-	750	76.00	10.99	Kazakhstan
Eastcomtrans	US\$	Industrial	EASTCM	Apr-18	7.75%	WD/-/Caa1	100	90.13	16.07	London
Kazakhstan Temir Zholy	CHF	Industrial	KTZKZ	Jun-19	2.59%	BBB-/BB-/Baa3	100	98.50	2.99	Zurich
Kazakhstan Temir Zholy	US\$	Industrial	KTZKZ	Oct-20	6.38%	BBB-/BB-/Baa3	700	107.75	4.11	London
Kazakhstan Temir Zholy	CHF	Industrial	KTZKZ	Jun-22	3.64%	BBB-/BB-/Baa3	185	98.75	3.79	Zurich
Kazakhstan Temir Zholy	US\$	Industrial	KTZKZ	Jul-42	6.95%	BBB-/BB-/Baa3	1,100	97.00	7.18	London
Intergas Finance	US\$	Utilities	KZTGKZ	May-17	6.38%	BB+/BB/Baa3	600	101.13	2.28	London
Samruk-Energy	US\$	Utilities	SAMRUE	Dec-17	3.75%	BB/BB-/*-/-	500	100.25	3.15	Dublin

Source: Bloomberg

Snapshot: Ukraine

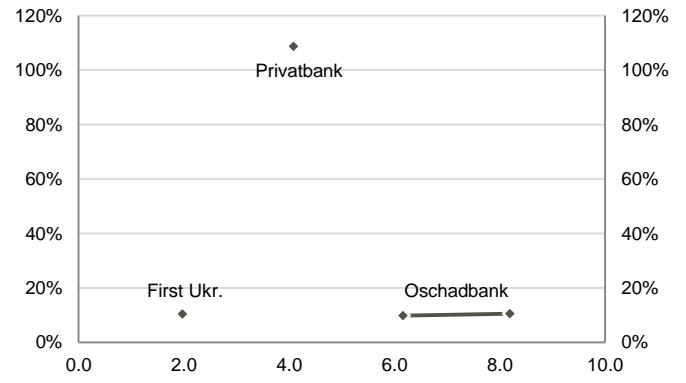
Yield curve (sovereign)



Remaining maturity

Source: Bloomberg

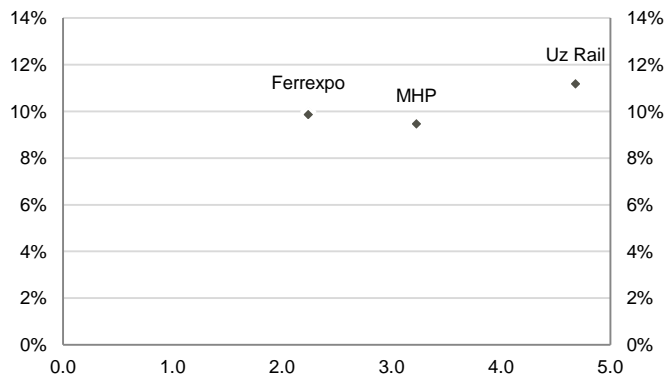
Yield curve (banks)



Remaining maturity

Source: Bloomberg

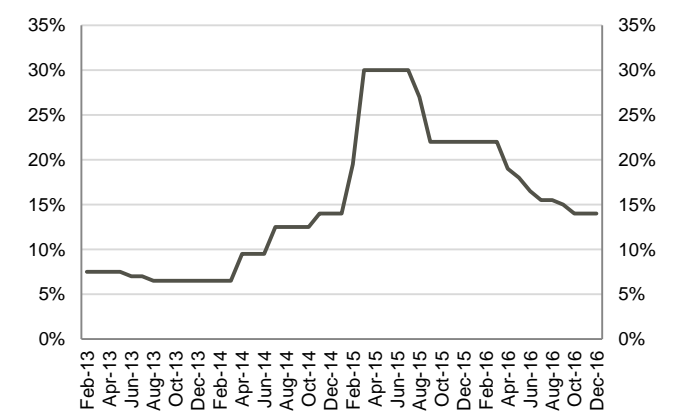
Yield curve (other sectors)



Remaining maturity

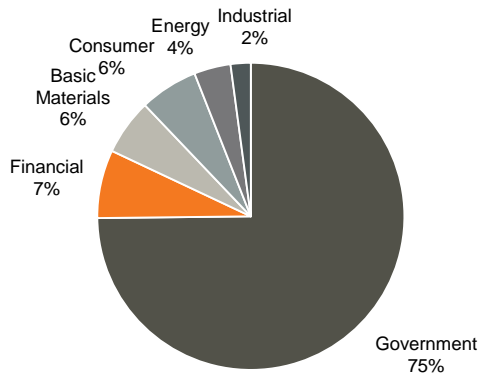
Source: Bloomberg

Monetary policy rate



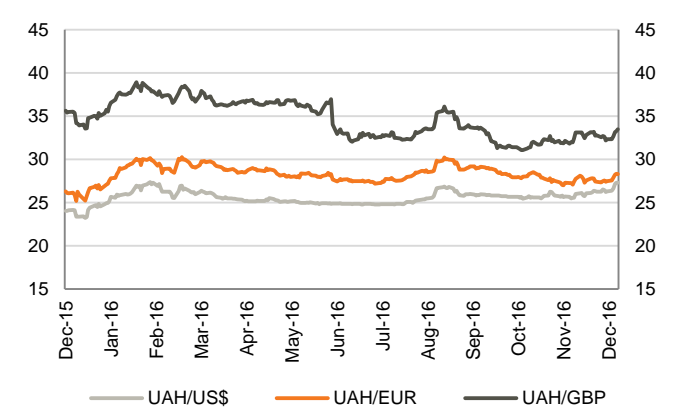
Source: National Bank of Ukraine

Bond universe by sector (US\$ 23.6bn 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-/Caa3	1,744	100.53	7.38	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-20	7.75%	B-/B-/Caa3	1,780	98.68	8.08	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-21	7.75%	B-/B-/Caa3	1,409	97.61	8.28	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-22	7.75%	B-/B-/Caa3	1,384	96.67	8.44	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-23	7.75%	B-/B-/Caa3	1,355	95.64	8.57	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-24	7.75%	B-/B-/Caa3	1,339	94.70	8.67	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-25	7.75%	B-/B-/Caa3	1,329	94.00	8.72	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-26	7.75%	B-/B-/Caa3	1,318	93.46	8.71	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-27	7.75%	B-/B-/Caa3	1,307	93.21	8.70	Dublin
Ukraine Government	US\$	Government	UKRAIN	May-40	0.00%	-B/-	3,214	30.00	N/A	Dublin
Ukreximbank	US\$	Government	EXIMUK	Apr-22	9.63%	B-/B-/Caa3	750	98.13	10.02	Dublin
Ukreximbank	US\$	Government	EXIMUK	Feb-23	8.16%	C-/Ca	125	81.66	12.47	Dublin
Ukreximbank	US\$	Government	EXIMUK	Jan-25	9.75%	B-/B-/Caa3	600	94.63	10.71	Dublin
Ferrexpo Finance	US\$	Basic Materials	FXPOLN	Apr-19	10.38%	CCC/CCC/Caa3	186	100.00	9.98	Dublin
Ferrexpo Finance	US\$	Basic Materials	FXPOLN	Apr-19	10.38%	CCC/CCC/Caa3	161	100.50	9.85	Dublin
Metinvest	US\$	Basic Materials	METINV	Nov-17	10.50%	C/-	290	92.13	N/A	Dublin
Metinvest	US\$	Basic Materials	METINV	Feb-18	8.75%	C-/Caa3	750	92.13	N/A	Dublin
Avangardco Investments	US\$	Consumer	AVINPU	Oct-18	10.00%	WD/-	200	27.63	99.75	London
MHP	US\$	Consumer	MHPSA	Apr-20	8.25%	B-/B/-	750	96.38	9.45	Dublin
Ukrlanfarming	US\$	Consumer	UKRLAN	Mar-18	10.88%	WD/NR/-	500	30.00	144.79	Dublin
Dtek Finance	US\$	Energy	DTEKUA	Mar-18	10.38%	C/-	160	82.75	N/A	Dublin
Dtek Finance	US\$	Energy	DTEKUA	Apr-18	7.88%	C-/Ca	750	82.63	N/A	Trace
First Ukr.	US\$	Financial	PUMBUZ	Dec-18	11.00%	NR-/WR	275	100.13	10.43	Zurich
Privatbank	US\$	Financial	PRBANK	Feb-21	11.00%	-/-	220	10.13	108.70	Channel Isl.
Oschadbank	US\$	Financial	OSCHAD	Mar-23	9.38%	B-/B-/Caa3	700	97.59	9.81	Dublin
Oschadbank	US\$	Financial	OSCHAD	Mar-25	9.63%	B-/B-/Caa3	500	94.69	10.52	Dublin
Uz Rail Via Shortline	US\$	Industrial	RAILUA	Sep-21	9.88%	CCC/CCC+/-	500	95.13	11.18	Dublin

Source: Bloomberg

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