

Regional Fixed Income Market Watch

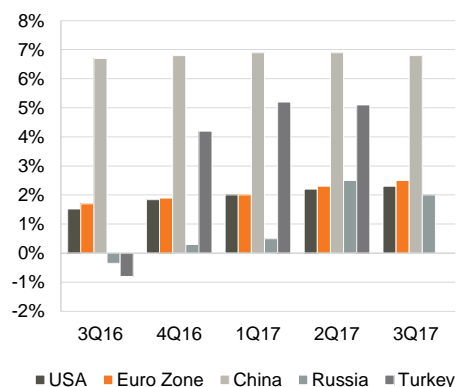
Georgia, Armenia, Azerbaijan, Belarus, Kazakhstan, Ukraine

Regional | Fixed Income
 Monthly Bulletin
 November 9, 2017

Highlights

- US GDP in 3Q17 grew at an annualized rate of 3.0% y/y ('advance' estimate) after expanding 3.1% y/y in 2Q17. The growth reflected increases in consumer spending, inventory and business investments, and export. GDP growth in EU19 was higher at 2.5% y/y in 3Q17 after 2.3% in 2Q17 and 2.0% in 1Q17. The Chinese economy grew 6.8% y/y in 3Q17.
- Based on rapid estimates, economic growth in September 2017 came in at 6.0% y/y in Kazakhstan, 5.0% y/y in Georgia, 2.5% y/y in Armenia, and 2.0% y/y in Russia. In 9M17, GDP was up 1.7% y/y in Belarus and down 0.6% y/y in Azerbaijan.
- Annual inflation in the US was up to 2.2% in September 2017 from 1.9% in the previous month. Based on the Eurostat flash estimate, annual inflation in EU19 was down to 1.4% in October 2017 from 1.5% in September 2017.
- In October 2017, annual inflation increased in Turkey (11.9%), Kazakhstan (7.7%), Georgia (6.4%), and Armenia (1.2%) and decreased in Russia (2.7%). September 2017 figures indicate an increase in annual inflation to 16.4% in Ukraine and decreases to 13.1% and 4.9% in Azerbaijan and Belarus, respectively.
- In October 2017, in response to low inflation, the Russian and Belarusian central banks lowered monetary policy rates further to 8.25% and 11.0%, respectively, while the Ukrainian central bank raised its monetary policy rate to 13.5%, given increased price pressure. 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	2.7%	4.3%	4.2%	14.3	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+	stable	B1	B1	stable	NA	NA	NA
Azerbaijan	BB+	BB+	negative	Ba2	Ba2	stable	BB+	BB+	negative
Belarus	B-	B-	stable	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-	stable	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
	Oct-17	Oct-17
Armenia	1.2%	6.0%
Azerbaijan	13.1%*	15.0%
Belarus	4.9%*	11.0%
Georgia	6.4%	7.0%
Kazakhstan	7.7%	10.25%
Ukraine	16.4%*	13.5%
Russia	2.7%	8.25%
Turkey	11.9%	8.0%

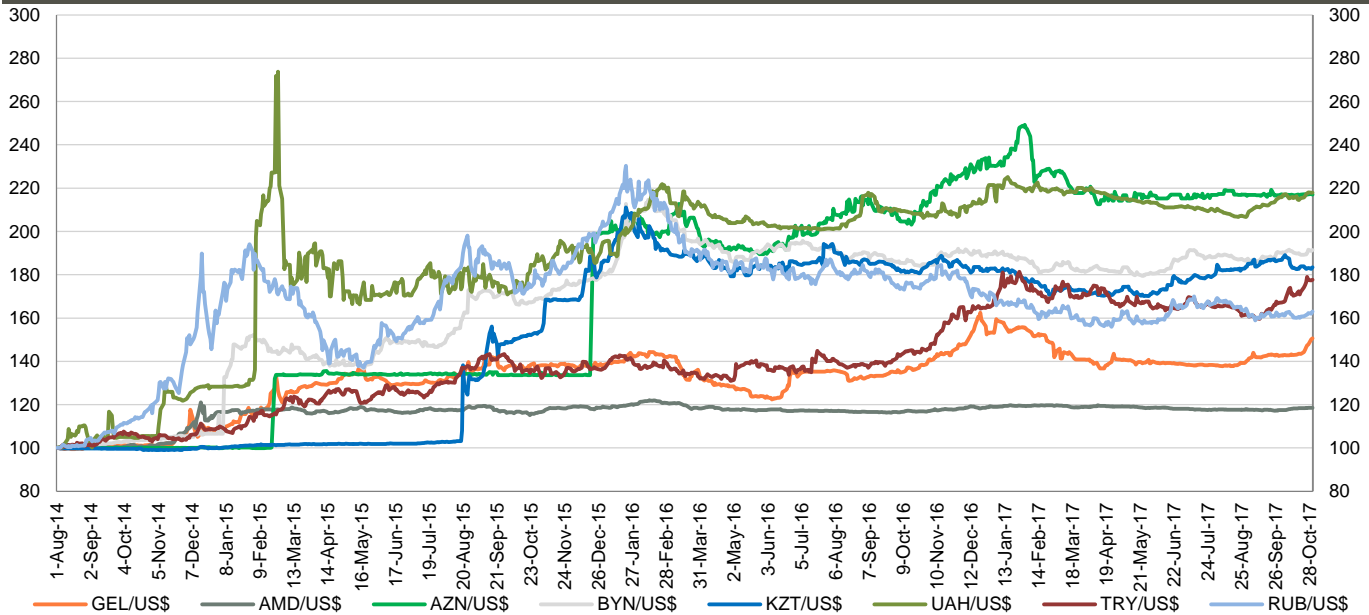
*September 2017

Source: Central banks, Statistics Offices



Eurobonds

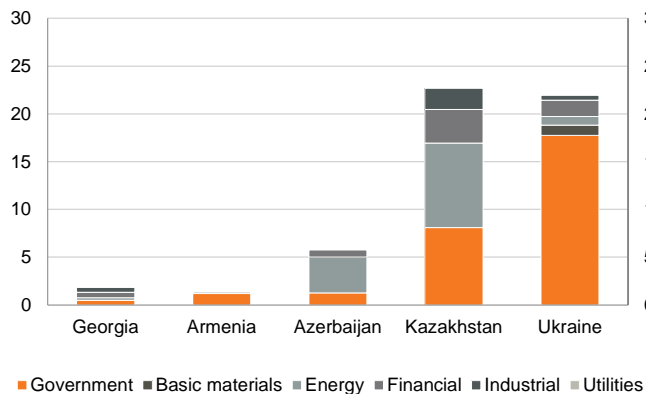
Regional currencies vs. US\$



Source: Bloomberg

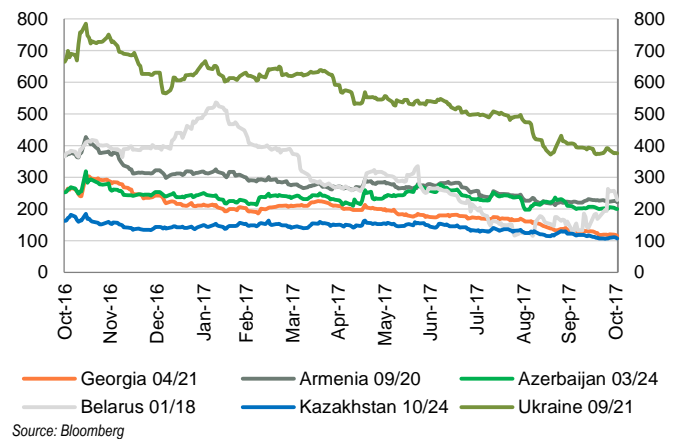
Note: 1 US\$ per local currency; Index growth means depreciation of the local currency, index decline means appreciation of the local currency; Aug-2014=100

Regional Eurobond balances, US\$ bn



Source: Bloomberg

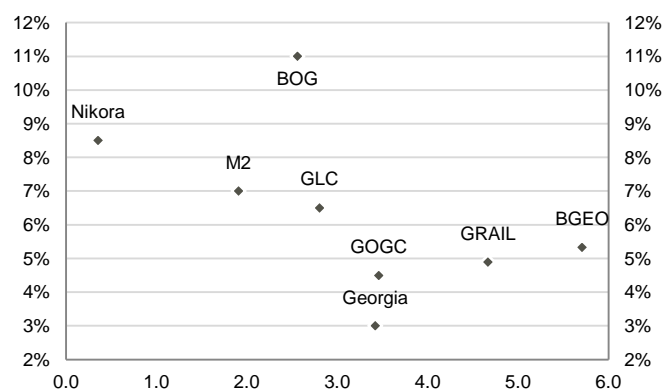
Regional sovereign Eurobond spreads to UST, bps



Source: Bloomberg

Snapshot: Georgia

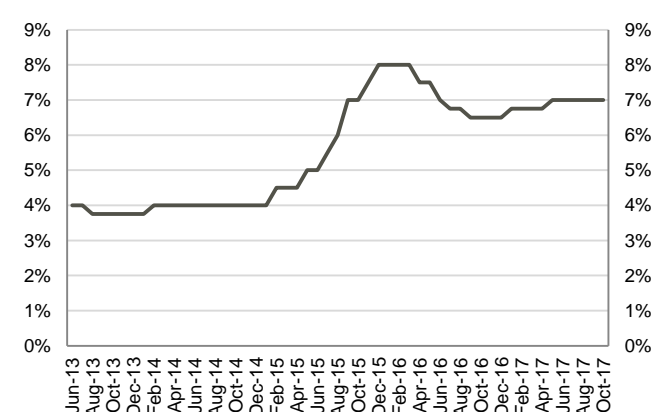
Yield curve



Remaining maturity

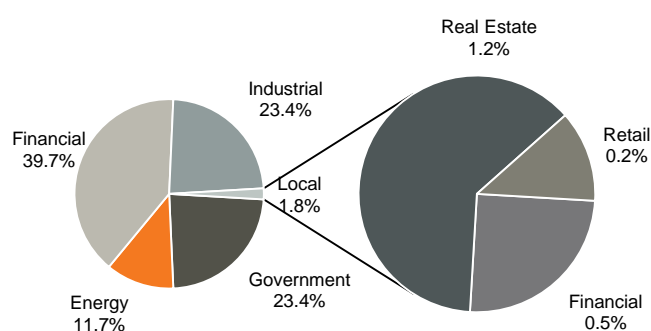
Source: Bloomberg, Galt & Taggart

Monetary policy rate



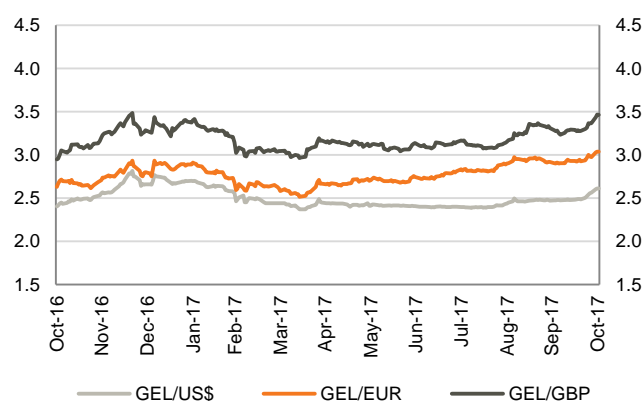
Source: National Bank of Georgia

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	112.41	2.99	London
Georgian Oil & Gas Corp	US\$	Energy	GEOROG	Apr-21	6.75%	BB-/B+/-	250	106.92	4.49	London
BGEO Group	US\$	Financial	BGEOLN	Jul-23	6.00%	BB-/B1	350	103.21	5.33	Dublin
Bank Of Georgia	GEL	Financial	GEBGG	Jun-20	11.00%	BB-/B2	500	99.77	11.00	Dublin
Georgian Railway	US\$	Industrial	GRAIL	Jul-22	7.75%	B+/B+/-	500	111.57	4.89	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	99.99	7.00	Georgia
Nikora Trade	US\$	Retail	NIKORA	Mar-18	11.00%	-/-	5	100.71	8.50	Georgia
GWP	GEL	Utilities	GEWRPW	Dec-21	10.50%**	BB-/B1	30.0	N/A	N/A	Not Listed

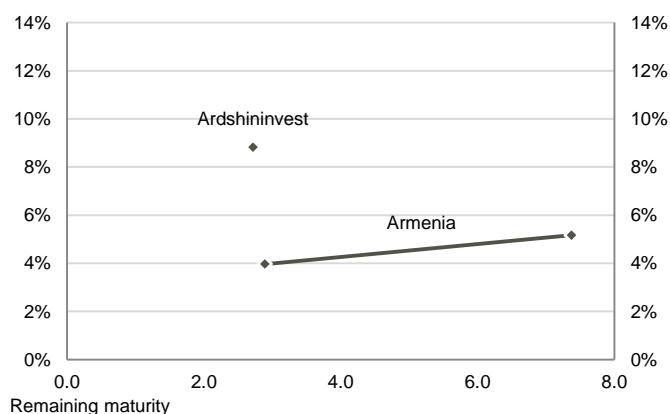
*Company ratings

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

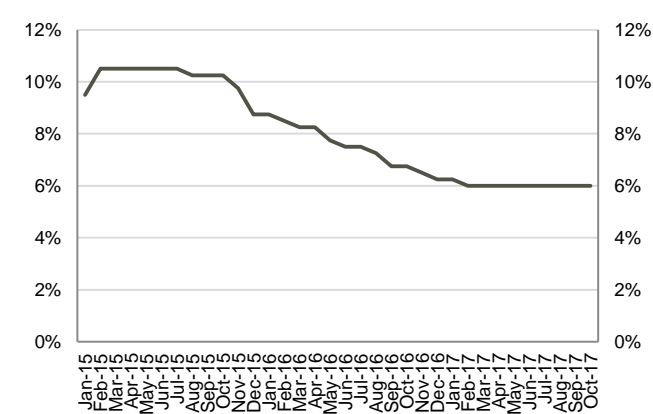
Source: Bloomberg, Galt & Taggart

Snapshot: Armenia

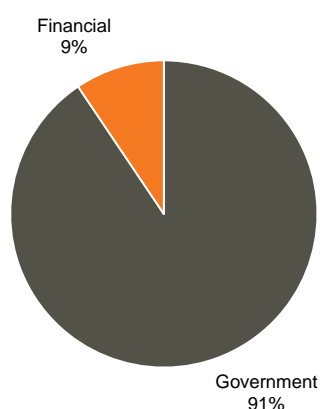
Yield curve



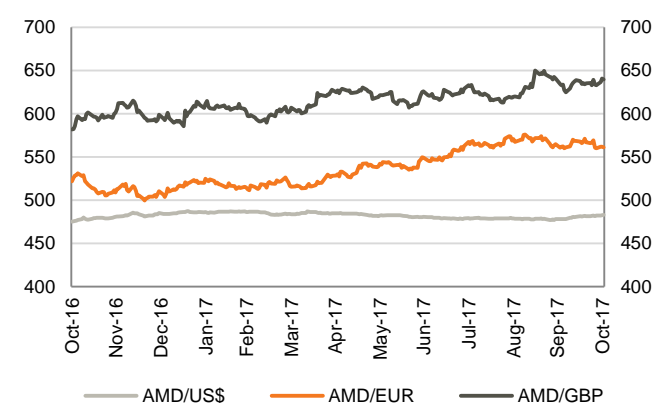
Monetary policy rate



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



Foreign exchange rates



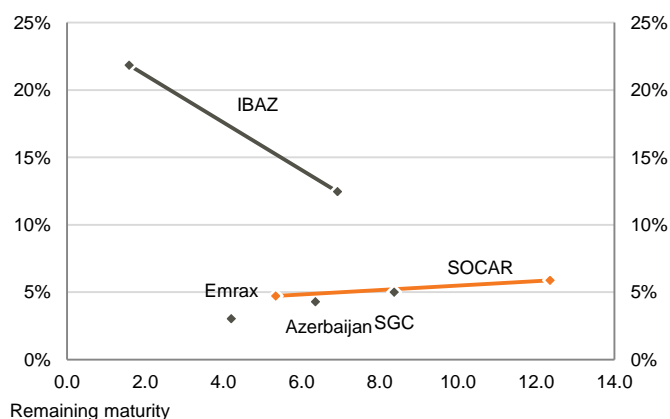
Bond performance

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	105.37	3.96	Dublin
Republic Of Armenia	US\$	Government	ARMEN	Mar-25	7.15%	B+/-/B1	500	111.84	5.17	Dublin
Ameriabank	US\$	Financial	AMERIA	Jul-18	6.75%	WD/-/-	15	N/A	N/A	Armenia
Ardshinvestbk	US\$	Financial	ARBANK	Jul-20	12.00%	B+/-/B1	100	106.32	8.82	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

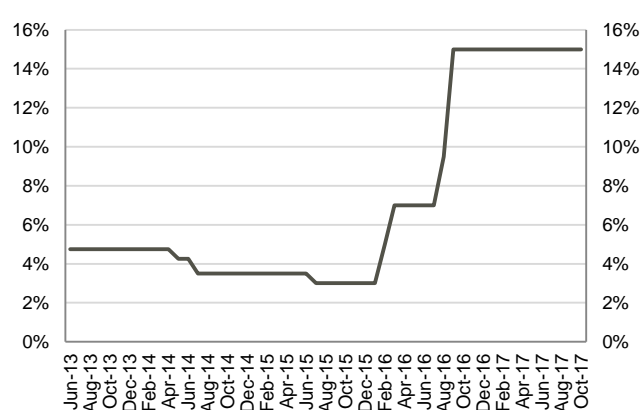
Snapshot: Azerbaijan

Yield curve



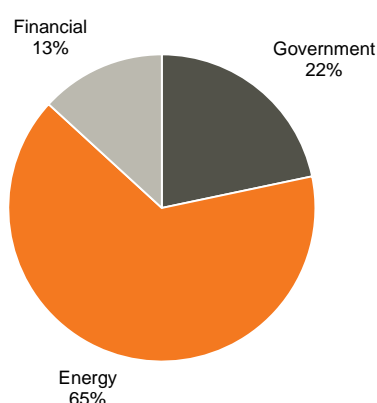
Source: Bloomberg

Monetary policy rate



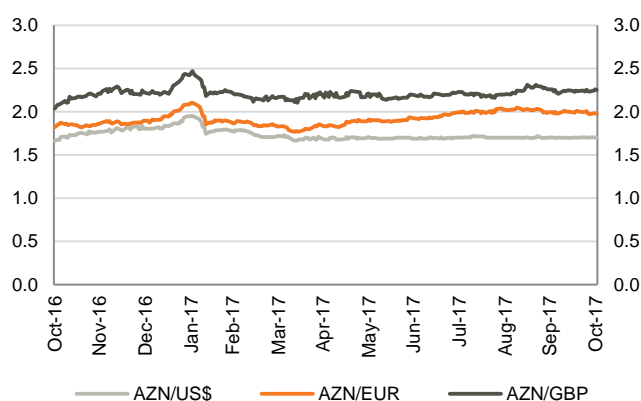
Source: Central Bank of Azerbaijan

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



Source: Bloomberg

Foreign exchange rates



Source: Bloomberg

Bond performance

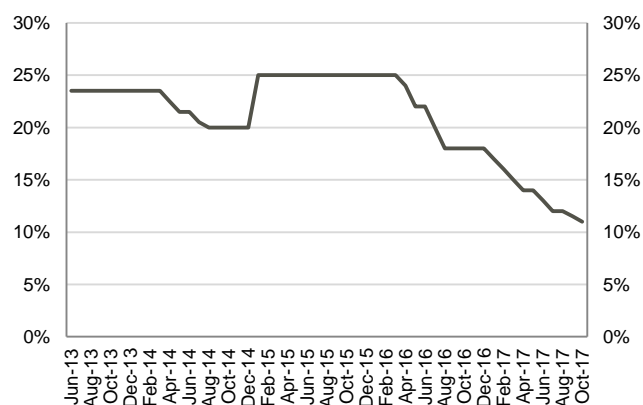
Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Azerbaijan	US\$	Government	AZERBJ	Mar-24	4.75%	BB+/-/Ba2	1,250	102.40	4.28	Stuttgart
Southern Gas Corridor	US\$	Energy	SGCAZE	Mar-26	6.88%	BB+/-/Ba2	2,000	112.74	4.99	Dublin
SOCAR	US\$	Energy	SOIAZ	Mar-23	4.75%	BB+/BB-/Ba2	1,000	100.05	4.72	London
SOCAR	US\$	Energy	SOIAZ	Mar-30	6.95%	BB+/BB-/NR	750	109.16	5.87	London
Emraxbank	US\$	Financial	EMRXAZ	Jan-22	9.00%	-/-/-	10	123.24	3.01	Baku
IBAZ	US\$	Financial	IBAZAZ	Jun-19	5.63%	WD/-/WR	500	80.75	21.84	Stuttgart
IBAZ	US\$	Financial	IBAZAZ	Oct-24	8.25%	-/-/WR	250	80.00	12.45	Dublin

Source: Bloomberg



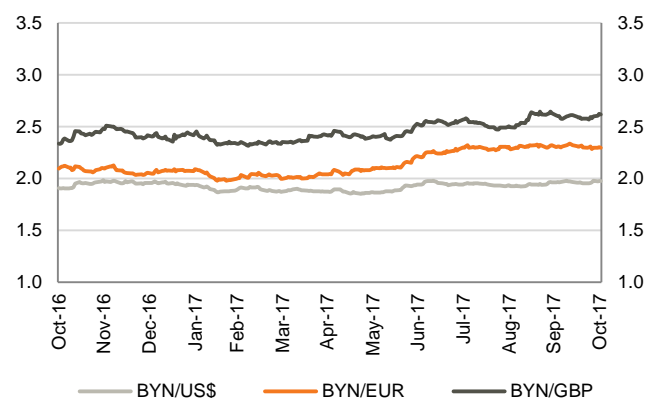
Snapshot: Belarus

Monetary policy rate



Source: National Bank of Belarus

Foreign exchange rates



Source: Bloomberg

Bond performance

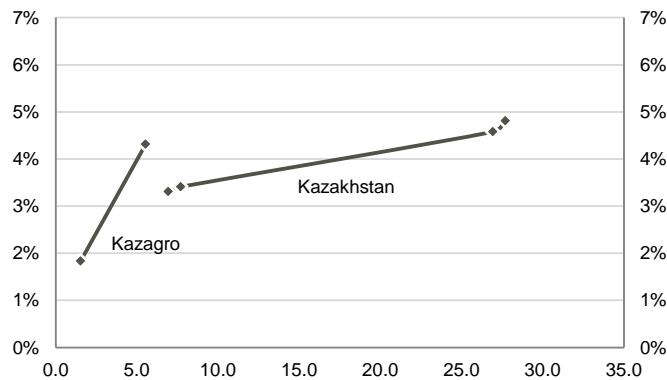
Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Belarus	US\$	Government	BELRUS	Jan-18	8.95%	-/B-/Caa1	800	101.00	3.05	Stuttgart

Source: Bloomberg



Snapshot: Kazakhstan

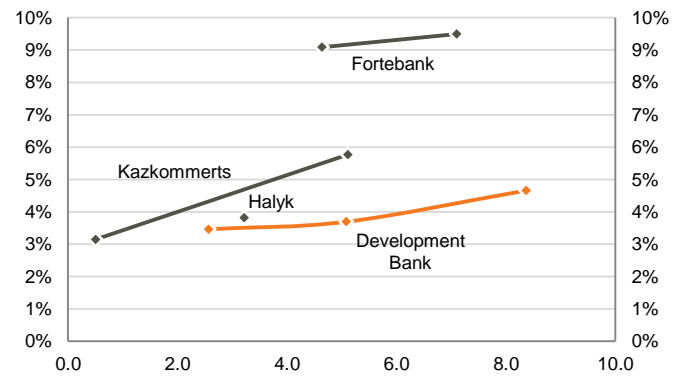
Yield curve (sovereign)



Remaining maturity

Source: Bloomberg

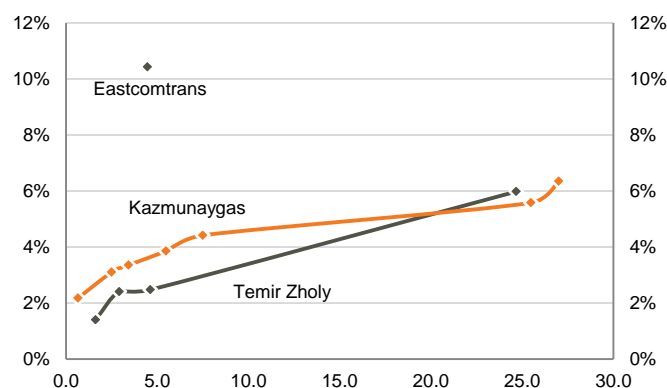
Yield curve (banks)



Remaining maturity

Source: Bloomberg

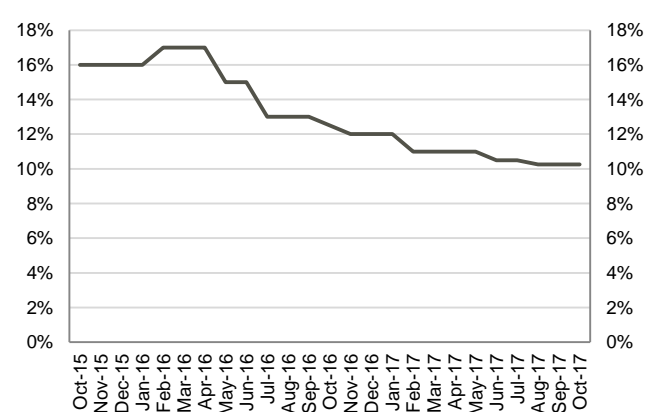
Yield curve (other sectors)



Remaining maturity

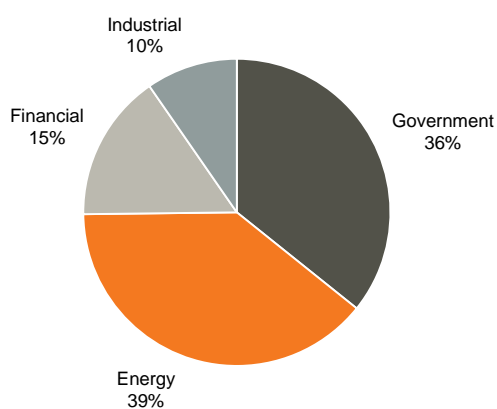
Source: Bloomberg

Monetary policy rate



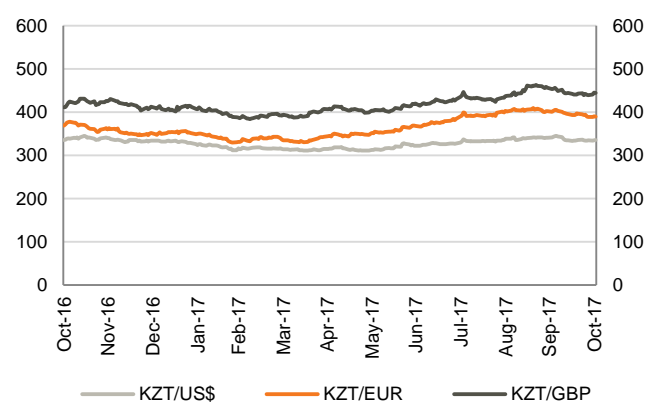
Source: National Bank of Kazakhstan

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



Source: Bloomberg

Foreign exchange rates



Source: Bloomberg



Bond performance

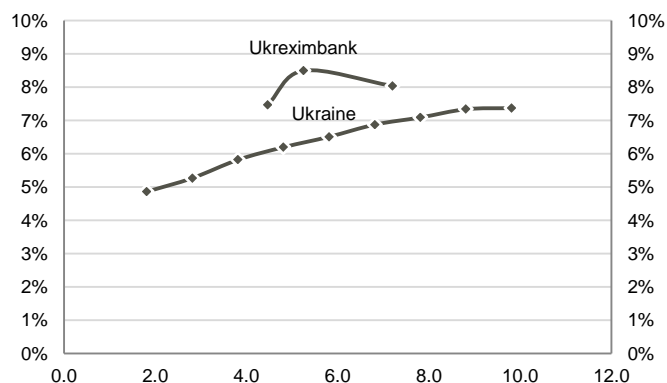
Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Kazakhstan	US\$	Government	KAZAKS	Oct-24	3.88%	BBB/BBB-/Baa3	1,500	103.37	3.31	London
Republic Of Kazakhstan	US\$	Government	KAZAKS	Jul-25	5.13%	BBB/BBB-/Baa3	2,500	111.41	3.41	London
Republic Of Kazakhstan	US\$	Government	KAZAKS	Oct-44	4.88%	BBB/BBB-/Baa3	1,000	104.45	4.58	London
Republic Of Kazakhstan	US\$	Government	KAZAKS	Jul-45	6.50%	BBB/BBB-/Baa3	1,500	125.63	4.81	London
Kazagro Natl Mgmt Hldg	EUR	Government	KAZNMH	May-19	3.26%	BBB-/BB-/	600	102.07	1.83	Dublin
Kazagro Natl Mgmt Hldg	US\$	Government	KAZNMH	May-23	4.63%	BBB-/BB-/	1,000	101.45	4.31	Dublin
Kazmunaygas National Co	US\$	Energy	KZOKZ	Jul-18	9.13%	BBB-/BB/Baa3	1,600	104.37	2.17	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	May-20	7.00%	BBB-/BB/Baa3	1,500	109.15	3.10	Frankfurt
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-21	6.38%	BBB-/BB/Baa3	1,250	109.50	3.35	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-23	4.40%	BBB-/BB/Baa3	1,000	102.43	3.85	Kazakhstan
Kazmunaygas National Co	US\$	Energy	KZOKZ	May-25	4.88%	BBB-/BB/Baa3	500	102.49	4.42	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-43	5.75%	BBB-/BB/Baa3	2,000	102.10	5.58	Kazakhstan
Kazmunaygas National Co	US\$	Energy	KZOKZ	Nov-44	6.00%	BBB-/BB/Baa3	1,000	94.88	6.35	London
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Jun-20	6.50%	BBB-/BB+/Baa3	100	107.10	3.46	Kazakhstan
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Dec-22	4.13%	BBB-/BB+/Baa3	1,425	101.79	3.69	London
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Mar-26	6.00%	BBB-/BB+/Baa3	150	108.99	4.66	Kazakhstan
Fortebank	US\$	Financial	ALLIBK	Jun-22	14.00%	NR/B-/	61	117.47	9.09	Kazakhstan
Fortebank	US\$	Financial	ALLIBK	Dec-24	11.75%	-B-/	237	111.00	9.49	Kazakhstan
Halyk Savings Bank-Kaz.	US\$	Financial	HSBKKZ	Jan-21	7.25%	BB/BB/Baa3	500	110.16	3.82	London
Kazkommertsbank	US\$	Financial	KKB	May-18	8.50%	BB-/B+/B1	300	102.56	3.15	London
Kazkommertsbank	US\$	Financial	KKB	Dec-22	5.50%	BB-/B+/-	750	98.63	5.77	Kazakhstan
Eastcomtrans	US\$	Industrial	EASTCM	Apr-22	8.00%	WD/-B3	100	89.87	10.43	London
Kazakhstan Temir Zholy	CHF	Industrial	KTZKZ	Jun-19	2.59%	BBB-/BB-/Baa3	100	101.70	1.40	Zurich
Kazakhstan Temir Zholy	US\$	Industrial	KTZKZ	Oct-20	6.38%	BBB-/BB-/Baa3	700	110.91	2.41	London
Kazakhstan Temir Zholy	CHF	Industrial	KTZKZ	Jun-22	3.64%	BBB-/BB-/Baa3	185	104.87	2.47	Zurich
Kazakhstan Temir Zholy	US\$	Industrial	KTZKZ	Jul-42	6.95%	BBB-/BB-/Baa3	1,100	112.20	5.98	London

Source: Bloomberg



Snapshot: Ukraine

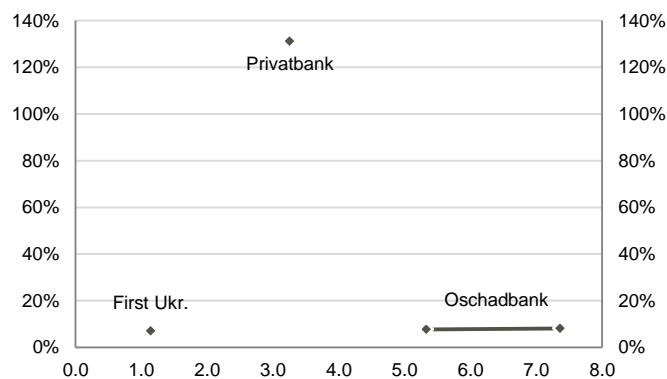
Yield curve (sovereign)



Remaining maturity

Source: Bloomberg

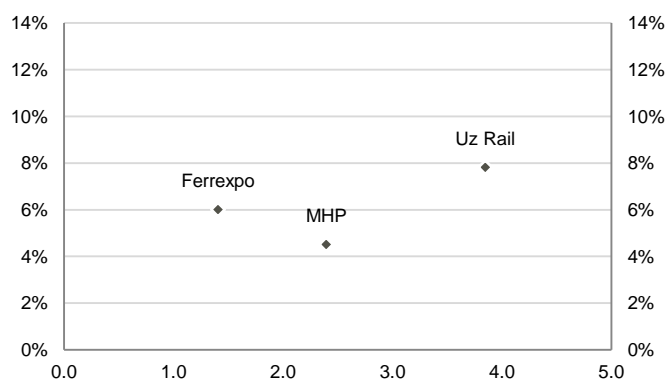
Yield curve (banks)



Remaining maturity

Source: Bloomberg

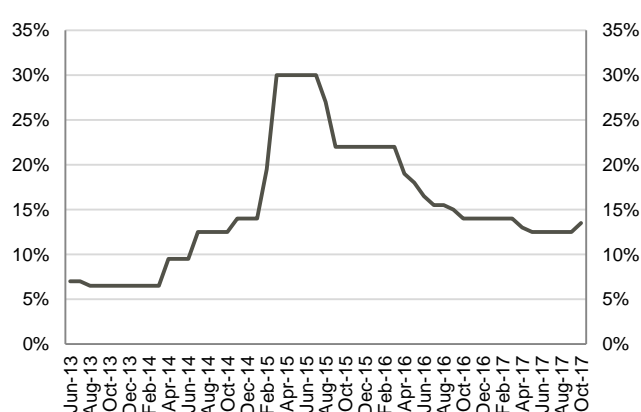
Yield curve (other sectors)



Remaining maturity

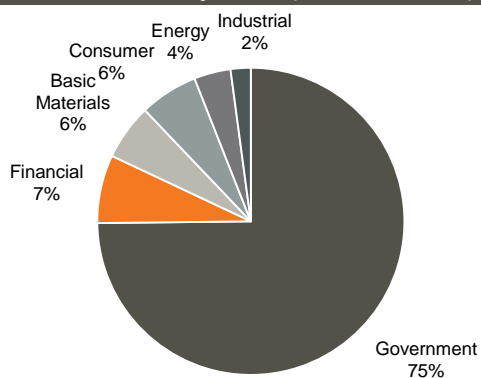
Source: Bloomberg

Monetary policy rate



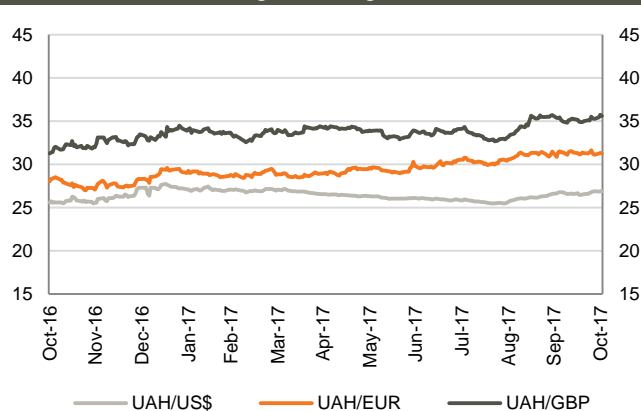
Source: National Bank of Ukraine

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	104.75	4.86	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-20	7.75%	B-/B-/Caa2	1,780	106.26	5.27	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-21	7.75%	B-/B-/Caa2	1,409	106.30	5.82	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-22	7.75%	B-/B-/Caa2	1,384	106.23	6.20	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-23	7.75%	B-/B-/Caa2	1,355	105.73	6.51	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-24	7.75%	B-/B-/Caa2	1,339	104.48	6.88	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-25	7.75%	B-/B-/Caa2	1,329	103.73	7.09	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-26	7.75%	B-/B-/Caa2	1,318	102.46	7.34	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-27	7.75%	B-/B-/Caa2	1,307	102.42	7.37	Dublin
Ukraine Government	US\$	Government	UKRAIN	May-40	0.00%	-/B-/-	3,214	55.25	N/A	Dublin
Ukreximbank	US\$	Government	EXIMUK	Apr-22	9.63%	B-/B-/Caa2	750	107.90	7.47	Dublin
Ukreximbank	US\$	Government	EXIMUK	Feb-23	8.16%	CC-/B-/Caa3	125	100.01	8.50	Dublin
Ukreximbank	US\$	Government	EXIMUK	Jan-25	9.75%	B-/B-/Caa2	600	109.05	8.04	Dublin
Ferrexpo Finance	US\$	Basic Materials	FXPOLN	Apr-19	10.38%	B-/B-/Caa1	186	105.50	6.00	Dublin
Ferrexpo Finance	US\$	Basic Materials	FXPOLN	Apr-19	10.38%	B-/B-/Caa1	161	105.49	6.07	Dublin
Metinvest	US\$	Basic Materials	METINV	Feb-18	8.75%	WD/-/WR	750	N/A	N/A	Dublin
Avangardco Investments	US\$	Consumer	AVINPU	Oct-18	10.00%	WD/-/-	200	22.63	250.69	London
MHP	US\$	Consumer	MHPSA	Apr-20	8.25%	B/B/-	750	108.19	4.51	Dublin
Ukrlandfarming	US\$	Consumer	UKRLAN	Mar-18	10.88%	WD/NR/-	500	26.88	711.17	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	103.75	7.02	Zurich
Privatbank	US\$	Financial	PRBANK	Feb-21	11.00%	-/-/-	220	8.13	131.16	Channel Isl.
Oschadbank	US\$	Financial	OSCHAD	Mar-23	9.38%	B-/B-/Caa2	700	107.07	7.69	Dublin
Oschadbank	US\$	Financial	OSCHAD	Mar-25	9.63%	B-/B-/Caa2	500	108.13	8.10	Dublin
Uz Rail Via Shortline	US\$	Industrial	RAILUA	Sep-21	9.88%	CCC/CCC+/-	500	106.41	7.82	Dublin

Source: Bloomberg

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