

Regional Fixed Income Market Watch

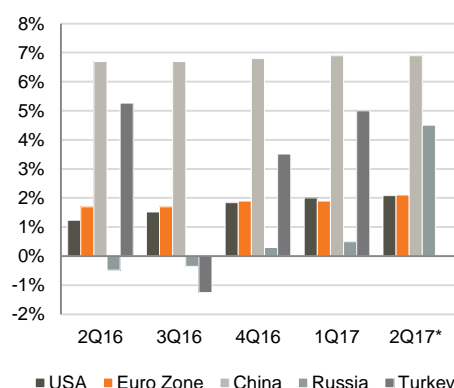
Georgia, Armenia, Azerbaijan, Belarus, Kazakhstan, Ukraine

Regional | Fixed Income
 Monthly Bulletin
 August 9, 2017

Highlights

- US GDP growth accelerated from an annualized 1.2% y/y (revised) in 1Q17 to 2.6% y/y ('advance' estimate) in 2Q17. GDP growth in EU19 was also higher at 2.1% y/y in 2Q17 vs 1.9% y/y in 1Q17. The Chinese economy grew 6.9% y/y in 2Q17.
- According to rapid estimates, in June 2017 economic growth came in at 5.8% y/y in Kazakhstan, 5.1% y/y in Armenia, 4.8% y/y in Russia, and 4.6% y/y in Georgia. In 1H17, GDP was up 1.0% y/y in Belarus and down 1.3% y/y in Azerbaijan. Ukraine's GDP was up 2.5% y/y in 1Q17.
- Annual inflation in the USA retreated to 1.6% in June 2017 from 1.9% in the previous month. According to the Eurostat flash estimate, EU19 annual inflation was stable at 1.3% in July 2017.
- In July 2017, annual inflation retreated in Georgia (6.0%), Turkey (9.8%), Russia (3.9%), Kazakhstan (7.1%), and Armenia (0.9%). June 2017 figures indicate an increase in annual inflation to 15.6% and 6.5% in Ukraine and Belarus, respectively, and a decrease in Azerbaijan to 14.4%.
- Central Bank policy rate was lowered in Belarus (from 13.0% to 12.0%) in July 2017 and has remained unchanged in other countries.

GDP growth rate, y/y



* Preliminary data

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		
	2016E	2017F	2018F	2016E	2017F	2018F	2016E	2017F	2018F	2016E	2017F	2018F	2016E	2017F	2018F	2016E	2017F	2018F
Armenia	0.2%	2.9%	2.9%	10.5	10.7	11.2	3,511	3,591	3,749	-1.4%	2.0%	3.5%	-5.6%	-3.8%	-2.4%	-2.9%	-3.2%	-2.9%
Azerbaijan	-3.8%	-1.0%	2.0%	37.6	38.6	42.0	3,956	4,032	4,351	12.4%	10.0%	8.0%	-1.4%	-10.4%	2.9%	-3.8%	1.3%	3.8%
Belarus	-3.0%	-0.8%	0.6%	48.8	54.7	56.6	5,143	5,787	6,019	11.8%	9.3%	8.7%	-4.6%	-8.2%	-7.7%	-4.3%	-4.7%	-5.0%
Georgia	2.7%	3.5%	4.0%	14.2	13.7	14.9	3,842	3,715	4,021	2.1%	5.7%	2.4%	-1.6%	-1.4%	-1.8%	-12.4%	-12.9%	-12.5%
Kazakhstan	1.1%	2.5%	3.4%	133.8	157.9	173.9	7,453	8,667	9,403	14.6%	8.0%	7.2%	-4.4%	-6.3%	-2.1%	-6.1%	-4.0%	-2.8%
Ukraine	2.3%	2.0%	3.2%	93.3	95.9	102.3	2,194	2,262	2,417	13.9%	11.5%	9.5%	-2.2%	-3.0%	-2.5%	-3.6%	-3.6%	-2.9%
Russia	-0.2%	1.4%	1.4%	1,280.7	1,560.7	1,611.5	8,929	10,885	11,248	7.0%	4.5%	4.2%	-3.7%	-2.6%	-1.9%	1.7%	3.3%	3.5%
Turkey	2.9%	2.5%	3.3%	857.4	793.7	828.0	10,743	9,826	10,151	7.8%	10.1%	9.1%	-2.3%	-3.0%	-2.0%	-3.8%	-4.7%	-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	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	B-	B-	stable	Caa3	Caa3	stable	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

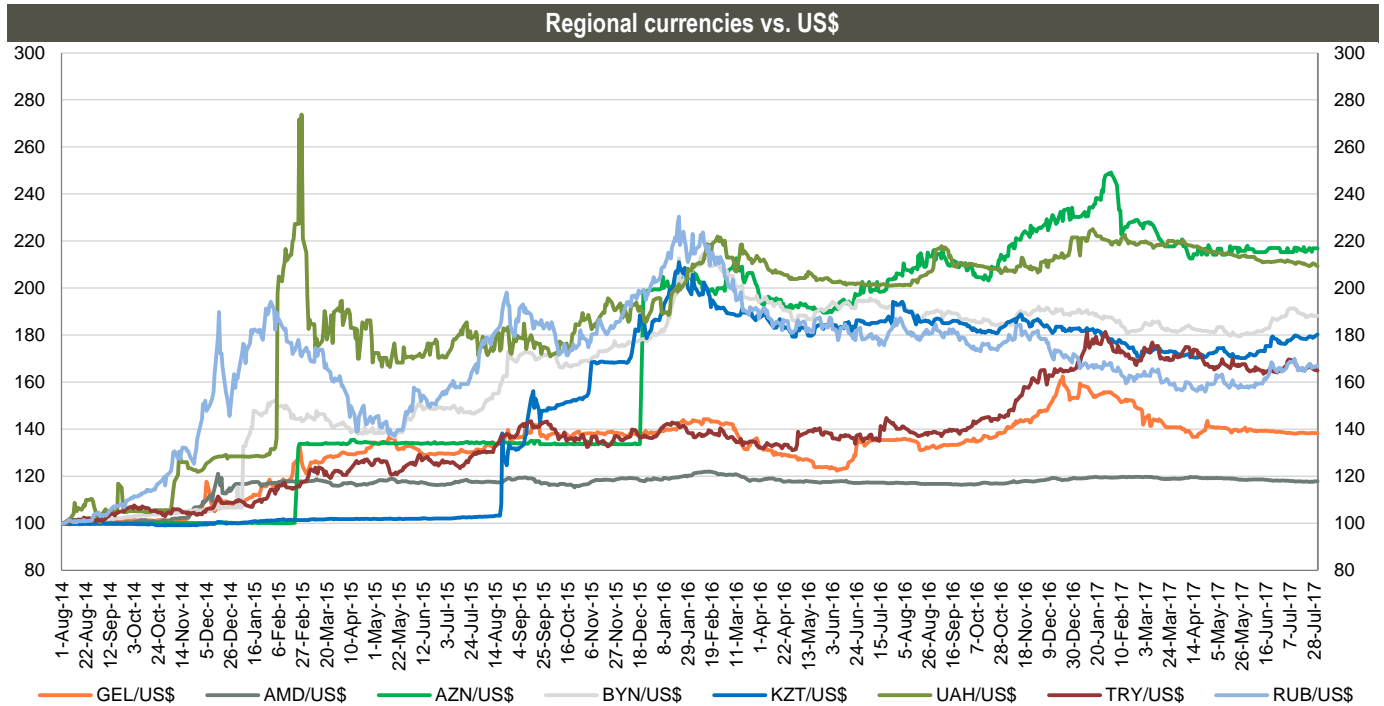
	Inflation, y/y		MPR
	Jul-17	Jul-17	
Armenia	0.9%	6.00%	
Azerbaijan	14.4%*	15.00%	
Belarus	6.5%*	12.00%	
Georgia	6.0%	7.00%	
Kazakhstan	7.1%	10.50%	
Ukraine	15.6%*	12.50%	
Russia	3.9%	9.00%	
Turkey	9.8%	8.00%	

*June 2017

Source: Central banks, Statistics Offices

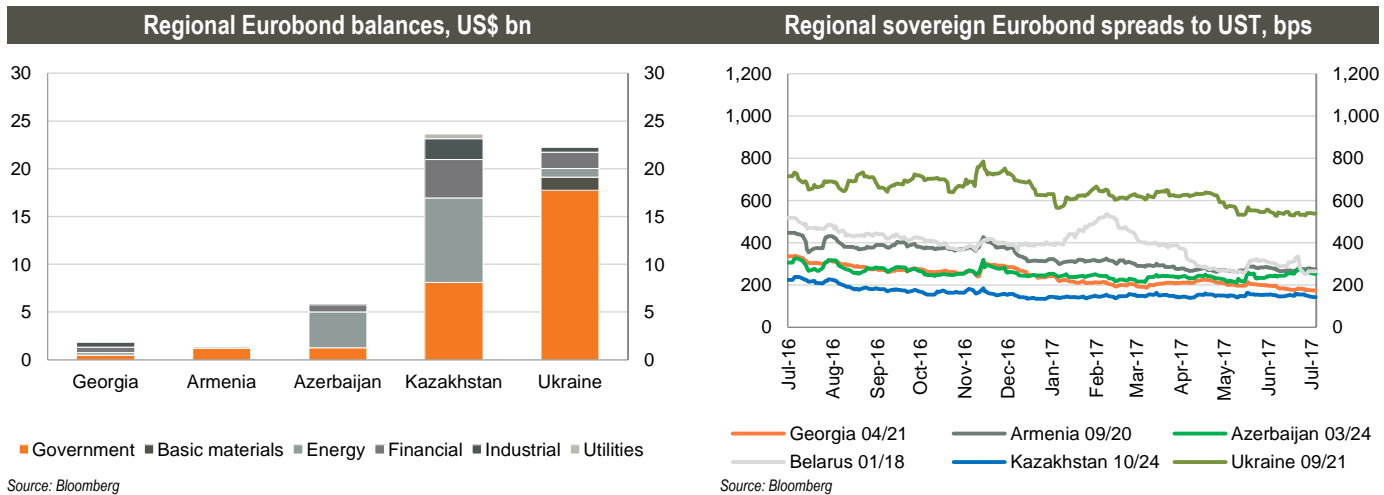


Eurobonds



Source: Bloomberg

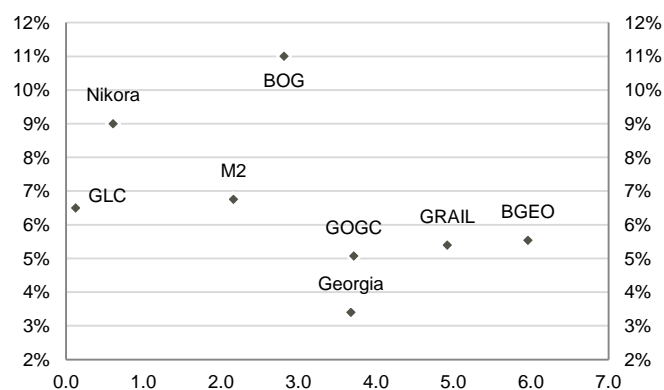
Note: 1 US\$ per local currency; Index growth means depreciation of the local currency, index decline means appreciation of the local currency; Aug-2014=100



Source: Bloomberg

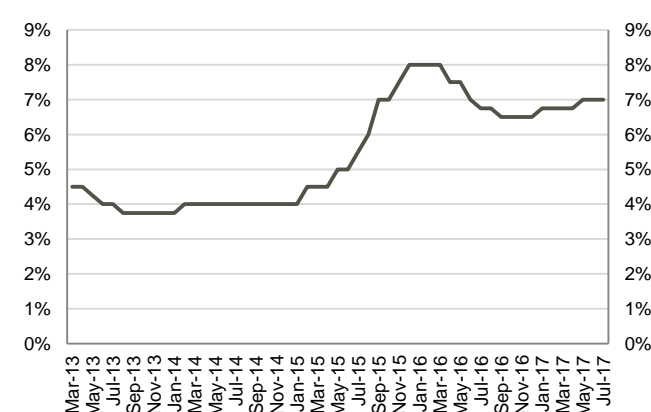
Source: Bloomberg

Snapshot: Georgia

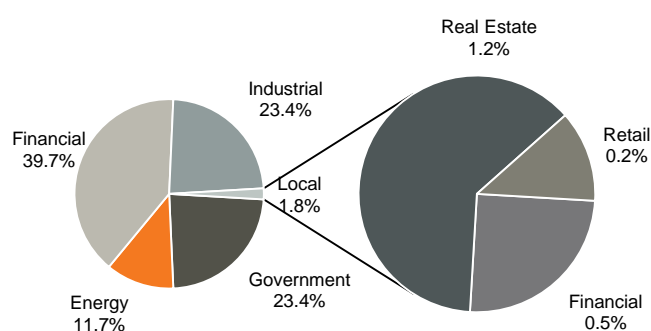
Yield curve


Remaining maturity

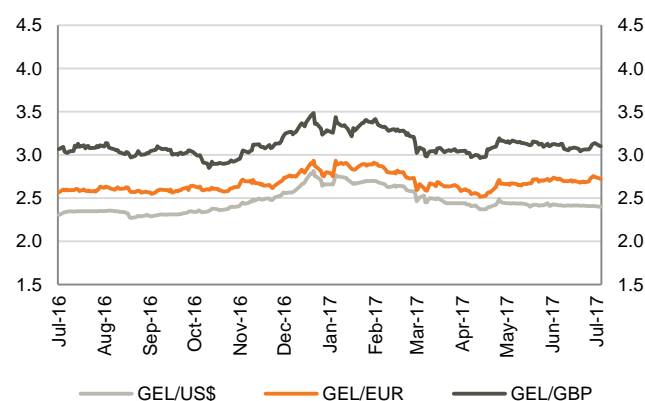
Source: Bloomberg, Galt & Taggart

Monetary policy rate


Source: National Bank of Georgia

Bond universe by sector (US\$ 1.8bn 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-/Ba3	500	111.66	3.40	London
Georgian Oil & Gas Corp	US\$	Energy	GEOROG	Apr-21	6.75%	BB-/B+/-	250	105.22	5.07	London
BGEO Group	US\$	Financial	BGEOLN	Jul-23	6.00%	BB-/B1	350	101.99	5.53	Dublin
Bank Of Georgia	GEL	Financial	GEBGG	Jun-20	11.00%	BB-/B1	500	99.73	11.00	Dublin
Georgian Railway	US\$	Industrial	GRAIL	Jul-22	7.75%	B+/B+/-	500	109.80	5.40	London
Georgian Leasing Co	US\$	Financial	GEBGG	Sep-17	8.75%	-/-/-	10	100.03	6.50	Georgia
M2 Real Estate	US\$	Real Estate	GEBGG	Oct-19	7.50%	-/-/-	25	99.98	6.75	Georgia
Nikora Trade	US\$	Retail	NIKORA	Mar-18	11.00%	-/-/-	5	100.51	9.00	Georgia
GWP	GEL	Utilities	GEWRPW	Dec-21	10.50%**	BB-/B1	30.0	N/A	N/A	Not Listed

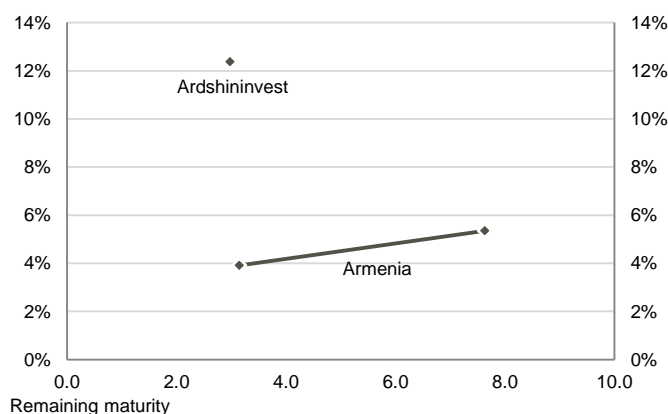
*Company ratings

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

Source: Bloomberg, Galt & Taggart

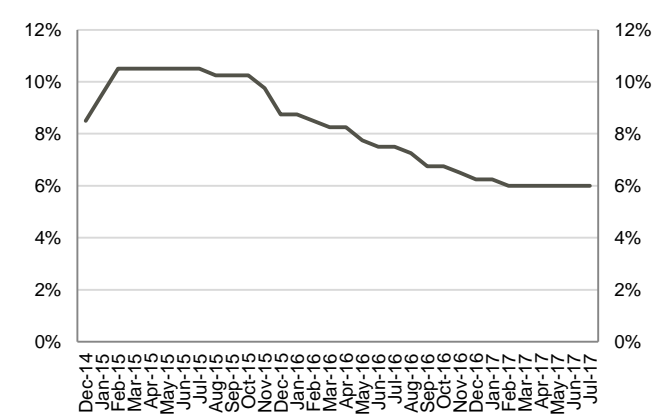
Snapshot: Armenia

Yield curve



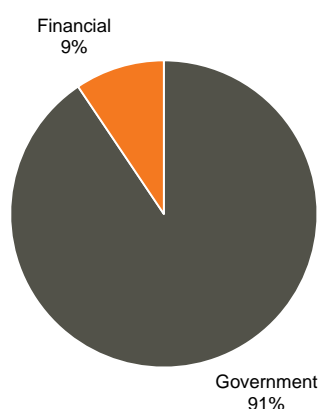
Source: Bloomberg

Monetary policy rate



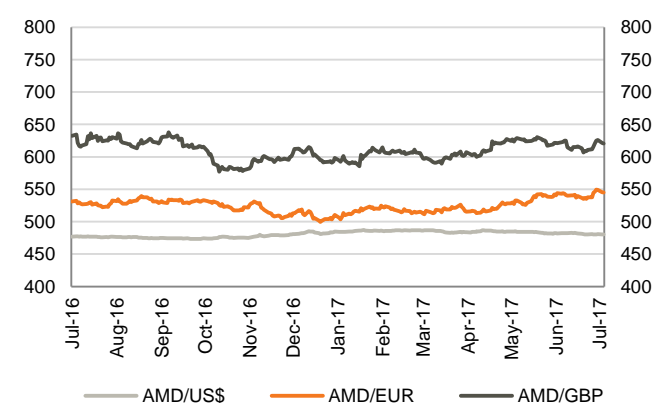
Source: Central Bank of Armenia

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



Source: Bloomberg

Foreign exchange rates



Source: Bloomberg

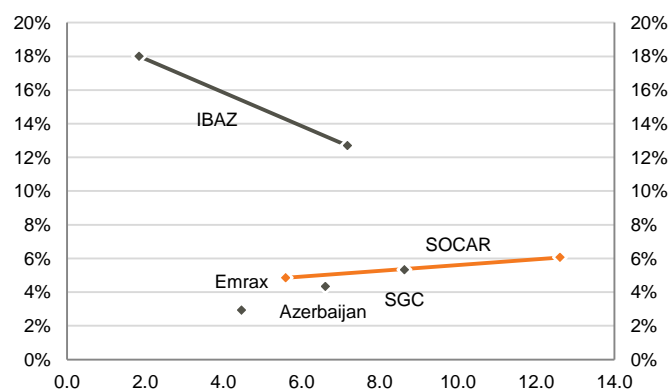
Bond performance

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	105.81	3.91	Dublin
Republic Of Armenia	US\$	Government	ARMEN	Mar-25	7.15%	B+/-/B1	500	110.92	5.35	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	98.63	12.37	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

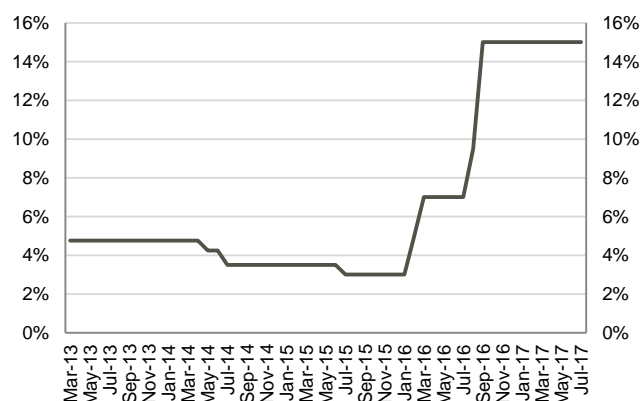
Yield curve



Remaining maturity

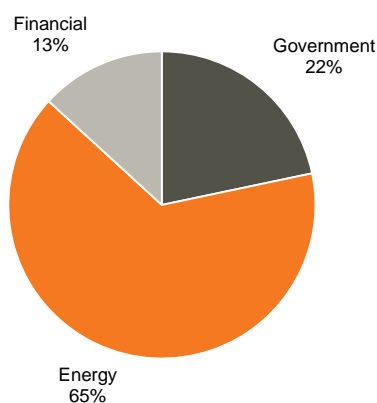
Source: Bloomberg

Monetary policy rate



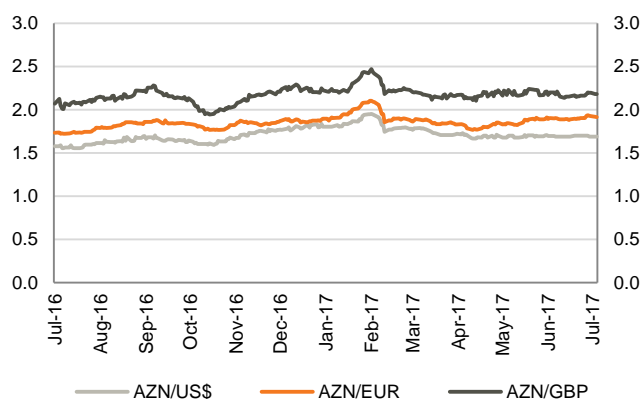
Source: Central Bank of Azerbaijan

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



Source: Bloomberg

Foreign exchange rates



Source: Bloomberg

Bond performance

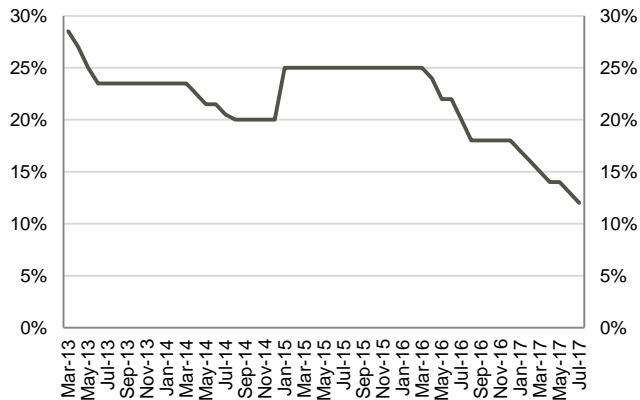
Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Azerbaijan	US\$	Government	AZERBJ	Mar-24	4.75%	BB+/-/Ba1	1,250	102.15	4.33	Stuttgart
Southern Gas Corridor	US\$	Energy	SGCAZE	Mar-26	6.88%	BB+/-/Ba1	2,000	110.45	5.33	Dublin
SOCAR	US\$	Energy	SOIAZ	Mar-23	4.75%	BB+/BB/Ba1	1,000	99.32	4.85	London
SOCAR	US\$	Energy	SOIAZ	Mar-30	6.95%	BB+/BB/NR	750	107.56	6.06	London
Emraxbank	US\$	Financial	EMRXAZ	Jan-22	9.00%	-/-/-	10	124.77	2.93	Baku
IBAZ	US\$	Financial	IBAZAZ	Jun-19	5.63%	CCC-/Caa2	500	81.50	18.00	Stuttgart
IBAZ	US\$	Financial	IBAZAZ	Oct-24	8.25%	-/-/Caa2	250	80.00	12.69	Dublin

Source: Bloomberg



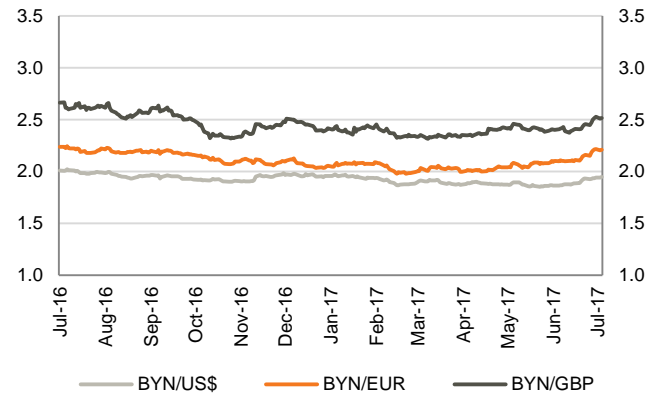
Snapshot: Belarus

Monetary policy rate



Source: National Bank of Belarus

Foreign exchange rates



Source: Bloomberg

Bond performance

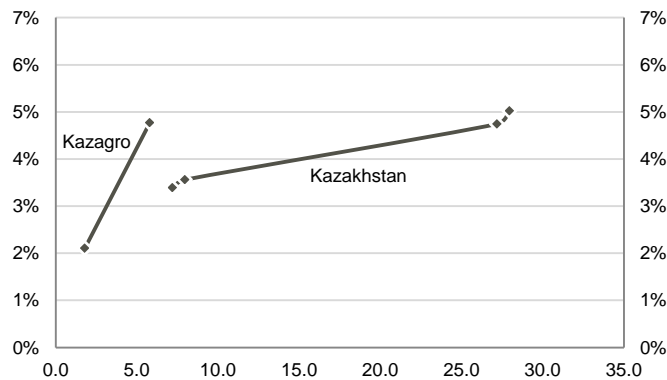
Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Belarus	US\$	Government	BELRUS	Jan-18	8.95%	-/B-/Caa1	800	102.53	3.12	Stuttgart

Source: Bloomberg



Snapshot: Kazakhstan

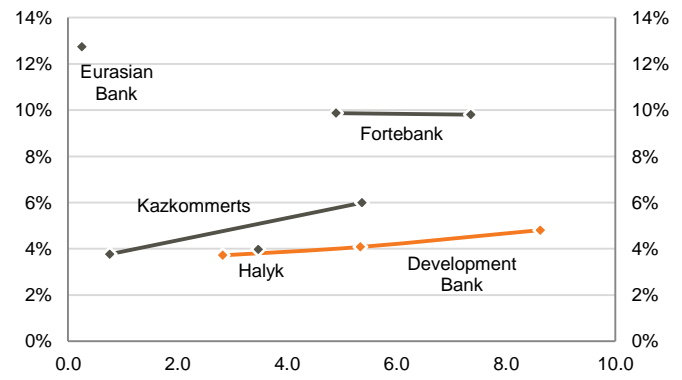
Yield curve (sovereign)



Remaining maturity

Source: Bloomberg

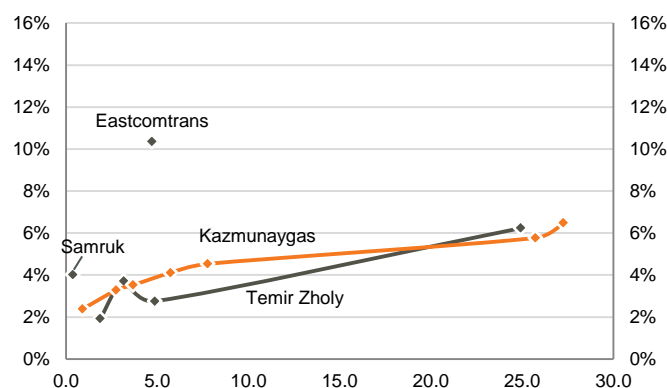
Yield curve (banks)



Remaining maturity

Source: Bloomberg

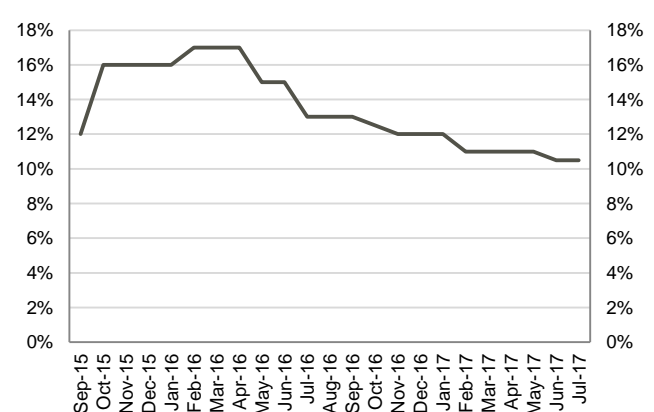
Yield curve (other sectors)



Remaining maturity

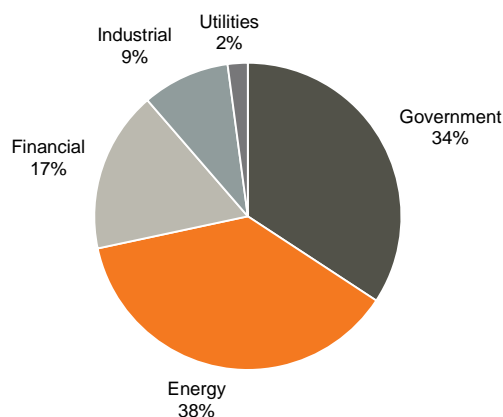
Source: Bloomberg

Monetary policy rate



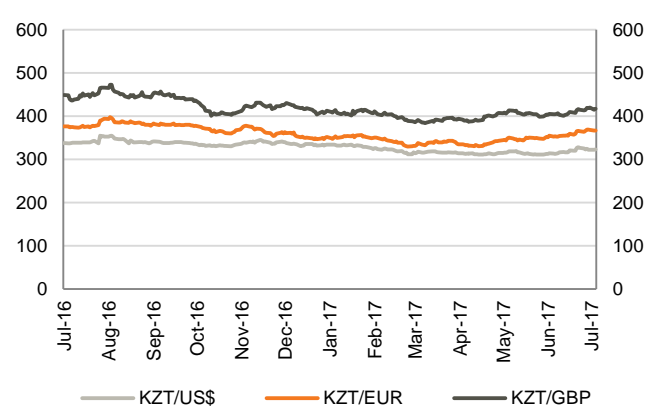
Source: National Bank of Kazakhstan

Bond universe by sector (US\$ 23.7bn total)



Source: Bloomberg

Foreign exchange rates



Source: Bloomberg



Bond performance

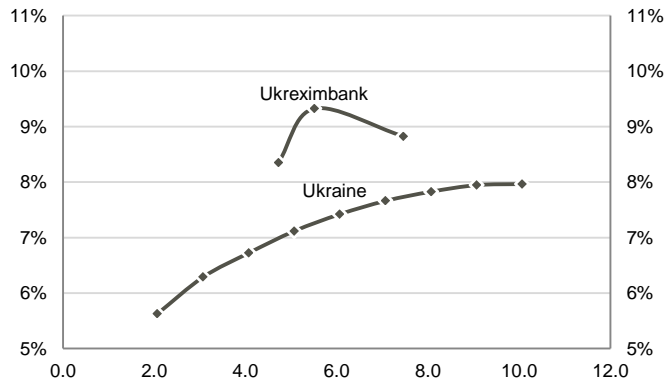
Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Kazakhstan	US\$	Government	KAZAKS	Oct-24	3.88%	BBB/BBB-/Baa3	1,500	102.93	3.39	London
Republic Of Kazakhstan	US\$	Government	KAZAKS	Jul-25	5.13%	BBB/BBB-/Baa3	2,500	110.60	3.56	London
Republic Of Kazakhstan	US\$	Government	KAZAKS	Oct-44	4.88%	BBB/BBB-/Baa3	1,000	101.83	4.74	London
Republic Of Kazakhstan	US\$	Government	KAZAKS	Jul-45	6.50%	BBB/BBB-/Baa3	1,500	121.83	5.02	London
Kazagro Natl Mgmt Hldg	EUR	Government	KAZNMH	May-19	3.26%	BBB-/BB-/	600	101.74	2.10	Dublin
Kazagro Natl Mgmt Hldg	US\$	Government	KAZNMH	May-23	4.63%	BBB-/BB-/	1,000	99.05	4.77	Dublin
Kazmunaygas National Co	US\$	Energy	KZOKZ	Jul-18	9.13%	BBB-/BB/Baa3	1,600	105.90	2.38	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	May-20	7.00%	BBB-/BB/Baa3	1,500	109.58	3.28	Frankfurt
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-21	6.38%	BBB-/BB/Baa3	1,250	109.54	3.52	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-23	4.40%	BBB-/BB/Baa3	1,000	101.19	4.11	Kazakhstan
Kazmunaygas National Co	US\$	Energy	KZOKZ	May-25	4.88%	BBB-/BB/Baa3	500	101.68	4.53	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-43	5.75%	BBB-/BB/Baa3	2,000	99.47	5.77	Kazakhstan
Kazmunaygas National Co	US\$	Energy	KZOKZ	Nov-44	6.00%	BBB-/BB/Baa3	1,000	92.51	6.48	London
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Jun-20	6.50%	BBB-/BB+/Baa3	100	107.14	3.72	Kazakhstan
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Dec-22	4.13%	BBB-/BB+/Baa3	1,425	100.01	4.08	London
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Mar-26	6.00%	BBB-/BB+/Baa3	150	107.80	4.81	Kazakhstan
Eurasian Bank	US\$	Financial	EUBNKZ	Nov-17	7.50%	-B/-	500	98.35	12.73	Kazakhstan
Fortebank	US\$	Financial	ALLIBK	Jun-22	14.00%	NR/B/-	61	115.33	9.87	Kazakhstan
Fortebank	US\$	Financial	ALLIBK	Dec-24	11.75%	-B/-	237	109.50	9.80	Kazakhstan
Halyk Savings Bank-Kaz.	US\$	Financial	HSBKKZ	Jan-21	7.25%	BB/BB/Baa3	500	110.33	3.97	London
Kazkommertsbank	US\$	Financial	KKB	May-18	8.50%	CCC/B+/B1	300	103.15	3.77	London
Kazkommertsbank	US\$	Financial	KKB	Dec-22	5.50%	CCC/B+/-	750	97.38	5.99	Kazakhstan
Eastcomtrans	US\$	Industrial	EASTCM	Apr-22	8.00%	WD/-/Caa1	100	89.75	10.36	London
Kazakhstan Temir Zholy	CHF	Industrial	KTZKZ	Jun-19	2.59%	BBB-/BB-/Baa3	100	100.69	1.93	Zurich
Kazakhstan Temir Zholy	US\$	Industrial	KTZKZ	Oct-20	6.38%	BBB-/BB-/Baa3	700	107.74	3.71	London
Kazakhstan Temir Zholy	CHF	Industrial	KTZKZ	Jun-22	3.64%	BBB-/BB-/Baa3	185	103.45	2.76	Zurich
Kazakhstan Temir Zholy	US\$	Industrial	KTZKZ	Jul-42	6.95%	BBB-/BB-/Baa3	1,100	108.78	6.23	London
Samruk-Energy	US\$	Utilities	SAMRUE	Dec-17	3.75%	BB/B+/-	500	100.05	3.36	Dublin

Source: Bloomberg



Snapshot: Ukraine

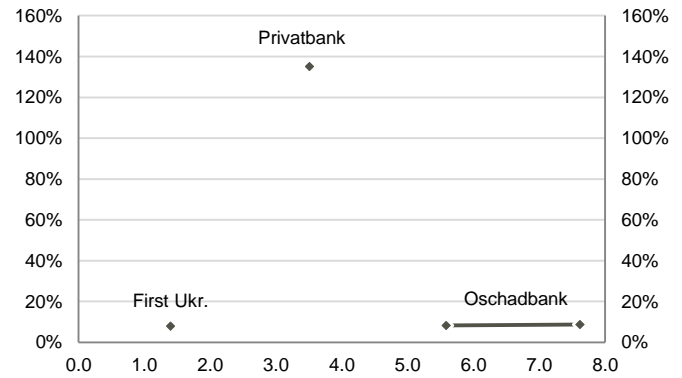
Yield curve (sovereign)



Remaining maturity

Source: Bloomberg

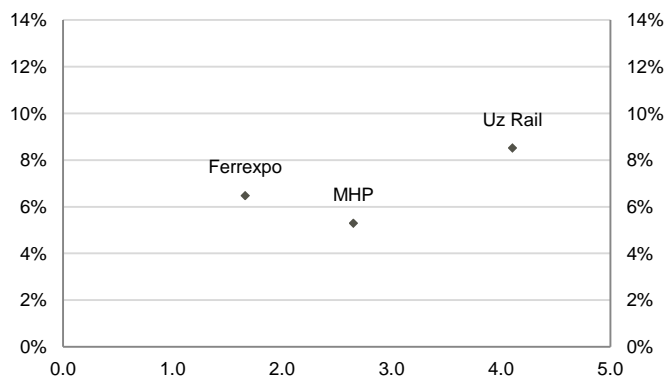
Yield curve (banks)



Remaining maturity

Source: Bloomberg

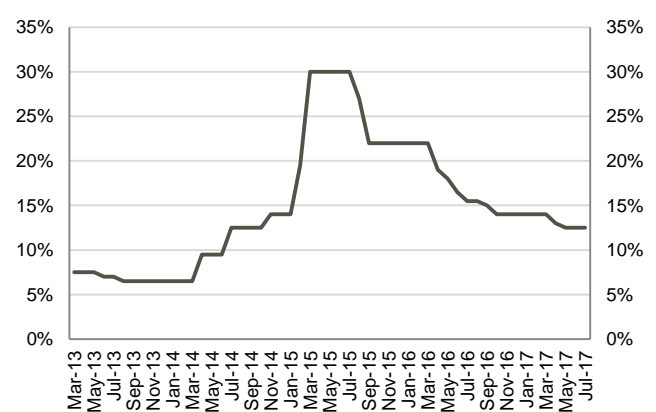
Yield curve (other sectors)



Remaining maturity

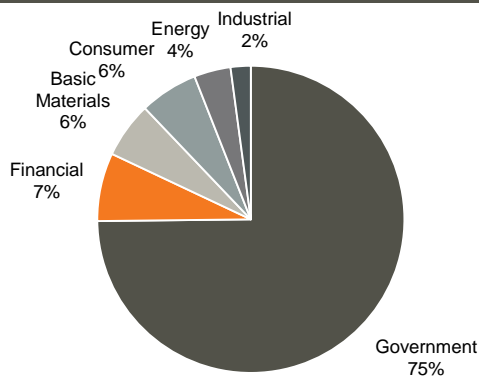
Source: Bloomberg

Monetary policy rate



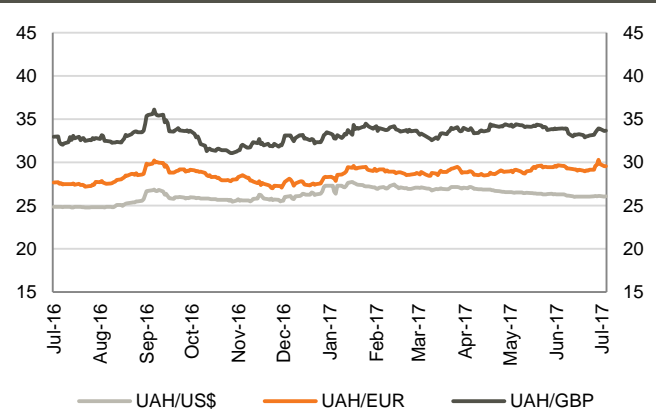
Source: National Bank of Ukraine

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	1,822	103.92	5.63	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-20	7.75%	B-/B-/Caa3	1,780	103.83	6.29	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-21	7.75%	B-/B-/Caa3	1,409	103.43	6.72	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-22	7.75%	B-/B-/Caa3	1,384	102.49	7.12	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-23	7.75%	B-/B-/Caa3	1,355	101.35	7.42	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-24	7.75%	B-/B-/Caa3	1,339	100.31	7.66	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-25	7.75%	B-/B-/Caa3	1,329	99.32	7.83	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-26	7.75%	B-/B-/Caa3	1,318	98.53	7.95	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-27	7.75%	B-/B-/Caa3	1,307	98.30	7.97	Dublin
Ukraine Government	US\$	Government	UKRAIN	May-40	0.00%	-B/-	3,214	45.13	N/A	Dublin
Ukreximbank	US\$	Government	EXIMUK	Apr-22	9.63%	B-/B-/Caa3	750	104.75	8.35	Dublin
Ukreximbank	US\$	Government	EXIMUK	Feb-23	8.16%	CC-/Ca	125	95.79	9.33	Dublin
Ukreximbank	US\$	Government	EXIMUK	Jan-25	9.75%	B-/B-/Caa3	600	104.81	8.82	Dublin
Ferrexpo Finance	US\$	Basic Materials	FXPOLN	Apr-19	10.38%	B-/B-/Caa2	186	105.75	6.47	Dublin
Ferrexpo Finance	US\$	Basic Materials	FXPOLN	Apr-19	10.38%	B-/B-/Caa2	161	105.90	6.48	Dublin
Metinvest	US\$	Basic Materials	METINV	Nov-17	10.50%	WD/-	290	N/A	N/A	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	24.88	183.53	London
MHP	US\$	Consumer	MHPSA	Apr-20	8.25%	B-/B/-	750	107.14	5.29	Dublin
Ukrlandfarming	US\$	Consumer	UKRLAN	Mar-18	10.88%	WD/NR/-	500	28.50	353.54	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	103.50	7.90	Zurich
Privatbank	US\$	Financial	PRBANK	Feb-21	11.00%	-/-	220	9.13	135.07	Channel Isl.
Oschadbank	US\$	Financial	OSCHAD	Mar-23	9.38%	B-/B-/Caa3	700	104.50	8.29	Dublin
Oschadbank	US\$	Financial	OSCHAD	Mar-25	9.63%	B-/B-/Caa3	500	104.59	8.73	Dublin
Uz Rail Via Shortline	US\$	Industrial	RAILUA	Sep-21	9.88%	CCC/CCC+/-	500	104.28	8.52	Dublin

Source: Bloomberg

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