

Regional Fixed Income Market Watch

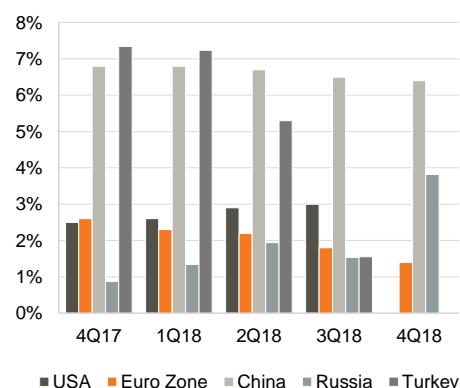
Georgia, Armenia, Azerbaijan, Belarus, Kazakhstan, Ukraine

Regional | Fixed Income
 Monthly Bulletin
 February 22, 2019

Highlights

- EU19 real GDP grew by 1.8% y/y in 2018. Unemployment rate in EU19 was unchanged at 7.9% in December 2018.
- China's economy grew by 6.6% y/y in 2018. The growth was slowed in 2H18.
- In 2018, economic growth was 5.8% y/y in Armenia, 4.8% y/y in Georgia, 4.1% y/y in Kazakhstan, 3.3% y/y in Ukraine, 3.0% y/y in Belarus, 2.3% y/y in Russia and 1.4% y/y in Azerbaijan, based on rapid estimates.
- Annual inflation in the US was 1.6% in January 2019, down from 1.9% in previous month. Based on the Eurostat flash estimate, annual inflation in EU19 was 1.4% in January 2019, down from 1.6% in December 2019.
- In January 2019, annual inflation was below the target level in Armenia (0.6%) and Georgia (2.2%); inflation was within the target range in Kazakhstan (5.2%), and above the target in Russia (5.0%), Belarus (5.8%), Ukraine (9.2%) and Turkey (20.4%). Annual inflation was 1.7% in Azerbaijan.
- YTD, monetary policy rate was cut by 0.25bp to 6.75% in Georgia, by 0.25bp to 5.75% in Armenia, by 0.5bp to 9.25% in Azerbaijan and has remained unchanged in other countries.
- Moody's upgraded credit rating of Russia to Baa3 from Ba1 and changed the outlook to stable on 8 February 2019.

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	4.8%	5.0%	4.6%	15.1	16.5	17.2	4,047	4,400	4,600	6.0%	2.8%	3.1%	-0.9%	-0.9%	-2.2%	-8.8%	-9.0%	-9.5%
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	Caa1	Caa1	stable	B-	B-	stable
Russia	BBB-	BBB-	positive	Baa3	Baa3	stable	BBB	BBB-	stable
Turkey	BB+	BB	negative	Ba3	Ba3	negative	BB-	B+	stable

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

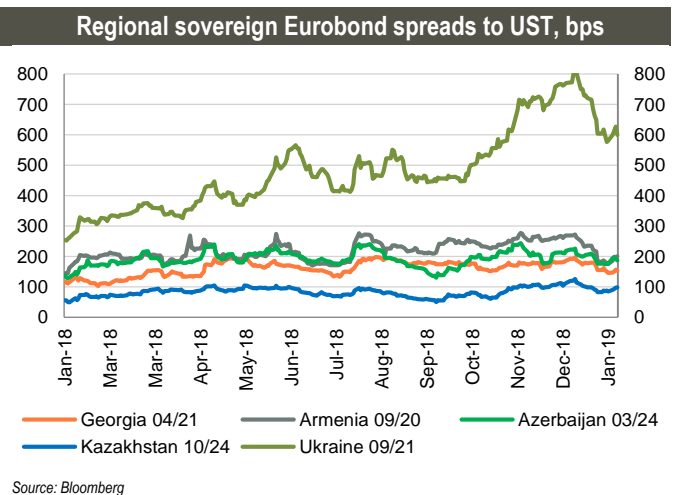
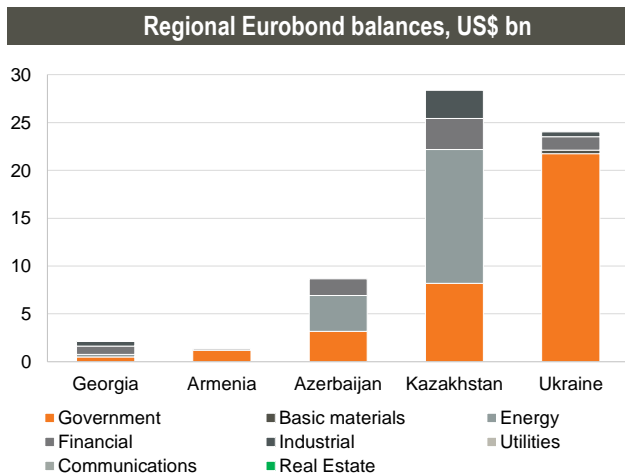
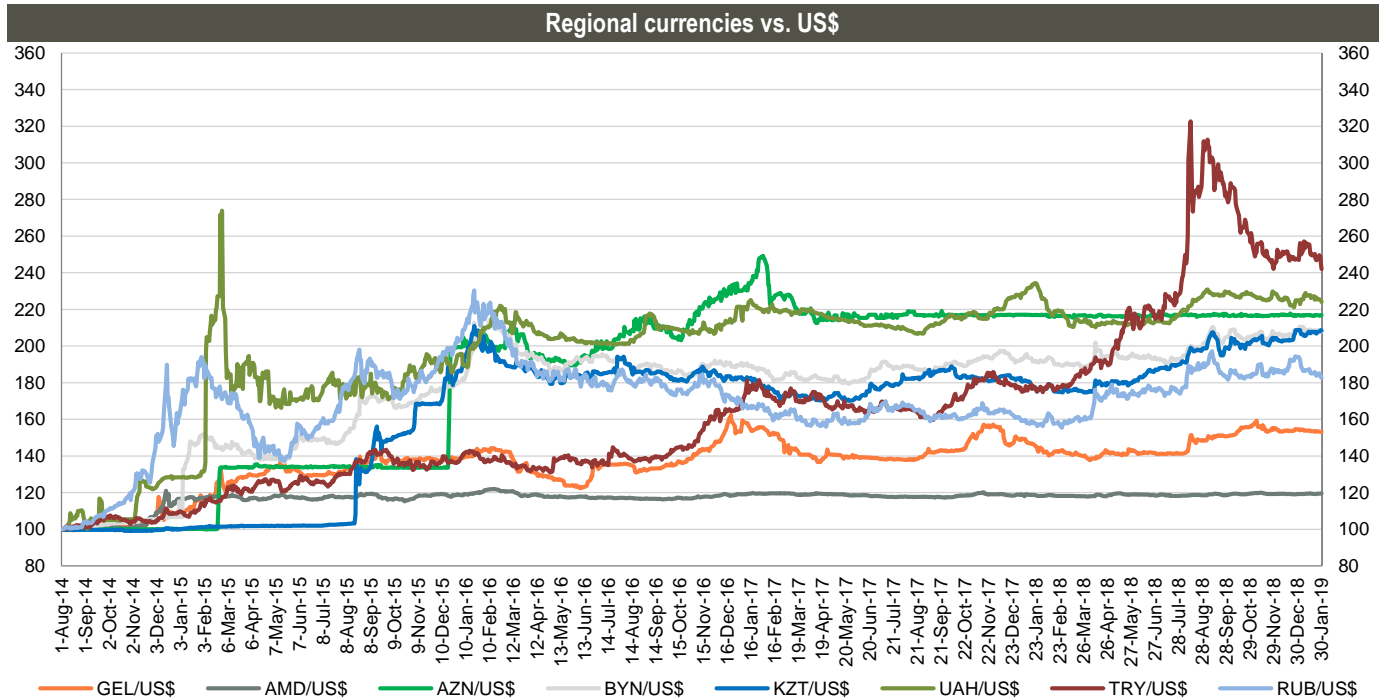
Monetary stance

	Inflation, y/y	MPR
	Jan-19	Jan-19
Armenia	0.6%	5.75%
Azerbaijan	1.7%	9.25%
Belarus	5.8%	10.0%
Georgia	2.2%	6.75%
Kazakhstan	5.2%	9.25%
Ukraine	9.2%	18.0%
Russia	5.0%	7.75%
Turkey	20.4%	24.0%

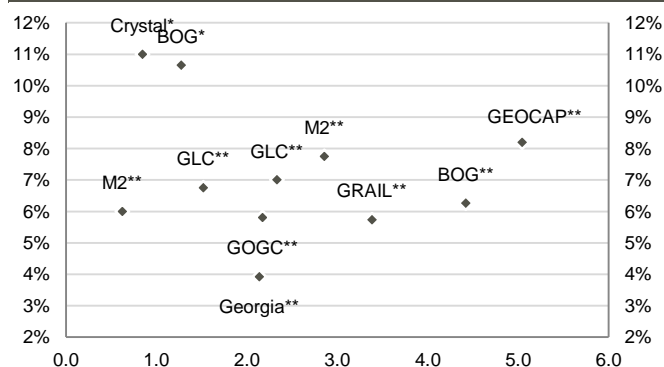
Source: Central banks, Statistics Offices



Eurobonds



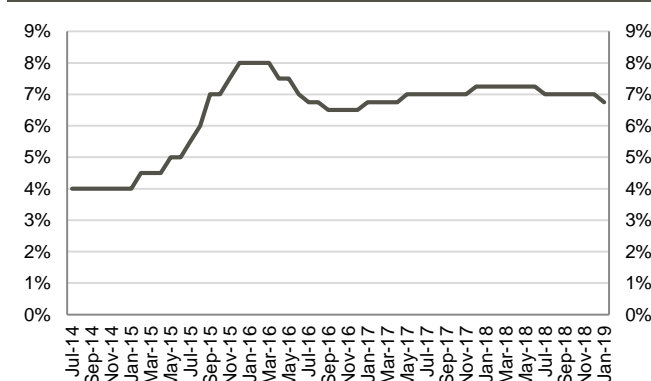
Snapshot: Georgia

Yield curve


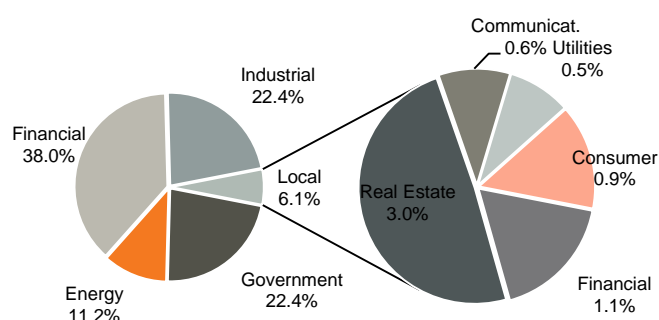
Remaining maturity

*In GEL; **In US\$

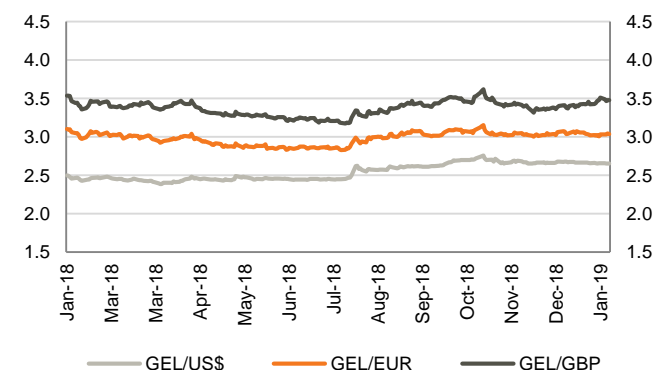
Source: Bloomberg, Galt & Taggart

Monetary policy rate


Source: National Bank of Georgia

Bond universe by sector (US\$ 2.2bn total)


Source: Bloomberg

Foreign exchange rates


Source: Bloomberg

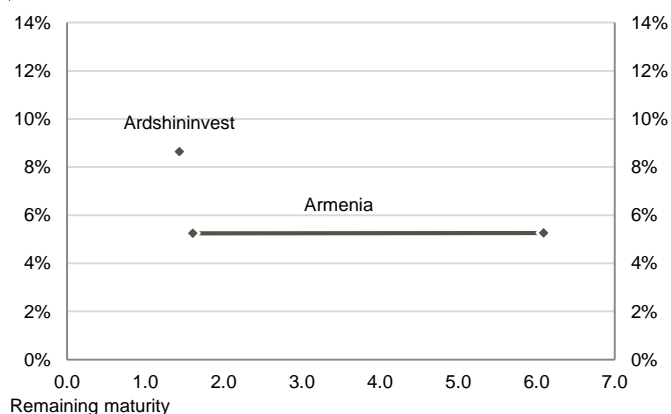
Bond performance

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	105.67	3.92	London
Georgian Oil & Gas Corp	US\$	Energy	GEOROG	Apr-21	6.75%	BB-/B+/-/-	250	101.45	5.80	London
Bank Of Georgia	US\$	Financial	GEBGG	Jul-23	6.00%	BB-/B-/Ba2/-	350	98.72	6.26	Dublin
Bank Of Georgia	GEL	Financial	GEBGG	Jun-20	11.00%	BB-/B-/Ba2/-	500	99.62	10.65	Dublin
Georgian Railway	US\$	Industrial	GRAIL	Jul-22	7.75%	B+/B+/-/-	500	105.83	5.73	London
Georgia Capital	US\$	Financial	GEOCAP	Mar-24	6.13%	-/B+/B2/-	300	91.33	8.19	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	100.61	6.00	Georgia
Georgian Leasing Co	US\$	Financial	\$GLC02K	Aug-20	7.00%	B+/-/-/-	10	100.00	6.75	Georgia
Georgian Leasing Co	US\$	Financial	\$GLC03L	Jun-21	6.50%	B+/-/-/-	5	97.85	7.00	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%**	B/-/-/-	10	100.00	11.00	Georgia
Georgian Beer Company	GEL	Consumer	\$GBC01N	Dec-23	11.00%	-/-/BB-	25	N/A	N/A	Georgia
Lisi Lake Development	US\$	Real Estate	\$LLD01L	Dec-21	8.00%	-/-/B+*	12	N/A	N/A	Georgia
M2 Commercial Assets	US\$	Real Estate	N/A	Dec-21	7.50%	-/-/-/-	30	98.72	7.75	Georgia

 *Company ratings; **Floating rate
 Source: Bloomberg, Galt & Taggart

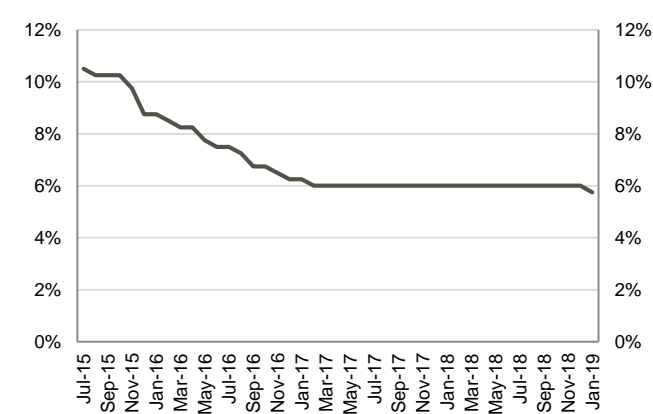
Snapshot: Armenia

Yield curve



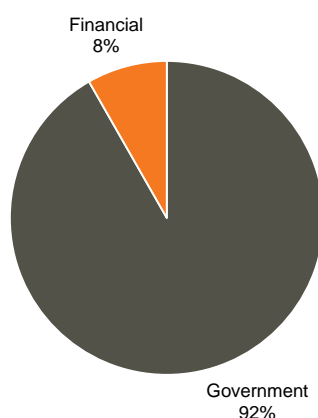
Source: Bloomberg

Monetary policy rate



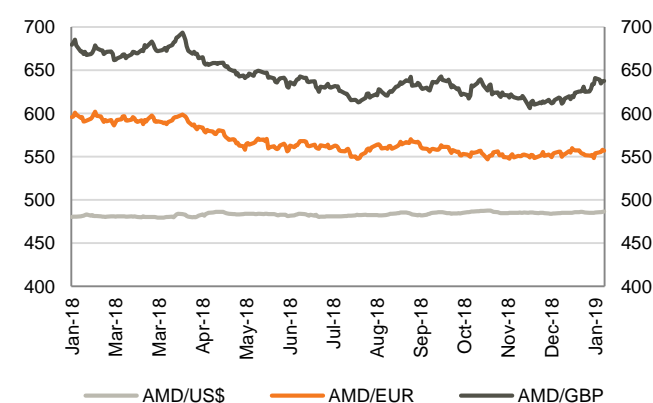
Source: Central Bank of Armenia

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



Source: Bloomberg

Foreign exchange rates



Source: Bloomberg

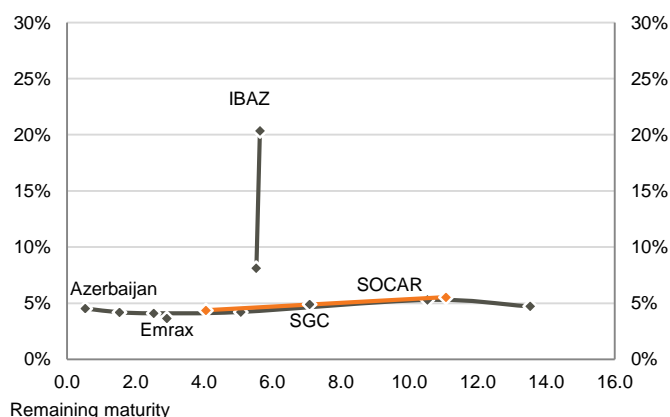
Bond performance

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	102.24	4.37	Dublin
Republic Of Armenia	US\$	Government	ARMEN	Mar-25	7.15%	B+/-/B1	500	109.51	5.26	Dublin
Ardshininvestbk	US\$	Financial	ARBANK	Jul-20	12.00%	B+/-/B1	100	103.91	8.64	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

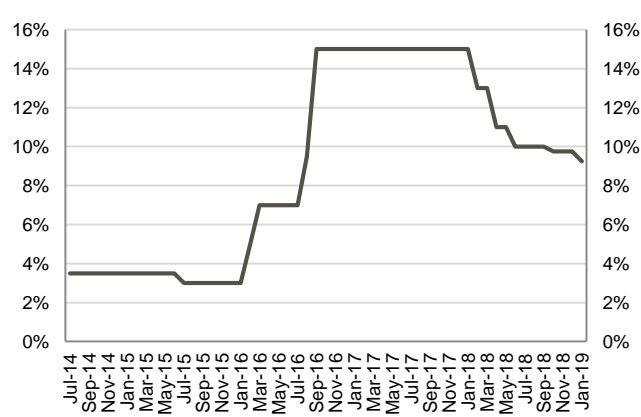
Snapshot: Azerbaijan

Yield curve



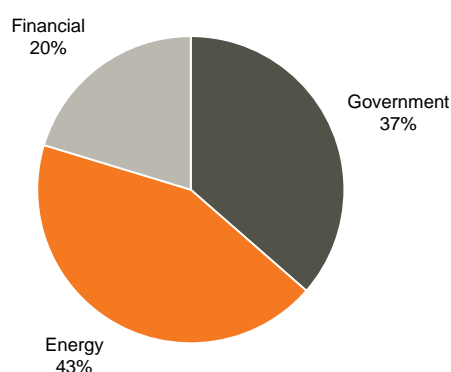
Source: Bloomberg

Monetary policy rate



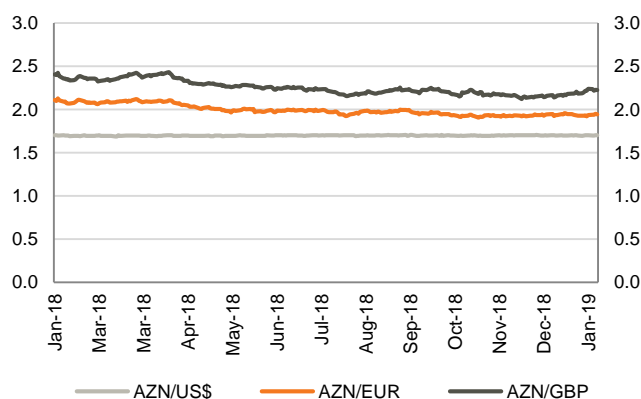
Source: Central Bank of Azerbaijan

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



Source: Bloomberg

Foreign exchange rates



Source: Bloomberg

Bond performance

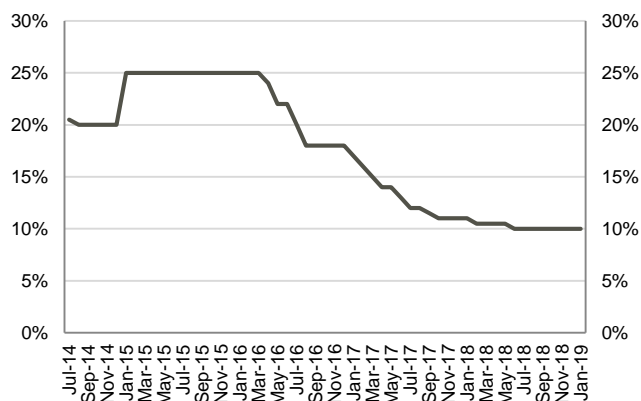
Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Azerbaijan	US\$	Government	AZERBJ	Sep-19	2.82%	BB+/-/Ba2	174	99.00	4.54	Not Listed
Republic Of Azerbaijan	US\$	Government	AZERBJ	Sep-20	2.82%	BB+/-/Ba2	174	97.60	4.20	Not Listed
Republic Of Azerbaijan	US\$	Government	AZERBJ	Sep-21	2.82%	BB+/-/Ba2	174	96.50	4.12	Not Listed
Republic Of Azerbaijan	US\$	Government	AZERBJ	Mar-24	4.75%	BB+/-/Ba2	1,250	102.28	4.23	Stuttgart
Republic Of Azerbaijan	US\$	Government	AZERBJ	Sep-29	5.13%	BB+/-/Ba2	311	98.34	5.29	Not Listed
Republic Of Azerbaijan	US\$	Government	AZERBJ	Sep-32	3.50%	BB+/-/Ba2	1,077	87.69	4.72	Not Listed
Southern Gas Corridor	US\$	Energy	SGCAZE	Mar-26	6.88%	BB+/-/Ba2	2,000	111.64	4.89	Dublin
SOCAR	US\$	Energy	SOIAZ	Mar-23	4.75%	BB+/BB-/Ba2	1,000	101.27	4.37	London
SOCAR	US\$	Energy	SOIAZ	Mar-30	6.95%	BB+/BB-/NR	750	111.42	5.53	London
Emraxbank	US\$	Financial	EMRXAZ	Jan-22	9.00%	-/-	10	114.41	3.65	Baku
IBAZ	US\$	Financial	IBAZAZ	Jun-19	5.63%	WD/-/WR	500	75.88	108.45	Stuttgart
IBAZ	US\$	Financial	IBAZAZ	Sep-24	3.50%	B-/-	1,000	79.30	8.12	Not Listed
IBAZ	US\$	Financial	IBAZAZ	Oct-24	8.25%	-/-WR	250	61.25	20.35	Dublin

Source: Bloomberg



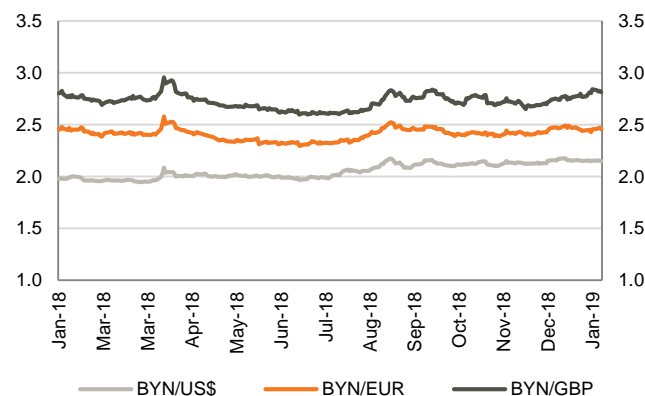
Snapshot: Belarus

Monetary policy rate



Source: National Bank of Belarus

Foreign exchange rates



Source: Bloomberg

Bond performance

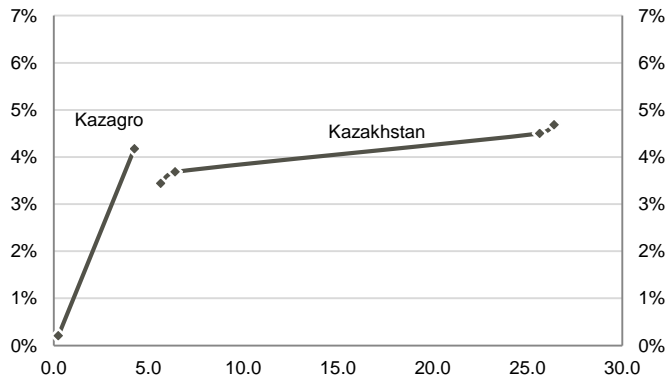
Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Belarus	US\$	Government	BELRUS	Feb-23	6.88%	B/B/B3	800	103.28	5.88	Dublin
Republic Of Belarus	US\$	Government	BELRUS	Jun-27	7.63%	B/B/B3	600	105.47	6.72	Dublin
Republic Of Belarus	US\$	Government	BELRUS	Feb-30	6.20%	B/B/B3	600	95.49	6.76	Dublin

Source: Bloomberg



Snapshot: Kazakhstan

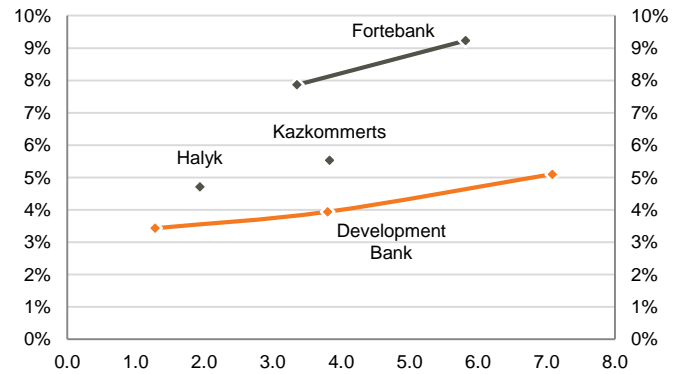
Yield curve (sovereign)



Remaining maturity

Source: Bloomberg

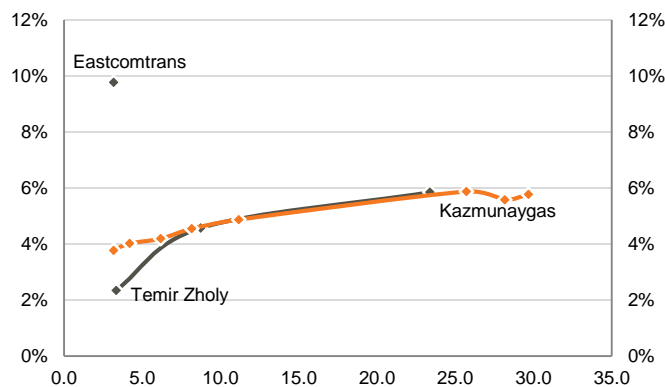
Yield curve (banks)



Remaining maturity

Source: Bloomberg

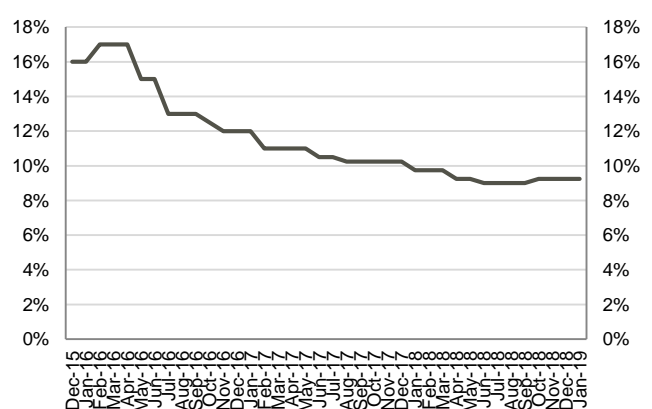
Yield curve (other sectors)



Remaining maturity

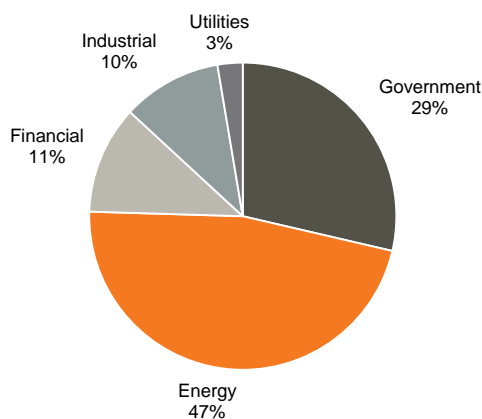
Source: Bloomberg

Monetary policy rate



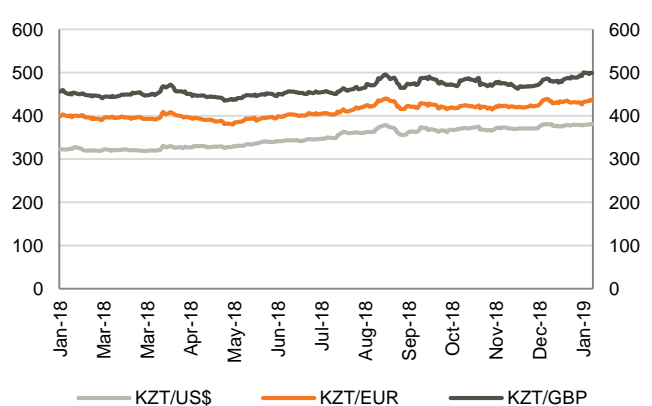
Source: National Bank of Kazakhstan

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



Source: Bloomberg

Foreign exchange rates



Source: Bloomberg

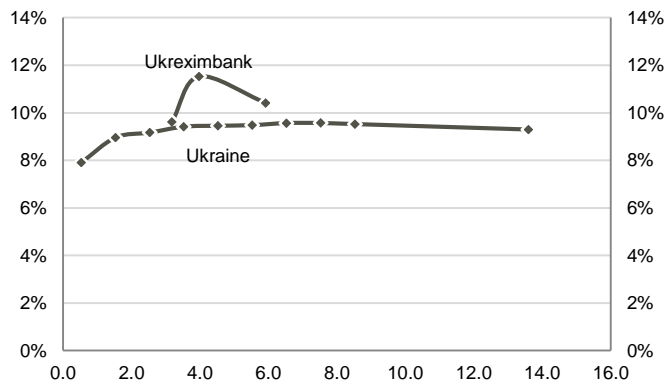
Bond performance

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	KAZAKS	Oct-24	3.88%	BBB/BBB-/Baa3	1,500	102.05	3.44	London
Republic Of Kazakhstan	US\$	Government	KAZAKS	Jul-25	5.13%	BBB/BBB-/Baa3	2,500	108.01	3.69	London
Republic Of Kazakhstan	US\$	Government	KAZAKS	Oct-44	4.88%	BBB/BBB-/Baa3	1,000	105.45	4.50	London
Republic Of Kazakhstan	US\$	Government	KAZAKS	Jul-45	6.50%	BBB/BBB-/Baa3	1,500	127.17	4.68	London
Kazagro Natl Mgmt Hldg	EUR	Government	KAZNMH	May-19	3.26%	BBB-/NR/Baa1	600	100.27	0.21	Dublin
Kazagro Natl Mgmt Hldg	US\$	Government	KAZNMH	May-23	4.63%	BBB-/NR/Baa1	1,000	101.54	4.18	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	100.15	3.77	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-23	4.40%	BBB-/BB/Baa3	1,000	101.31	4.02	Kazakhstan
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-25	4.75%	BBB-/BB/Baa3	500	102.87	4.19	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	101.20	4.54	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-30	5.38%	BBB-/BB/Baa3	1,250	104.10	4.87	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	101.19	5.87	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-47	5.75%	BBB-/BB/Baa3	1,250	102.15	5.58	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Oct-48	6.38%	BBB-/BB/Baa3	1,500	108.34	5.77	London
Kaztransgas	US\$	Utilities	KZTGKZ	Sep-27	4.38%	BBB-/BB/Baa3	750	96.98	4.78	Dublin
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Jun-20	6.50%	BBB-/BB+/Baa3	100	103.38	3.44	Kazakhstan
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Dec-22	4.13%	BBB-/BB+/Baa3	1,425	100.37	3.94	London
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Mar-26	6.00%	BBB-/BB+/Baa3	150	104.94	5.10	Kazakhstan
Fortebank	US\$	Financial	ALLIBK	Jun-22	14.00%	NR/B/-	61	117.24	7.87	Kazakhstan
Fortebank	US\$	Financial	ALLIBK	Dec-24	11.75%	B/B/-	237	110.58	9.23	Kazakhstan
Halyk Savings Bank-Kaz.	US\$	Financial	HSBKKZ	Jan-21	7.25%	BB/BB/Baa3	500	104.33	4.71	London
Kazkommertsbank	US\$	Financial	KKB	Dec-22	5.50%	BB/BB/-	750	99.84	5.53	Kazakhstan
Eastcomtrans	US\$	Industrial	EASTCM	Apr-22	8.00%	WD/-/B3	100	94.56	9.78	London
Kazakhstan Temir Zholy	CHF	Industrial	KTZKZ	Jun-19	2.59%	BBB-/BB-/Baa3	100	100.76	0.02	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	103.85	2.35	Zurich
Kazakhstan Temir Zholy	US\$	Industrial	KTZKZ	Nov-27	4.85%	BBB-/BB-/Baa3	780	101.84	4.57	Dublin
Kazakhstan Temir Zholy	US\$	Industrial	KTZKZ	Jul-42	3.88%	BBB-/BB-/Baa3	1,100	113.71	5.85	London

Source: Bloomberg

Snapshot: Ukraine

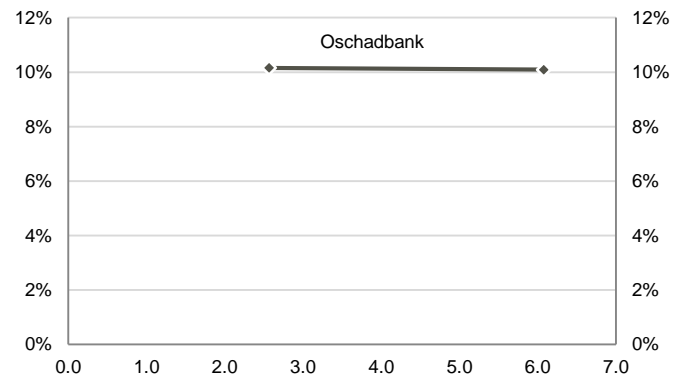
Yield curve (sovereign)



Remaining maturity

Source: Bloomberg

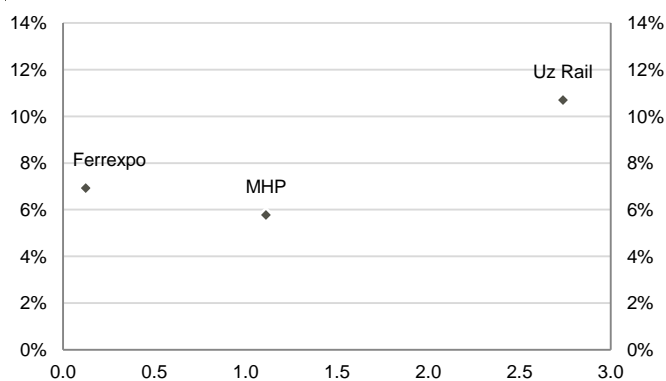
Yield curve (banks)



Remaining maturity

Source: Bloomberg

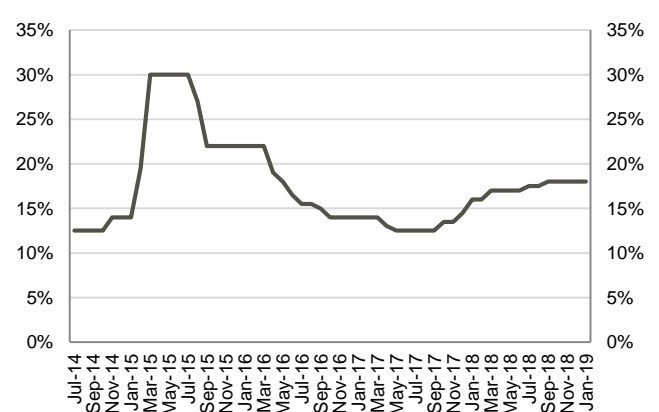
Yield curve (other sectors)



Remaining maturity

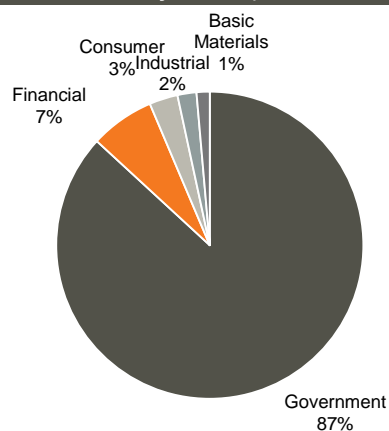
Source: Bloomberg

Monetary policy rate



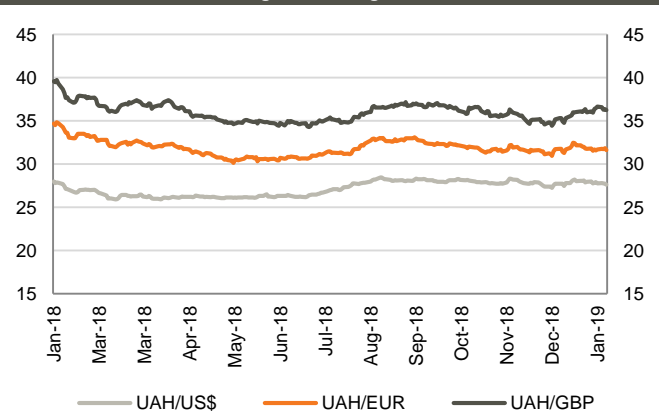
Source: National Bank of Ukraine

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-/Caa1	1,822	99.72	7.90	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-20	7.75%	B-/B-/Caa1	1,780	98.15	8.96	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-21	7.75%	B-/B-/Caa1	1,409	96.61	9.17	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-22	7.75%	B-/B-/Caa1	1,384	95.00	9.42	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-23	7.75%	B-/B-/Caa1	1,355	93.74	9.45	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-24	7.75%	B-/B-/Caa1	1,339	92.55	9.48	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-25	7.75%	B-/B-/Caa1	1,329	91.26	9.57	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-26	7.75%	B-/B-/Caa1	1,318	90.28	9.57	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-27	7.75%	B-/B-/Caa1	1,307	89.58	9.53	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-32	7.38%	B-/B/-	3,000	85.07	9.30	Dublin
Ukraine Government	US\$	Government	UKRAIN	May-40	0.00%	-/B/-	3,239	62.24	N/A	Dublin
Aid-Ukraine	US\$	Government	AID	Sep-21	1.47%	-/-/-	1,000	97.22	2.56	Frankfurt
Ukreximbank	US\$	Government	EXIMUK	Apr-22	9.63%	B-/B-/Caa1	750	99.81	9.62	Dublin
Ukreximbank	US\$	Government	EXIMUK	Feb-23	9.00%	CCC-/Caa2	125	93.59	11.52	Dublin
Ukreximbank	US\$	Government	EXIMUK	Jan-25	9.75%	B-/B-/Caa1	600	96.94	10.41	Dublin
Ferrexpo Finance	US\$	Basic Materials	FXPOLN	Apr-19	10.38%	B+/B/B3	186	100.10	6.92	Dublin
Ferrexpo Finance	US\$	Basic Materials	FXPOLN	Apr-19	10.38%	B+/B/B3	161	100.14	6.44	Dublin
MHP	US\$	Consumer	MHPSA	Apr-20	8.25%	B/B/-	750	102.19	5.77	Dublin
Privatbank	US\$	Financial	PRBANK	Feb-21	11.00%	-/-/-	220	N/A	N/A	Channel Isl.
Oschadbank	US\$	Financial	OSCHAD	Mar-23	9.38%	B-/B-/Caa1	700	100.04	9.33	Dublin
Oschadbank	US\$	Financial	OSCHAD	Mar-25	9.63%	B-/B-/Caa1	500	97.72	10.09	Dublin
Uz Rail Via Shortline	US\$	Industrial	RAILUA	Sep-21	9.88%	B-/CCC+/-	500	99.07	10.16	Dublin

Source: Bloomberg

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