

# Regional Fixed Income Market Watch

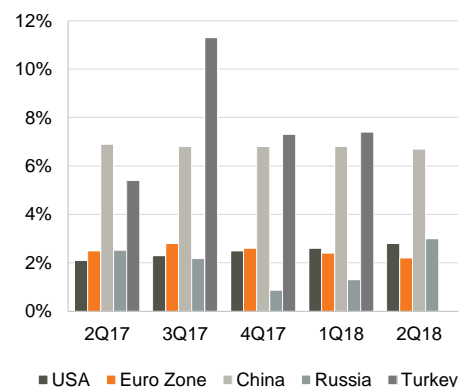
Georgia, Armenia, Azerbaijan, Belarus, Kazakhstan, Ukraine

Regional | Fixed Income  
 Monthly Bulletin  
 August 15, 2018

## Highlights

- Real GDP growth in the US was up to an annualized 4.1% y/y (advance estimate) in 2Q18 from an annualized 2.2% y/y recorded in 1Q18. In July 2018, unemployment rate decreased by 0.1ppts to 3.9% from 4.0% in previous month. GDP growth in EU19 was down to 2.1% y/y in 2Q18 from 2.5% y/y in 1Q18. Unemployment rate in EU19 was 8.3% in June 2018 down from 8.4% in May 2018. China's economy grew by 6.7% y/y in 2Q18, 0.1ppts lower than in 1Q18.
- Based on rapid estimates, in June 2018 economic growth came in at 9.6% y/y in Armenia, 5.3% y/y in Kazakhstan, 4.0% y/y in Georgia and 1.5% y/y in Russia. In 1H18, real GDP growth was 4.5% y/y in Belarus and 1.3% y/y in Azerbaijan.
- In July 2018, annual inflation in the US was 2.9% unchanged from previous month. Based on the Eurostat flash estimate, annual inflation in EU19 was 2.1% in July 2018 up from 2.0% in June 2018.
- In July 2018, annual inflation was below to the target level in Armenia (2.3%), Russia (2.5%), Georgia (2.8%) and Belarus (4.1%); inflation was within the target in Kazakhstan (5.9%), and above the target in Ukraine (8.9%) and Turkey (15.9%).
- Monetary policy rate was cut to 7.0% (from 7.25%) in Georgia and increased to 17.5% (from 17.0%) in Ukraine in July 2018. The policy rate has remained unchanged in other countries.
- In July 2018, Fitch downgraded both foreign and local sovereign credit ratings for Turkey to BB from BB+ and to BB+ from BBB-, respectively and the outlook was revised to negative from stable.

## 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%	3.4%	3.5%	11.5	12.0	12.7	3,872	4,022	4,244	0.9%	3.5%	4.0%	-4.8%	-2.6%	-1.7%	-3.5%	-2.8%	-2.8%
Azerbaijan	0.1%	2.0%	3.9%	40.8	45.5	47.9	4,155	4,576	4,764	12.9%	7.0%	6.0%	0.9%	2.4%	2.1%	4.1%	5.6%	7.0%
Belarus	2.4%	2.8%	2.5%	54.4	59.2	61.5	5,760	6,301	6,575	6.0%	6.0%	6.0%	-1.7%	-2.4%	-3.0%	-1.7%	-2.5%	-2.7%
Georgia	5.0%	4.8%	4.8%	15.2	16.9	18.3	4,079	4,500	4,900	6.0%	2.8%	2.9%	-0.9%	-1.6%	-1.5%	-8.9%	-9.2%	-9.2%
Kazakhstan	4.0%	3.2%	2.8%	158.1	179.3	190.5	8,841	9,709	10,166	7.4%	6.4%	5.6%	-6.3%	-2.3%	-2.2%	-3.4%	-1.4%	-1.3%
Ukraine	2.5%	3.2%	3.3%	112.1	119.1	126.7	2,633	2,821	3,007	14.4%	11.0%	8.0%	-2.4%	-2.5%	-2.7%	-1.9%	-3.7%	-3.5%
Russia	1.5%	1.7%	1.5%	1,578.7	1,719.9	1,754.3	10,754	11,947	12,191	3.7%	2.8%	3.8%	-1.5%	0.0%	0.1%	2.2%	4.5%	3.8%
Turkey	7.4%	4.4%	4.0%	851.8	909.9	961.7	10,597	11,114	11,603	11.1%	11.4%	10.5%	-2.3%	-2.9%	-3.2%	-5.6%	-5.4%	-4.8%

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	Ba2	Ba2	stable	BB	BB-	stable

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

## Monetary stance

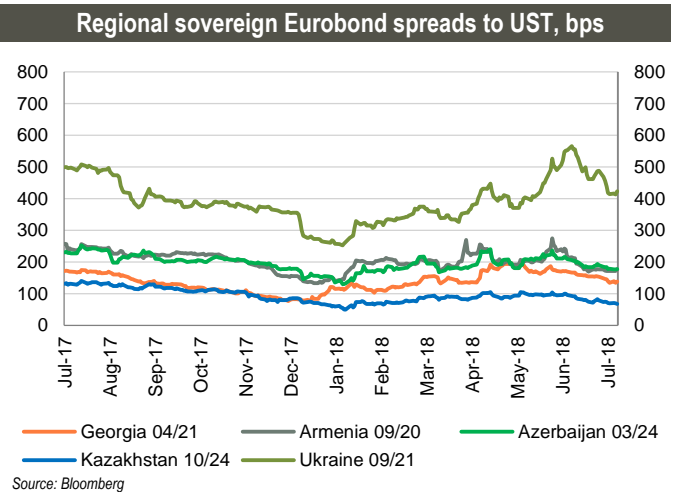
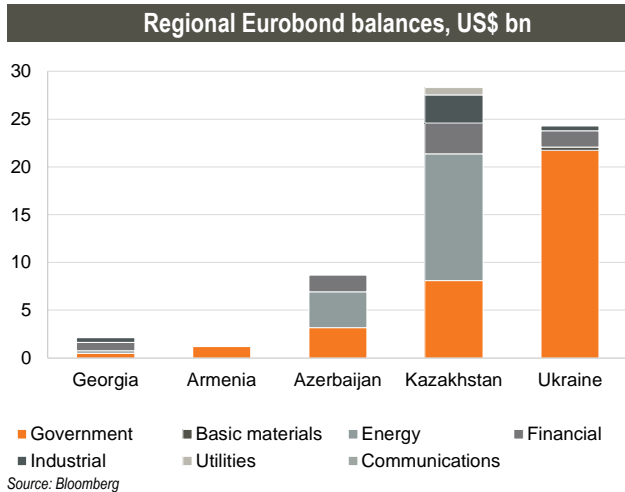
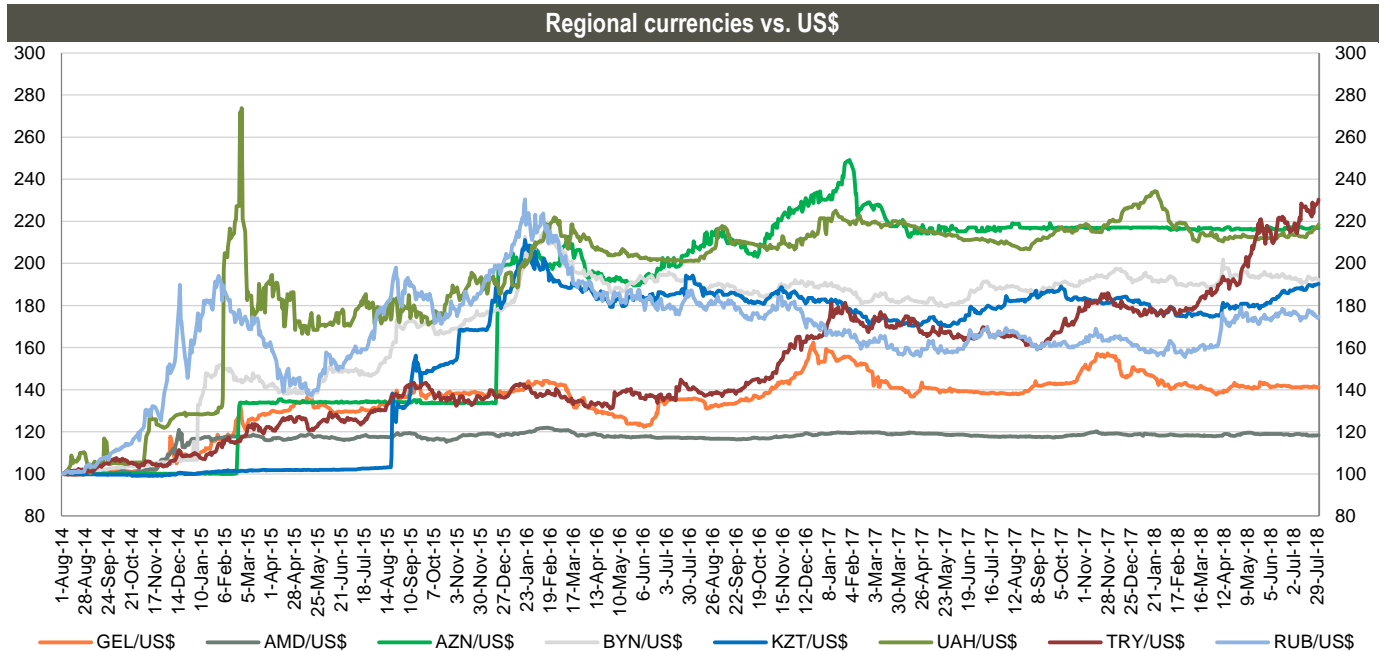
	Inflation, y/y		MPR
	Jul-18	Jul-18	
Armenia	2.3%	6.0%	
Azerbaijan	1.9%*	10.0%	
Belarus	4.1%	10.0%	
Georgia	2.8%	7.0%	
Kazakhstan	5.9%	9.0%	
Ukraine	8.9%	17.5%	
Russia	2.5%	7.25%	
Turkey	15.9%	17.75%	

Source: Central banks, Statistics Offices

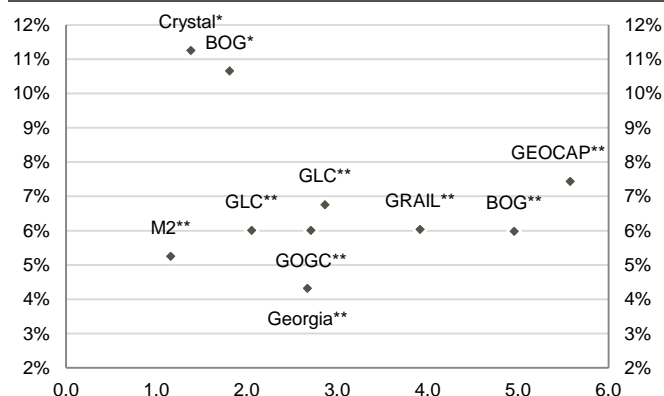
\*Jun-18



# Eurobonds



# Snapshot: Georgia

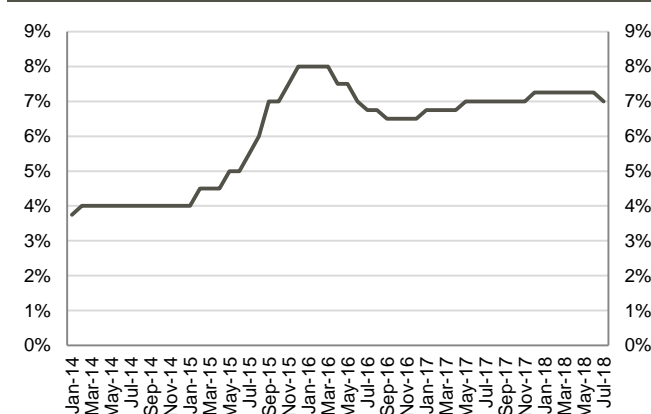
**Yield curve**


Remaining maturity

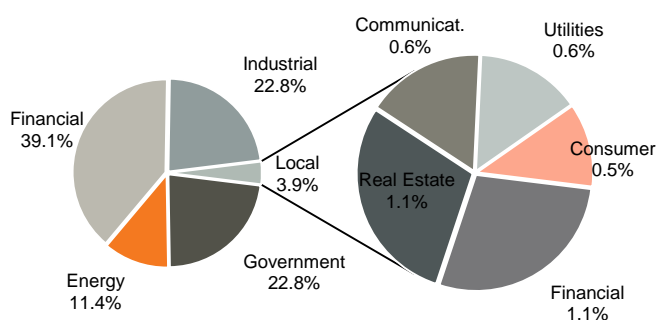
\*In GEL

\*\*In US\$

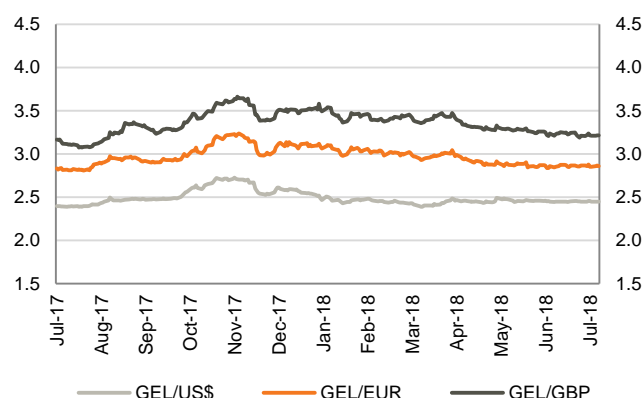
Source: Bloomberg, Galt &amp; Taggart

**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	106.11	4.32	London
Georgian Oil & Gas Corp	US\$	Energy	GEOROG	Apr-21	6.75%	BB-/B+/-/-	250	101.75	6.00	London
Bank Of Georgia	US\$	Financial	GEBGG	Jul-23	6.00%	BB-/B-/Ba2/-	350	99.80	5.97	Dublin
Bank Of Georgia	GEL	Financial	GEBGG	Jun-20	11.00%	BB-/B-/Ba2/-	500	99.49	10.65	Dublin
Georgian Railway	US\$	Industrial	GRAIL	Jul-22	7.75%	B+/B+/-/-	500	105.74	6.03	London
Georgia Capital	US\$	Financial	GEOCAP	Mar-24	6.13%	-B+/B2/-	300	93.84	7.43	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	102.24	5.25	Georgia
Georgian Leasing Co	US\$	Financial	\$GLC02K	Aug-20	7.00%	-/-/-/-	10	100.95	6.00	Georgia
Georgian Leasing Co	US\$	Financial	\$GLC03L	Jun-21	6.50%	-/-/-/-	5	98.71	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-/B2/-	10	100.00	11.25	Georgia

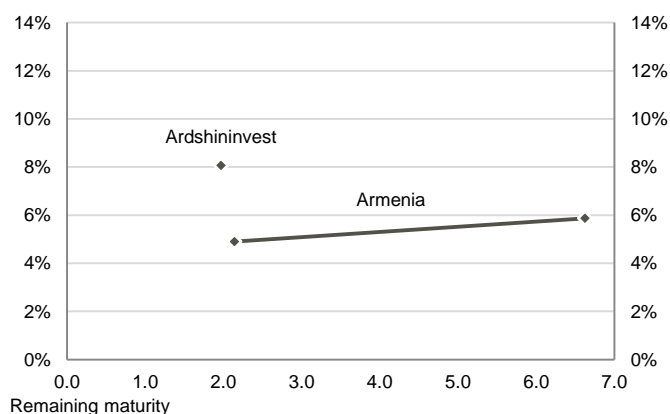
\*Company ratings

\*\*Floating rate

Source: Bloomberg, Galt &amp; Taggart

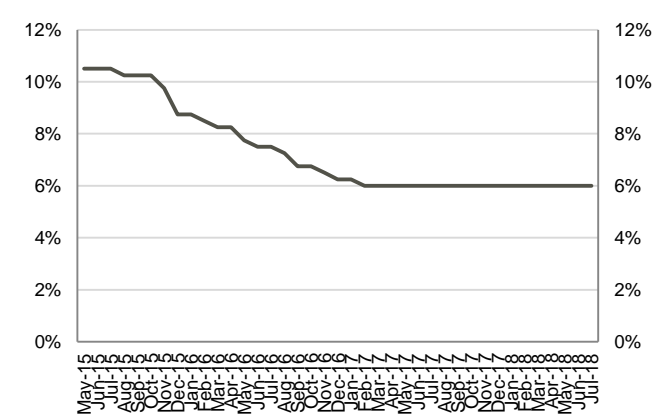
## Snapshot: Armenia

Yield curve



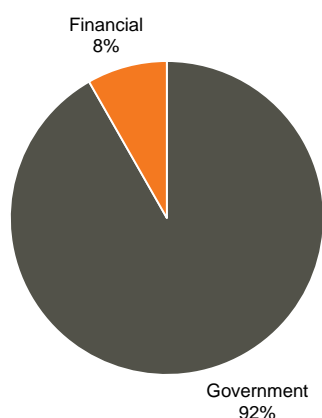
Source: Bloomberg

Monetary policy rate



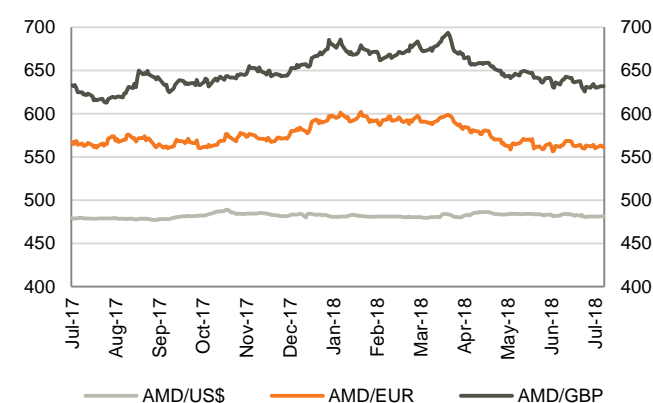
Source: Central Bank of Armenia

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



Source: Bloomberg

Foreign exchange rates



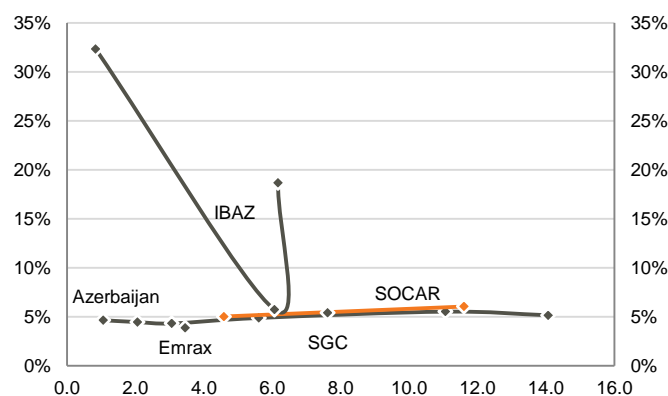
Source: Bloomberg

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	101.90	4.90	Dublin
Republic Of Armenia	US\$	Government	ARMEN	Mar-25	7.15%	B+/-/B1	500	106.78	5.87	Dublin
Ardshinvestbk	US\$	Financial	ARBANK	Jul-20	12.00%	B+/-/B1	100	106.00	8.06	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

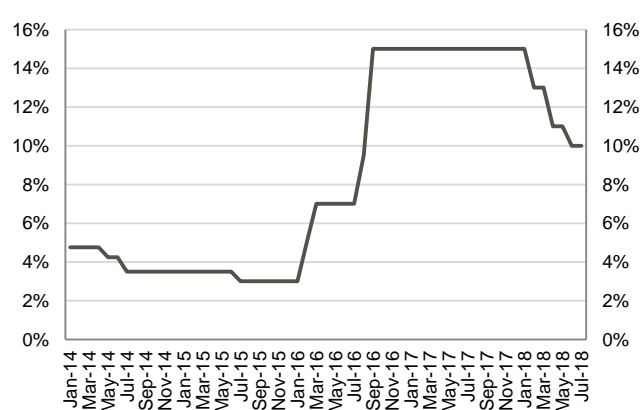
Source: Bloomberg

# Snapshot: Azerbaijan

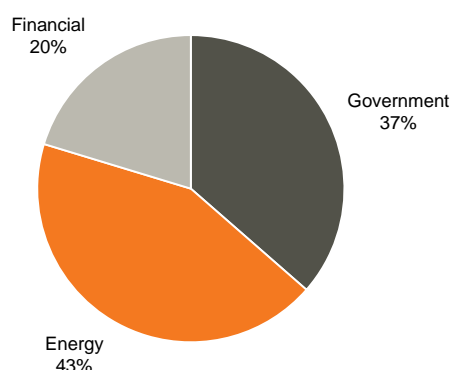
**Yield curve**


Remaining maturity

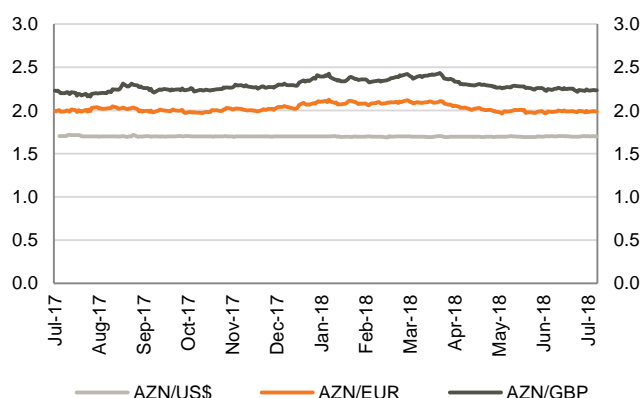
Source: Bloomberg

**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**

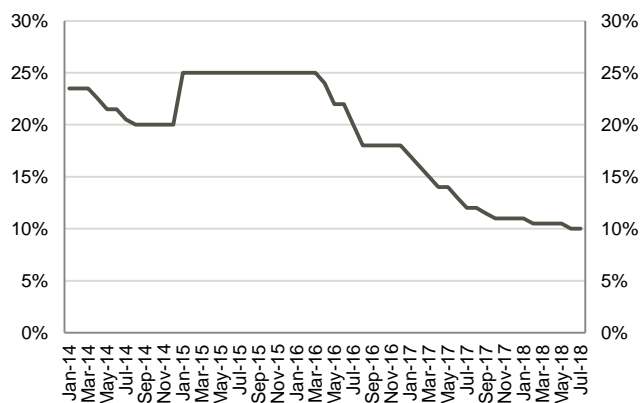
Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Azerbaijan	US\$	Government	AZERBJ	Sep-19	2.82%	BB+/-/Ba2	174	97.93	4.65	Not Listed
Republic Of Azerbaijan	US\$	Government	AZERBJ	Sep-20	2.82%	BB+/-/Ba2	174	96.56	4.47	Not Listed
Republic Of Azerbaijan	US\$	Government	AZERBJ	Sep-21	2.82%	BB+/-/Ba2	174	95.18	4.32	Not Listed
Republic Of Azerbaijan	US\$	Government	AZERBJ	Mar-24	4.75%	BB+/-/Ba2	1,250	99.19	4.89	Stuttgart
Republic Of Azerbaijan	US\$	Government	AZERBJ	Sep-29	5.13%	BB+/-/Ba2	311	96.56	5.53	Not Listed
Republic Of Azerbaijan	US\$	Government	AZERBJ	Sep-32	3.50%	BB+/-/Ba2	1,077	83.36	5.16	Not Listed
Southern Gas Corridor	US\$	Energy	SGCAZE	Mar-26	6.88%	BB+/-/Ba2	2,000	108.85	5.41	Dublin
SOCAR	US\$	Energy	SOIAZ	Mar-23	4.75%	BB+/BB-/Ba2	1,000	98.61	5.04	London
SOCAR	US\$	Energy	SOIAZ	Mar-30	6.95%	BB+/BB-/NR	750	107.22	6.05	London
Emraxbank	US\$	Financial	EMRXAZ	Jan-22	9.00%	-/-	10	116.09	3.88	Baku
IBAZ	US\$	Financial	IBAZAZ	Jun-19	5.63%	WD/-/WR	500	82.05	32.31	Stuttgart
IBAZ	US\$	Financial	IBAZAZ	Sep-24	3.50%	B-/-	1,000	87.91	5.74	Not Listed
IBAZ	US\$	Financial	IBAZAZ	Oct-24	8.25%	-/-/WR	250	63.25	18.66	Dublin

Source: Bloomberg



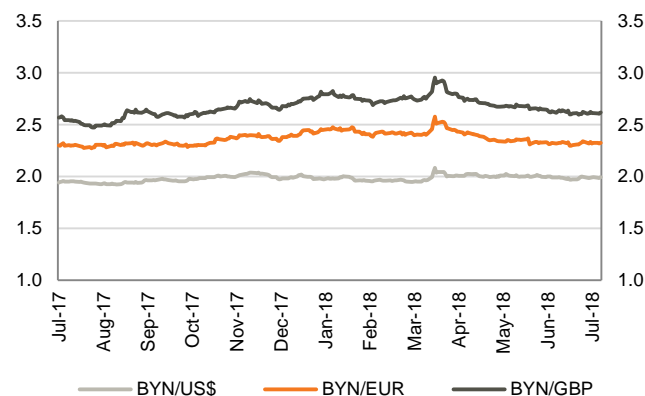
## Snapshot: Belarus

Monetary policy rate



Source: National Bank of Belarus

Foreign exchange rates



Source: Bloomberg

Bond performance

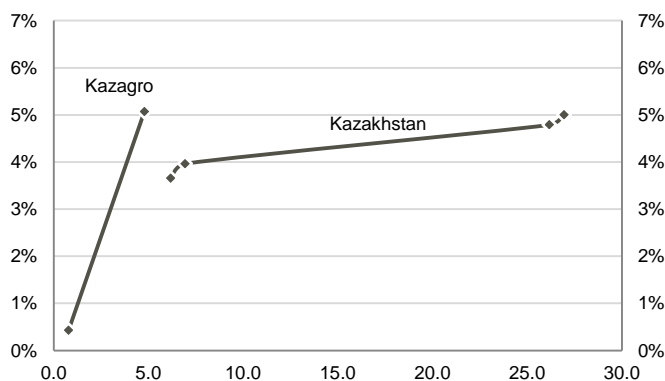
Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Belarus	US\$	Government	BELRUS	Feb-23	6.88%	B/B/B3	800	103.38	5.95	Dublin
Republic Of Belarus	US\$	Government	BELRUS	Jun-27	7.63%	B/B/B3	600	105.82	6.71	Dublin
Republic Of Belarus	US\$	Government	BELRUS	Feb-30	6.20%	B/B/-	600	95.71	6.72	Dublin

Source: Bloomberg



# Snapshot: Kazakhstan

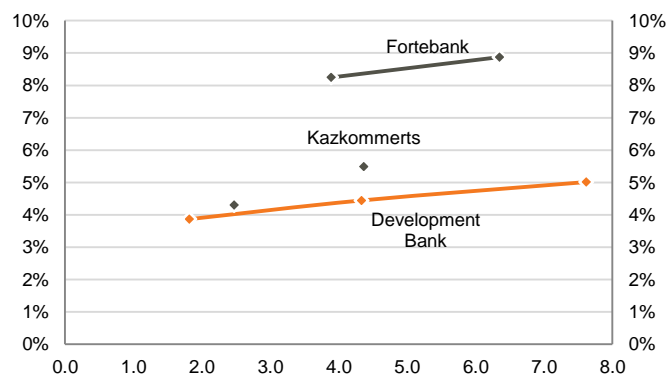
**Yield curve (sovereign)**



Remaining maturity

Source: Bloomberg

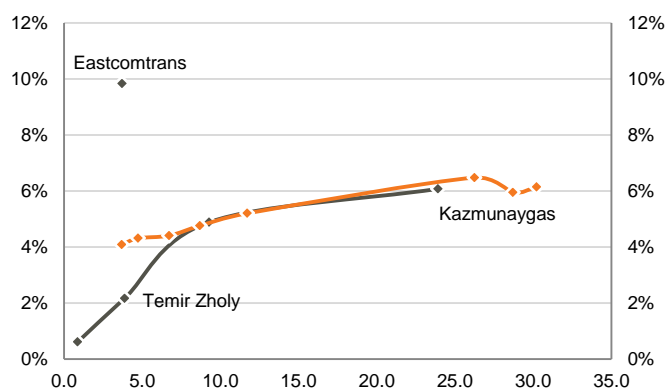
**Yield curve (banks)**



Remaining maturity

Source: Bloomberg

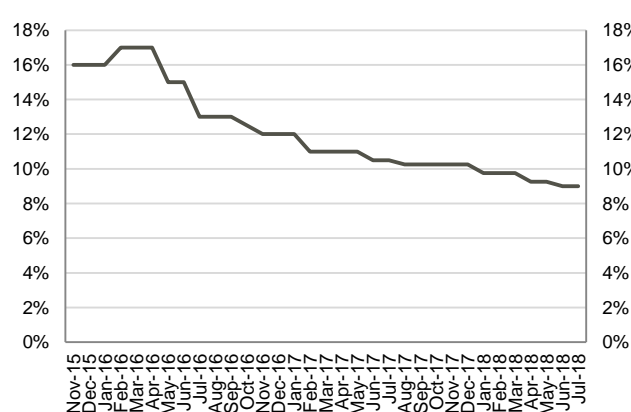
**Yield curve (other sectors)**



Remaining maturity

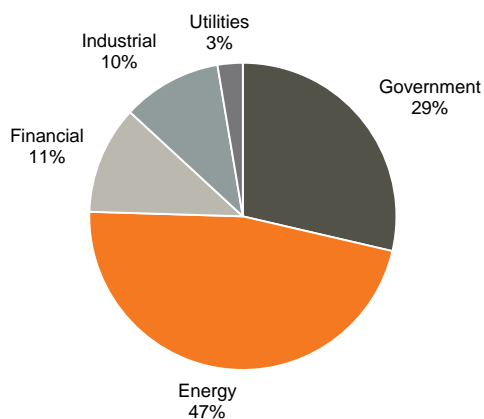
Source: Bloomberg

**Monetary policy rate**



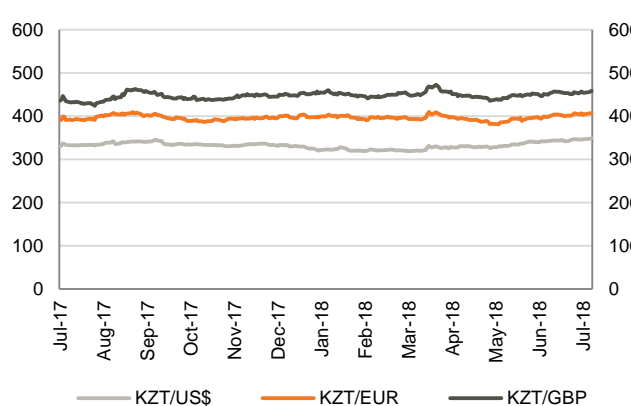
Source: National Bank of Kazakhstan

**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	101.05	3.65	London
Republic Of Kazakhstan	US\$	Government	KAZAKS	Jul-25	5.13%	BBB/BBB-/Baa3	2,500	106.86	3.97	London
Republic Of Kazakhstan	US\$	Government	KAZAKS	Oct-44	4.88%	BBB/BBB-/Baa3	1,000	101.03	4.79	London
Republic Of Kazakhstan	US\$	Government	KAZAKS	Jul-45	6.50%	BBB/BBB-/Baa3	1,500	121.78	5.00	London
Kazagro Natl Mgmt Hldg	EUR	Government	KAZNMH	May-19	3.26%	BBB-/NR/Ba1	600	101.75	0.43	Dublin
Kazagro Natl Mgmt Hldg	US\$	Government	KAZNMH	May-23	4.63%	BBB-/NR/Ba1	1,000	97.87	5.07	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	99.12	4.09	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-23	4.40%	BBB-/BB-/Baa3	1,000	100.22	4.31	Kazakhstan
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-25	4.75%	BBB-/BB-/Baa3	500	101.84	4.41	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	99.82	4.76	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-30	5.38%	BBB-/BB-/Baa3	1,250	101.35	5.20	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	93.50	6.48	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-47	5.75%	BBB-/BB-/Baa3	1,250	97.04	5.95	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Oct-48	6.38%	BBB-/BB-/Baa3	1,500	103.10	6.14	London
Kaztransgas	US\$	Utilities	KZTGKZ	Sep-27	4.38%	BBB-/BB-/Baa3	750	95.92	4.91	Dublin
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Jun-20	6.50%	BBB-/BB+/Baa3	100	104.32	3.87	Kazakhstan
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Dec-22	4.13%	BBB-/BB+/Baa3	1,425	98.59	4.44	London
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Mar-26	6.00%	BBB-/BB+/Baa3	150	105.87	5.01	Kazakhstan
Fortebank	US\$	Financial	ALLIBK	Jun-22	14.00%	NR/B/-	61	118.16	8.24	Kazakhstan
Fortebank	US\$	Financial	ALLIBK	Dec-24	11.75%	B/B/-	237	113.30	8.87	Kazakhstan
Halyk Savings Bank-Kaz.	US\$	Financial	HSBKKZ	Jan-21	7.25%	BB/BB/Baa3	500	106.57	4.30	London
Kazkommertsbank	US\$	Financial	KKB	Dec-22	5.50%	BB/BB/-	750	99.88	5.49	Kazakhstan
Eastcomtrans	US\$	Industrial	EASTCM	Apr-22	8.00%	WD/-/B3	100	93.88	9.84	London
Kazakhstan Temir Zholy	CHF	Industrial	KTZKZ	Jun-19	2.59%	BBB-/BB-/Baa3	100	101.48	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	104.97	2.17	Zurich
Kazakhstan Temir Zholy	US\$	Industrial	KTZKZ	Nov-27	4.85%	BBB-/BB-/Baa3	780	99.58	4.89	Dublin
Kazakhstan Temir Zholy	US\$	Industrial	KTZKZ	Jul-42	3.88%	BBB-/BB-/Baa3	1,100	110.68	6.08	London

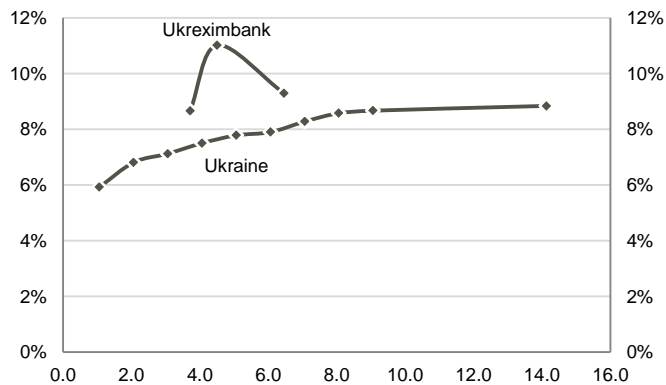
Source: Bloomberg





## Snapshot: Ukraine

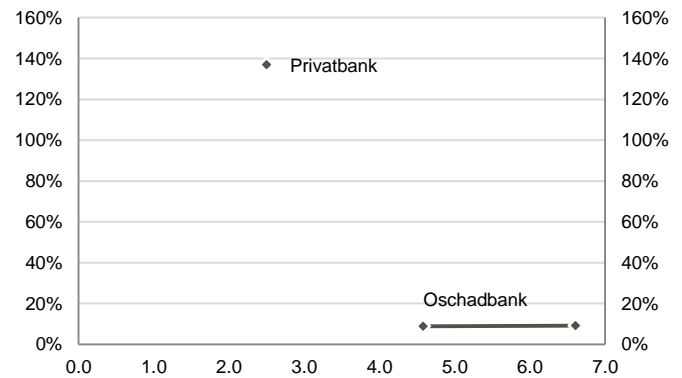
**Yield curve (sovereign)**



Remaining maturity

Source: Bloomberg

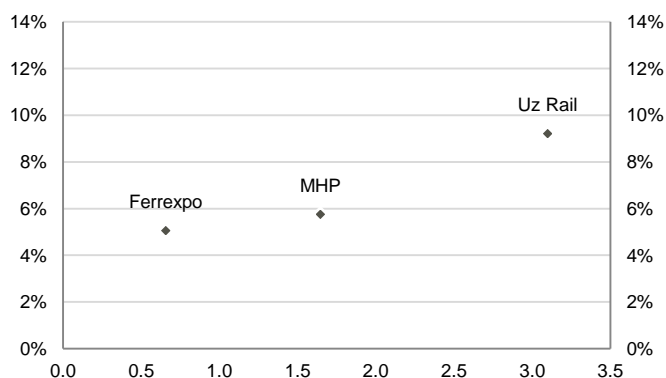
**Yield curve (banks)**



Remaining maturity

Source: Bloomberg

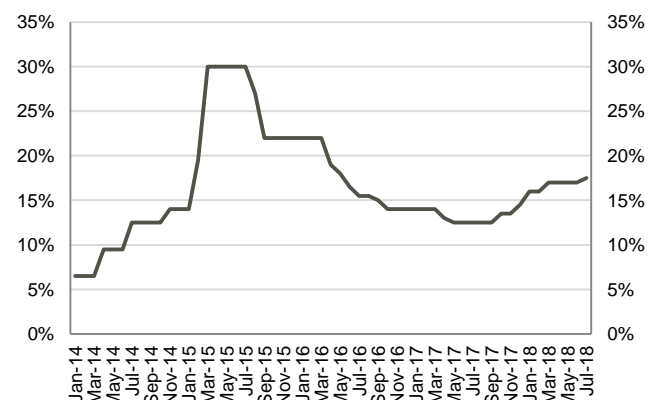
**Yield curve (other sectors)**



Remaining maturity

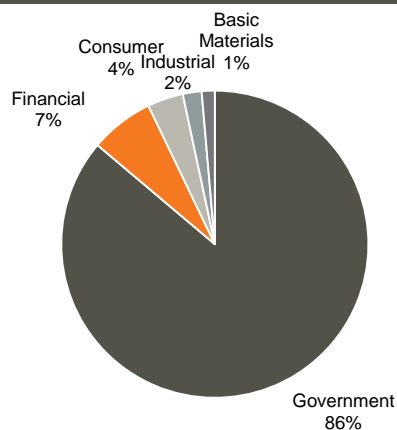
Source: Bloomberg

**Monetary policy rate**



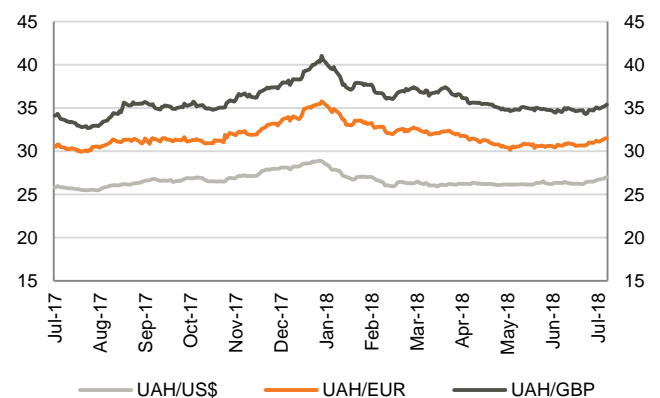
Source: National Bank of Ukraine

**Bond universe by sector (US\$ 25.2bn 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
Ukraine Government	US\$	Government	UKRAIN	Sep-19	7.75%	B-/B-/Caa2	1,822	101.51	5.92	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-20	7.75%	B-/B-/Caa2	1,780	101.55	6.81	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-21	7.75%	B-/B-/Caa2	1,409	101.48	7.13	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-22	7.75%	B-/B-/Caa2	1,384	100.62	7.50	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-23	7.75%	B-/B-/Caa2	1,355	99.58	7.78	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-24	7.75%	B-/B-/Caa2	1,339	99.08	7.90	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-25	7.75%	B-/B-/Caa2	1,329	97.02	8.28	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-26	7.75%	B-/B-/Caa2	1,318	95.08	8.58	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-27	7.75%	B-/B-/Caa2	1,307	94.12	8.67	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-32	7.38%	B-/B/-	3,000	88.09	8.84	Dublin
Ukraine Government	US\$	Government	UKRAIN	May-40	0.00%	-/B/-	3,214	59.08	N/A	Dublin
Aid-Ukraine	US\$	Government	AID	Sep-21	1.47%	-/-/-	1,000	95.95	2.81	Frankfurt
Ukreximbank	US\$	Government	EXIMUK	Apr-22	9.63%	B-/B-/Caa2	750	102.80	8.66	Dublin
Ukreximbank	US\$	Government	EXIMUK	Feb-23	9.00%	CCC-/Caa3	125	94.39	11.01	Dublin
Ukreximbank	US\$	Government	EXIMUK	Jan-25	9.75%	B-/B-/Caa2	600	102.09	9.29	Dublin
Ferrexpo Finance	US\$	Basic Materials	FXPOLN	Apr-19	10.38%	B/B/Caa1	186	103.08	5.05	Dublin
Ferrexpo Finance	US\$	Basic Materials	FXPOLN	Apr-19	10.38%	B/B/Caa1	161	102.74	5.46	Dublin
Avangardco Investments	US\$	Consumer	AVINPU	Oct-18	10.00%	WD/-/-	200	N/A	N/A	London
MHP	US\$	Consumer	MHPSA	Apr-20	8.25%	B/B/-	750	103.46	5.75	Dublin
First Ukr.	US\$	Financial	PUMBUZ	Dec-18	11.00%	NR/-/WR	275	102.78	1.83	Zurich
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-/Caa2	700	101.52	8.84	Dublin
Oschadbank	US\$	Financial	OSCHAD	Mar-25	9.63%	B-/B-/Caa2	500	102.06	9.16	Dublin
Uz Rail Via Shortline	US\$	Industrial	RAILUA	Sep-21	9.88%	CCC/CCC+/-	500	101.35	9.21	Dublin

Source: Bloomberg

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