

Regional Fixed Income Market Watch

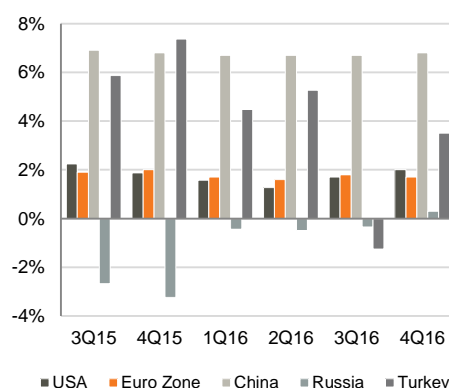
Georgia, Armenia, Azerbaijan, Belarus, Kazakhstan, Ukraine

Regional | Fixed Income
 Monthly Bulletin
 April 4, 2017

Highlights

- Inflation in the USA came in at 2.7% y/y in February 2017, up from 2.5% y/y in the previous month and well above the FED target rate. Following a 2.0% y/y increase in February 2017, inflation in the Euro zone retreated to 1.5% y/y in March 2017.
- Growth in Turkey and Russia came in at 3.5% y/y and 0.3% y/y, respectively, in 4Q16.
- According to short-term indicators, relatively strong growth continued in Armenia (+6.0% y/y), Georgia (+4.4% y/y), and Kazakhstan (+3.7% y/y) in February 2017.
- In Azerbaijan growth retreated to 0.4% y/y, while in Belarus GDP contracted 1.0% y/y in 2M17.
- In Ukraine growth likely weakened as industrial output turned negative (-4.6% y/y), agricultural output remained in negative territory, and construction production index increased marginally.
- Compared to the previous month, inflation in February 2017 increased in Ukraine (+14.2% y/y), Azerbaijan (+13.0% y/y), Turkey (+10.1% y/y), and Georgia (+5.5% y/y).
- Compared to the previous month, inflation in February 2017 was broadly flat in Kazakhstan (+7.8% y/y), while retreating in Russia (+4.6% y/y) and Belarus (+7.0% y/y). Armenia remained in deflationary territory, with prices down 0.2% y/y in February 2017.

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	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

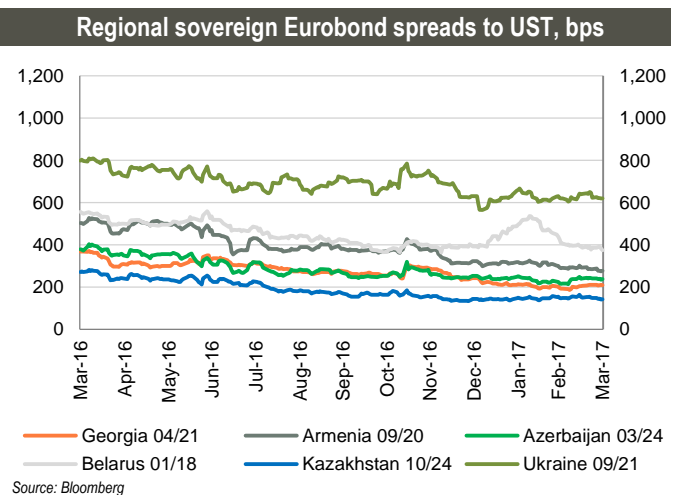
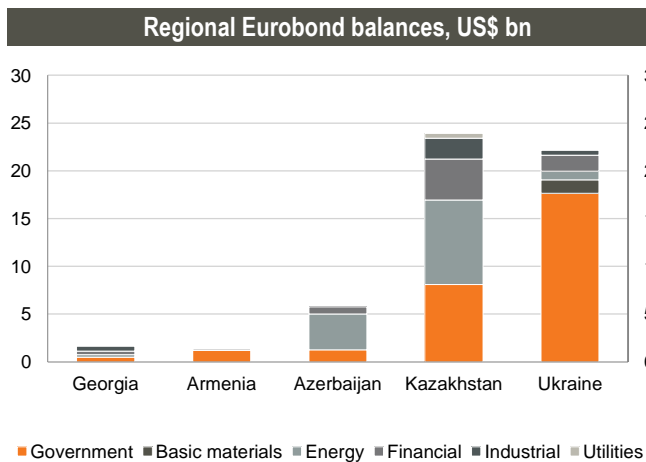
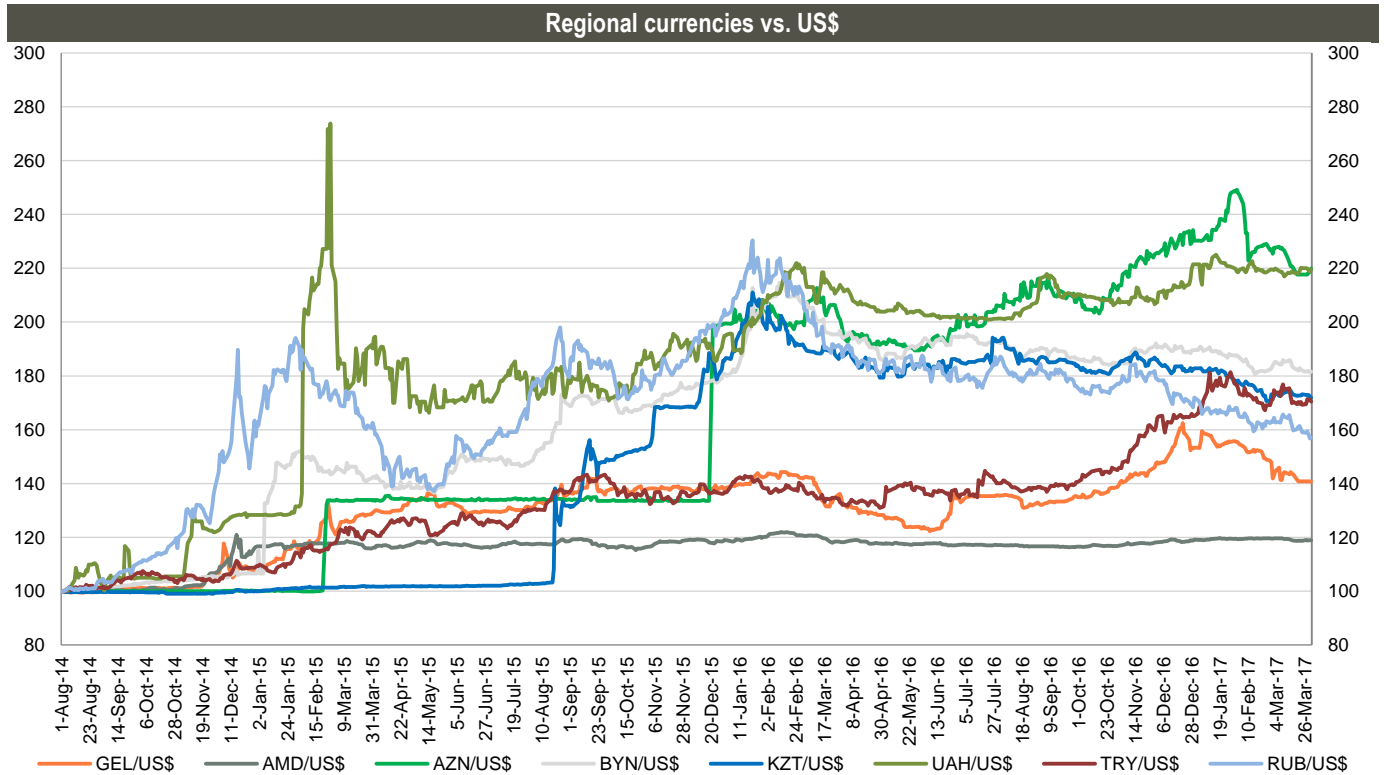
Monetary stance

	Inflation, y/y		MPR
	Feb-17	Mar-17	
Armenia	-0.2%	6.00%	
Azerbaijan	13.0%	15.00%	
Belarus	7.0%	15.00%	
Georgia	5.5%	6.75%	
Kazakhstan	7.8%	11.00%	
Ukraine	14.2%	14.00%	
Russia	4.6%	9.75%	
Turkey	10.1%	8.00%	

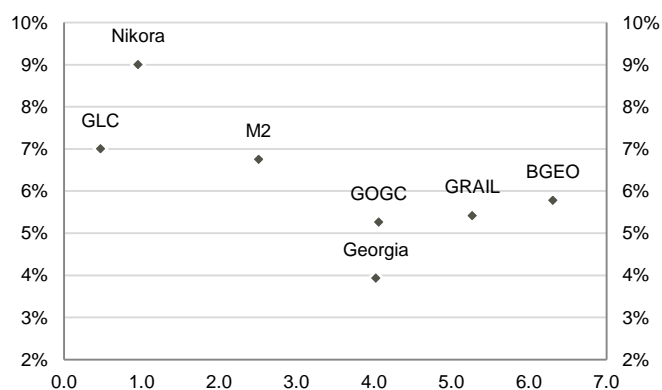
Source: Central banks, Statistics Offices



Eurobonds

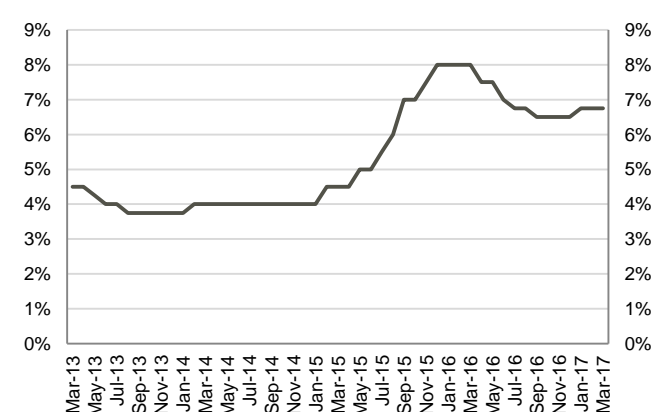


Snapshot: Georgia

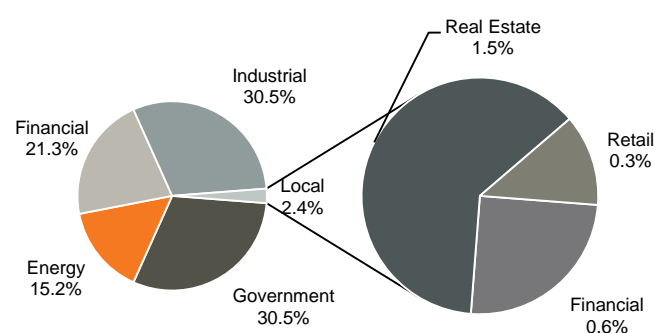
Yield curve


Remaining maturity

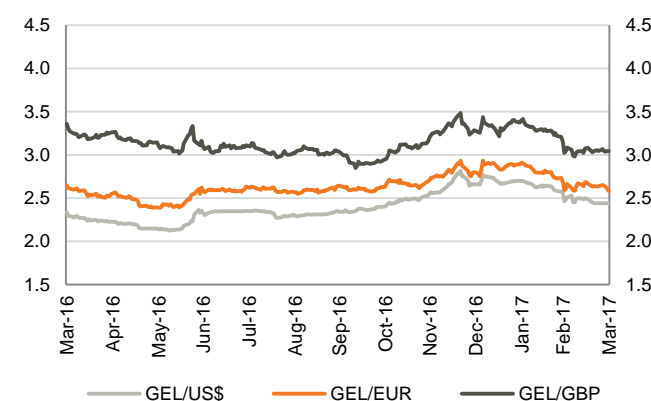
Source: Bloomberg, Galt & Taggart

Monetary policy rate


Source: National Bank of Georgia

Bond universe by sector (US\$ 1.6bn 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
Republic Of Georgia	US\$	Government	GEORG	Apr-21	6.88%	BB-/BB-/Ba3	500	110.60	3.93	London
Georgian Oil & Gas Corp	US\$	Energy	GEOROG	Apr-21	6.75%	BB-/B+/-	250	105.00	5.26	London
BGEO Group	US\$	Financial	BGEOLN	Jul-23	6.00%	BB-/B1	350	100.75	5.78	Dublin
Georgian Railway	US\$	Industrial	GRAIL	Jul-22	7.75%	B+/B+/-	500	110.25	5.42	London
Georgian Leasing Co	US\$	Financial	GEBGG	Sep-17	8.75%	-/-/-	10	100.30	7.00	Georgia
M2 Real Estate	US\$	Real Estate	GEBGG	Oct-19	7.50%	-/-/-	25	100.00	6.75	Georgia
Nikora Trade	US\$	Retail	NIKORA	Mar-18	11.00%	-/-/-	5	100.83	9.00	Georgia
GWP	GEL	Utilities	GEWRPW	Dec-21	10.25%**	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

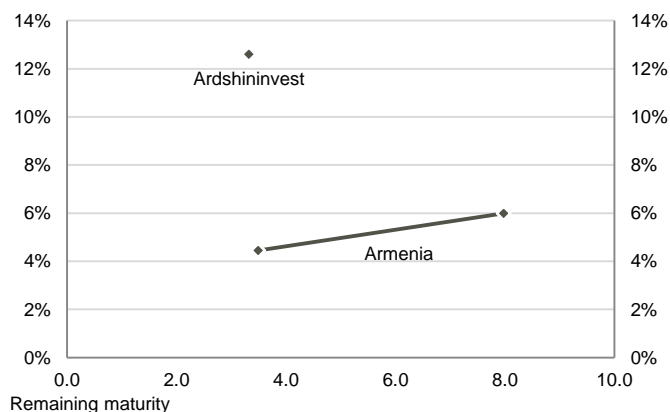
*Company ratings

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

Source: Bloomberg, Galt & Taggart

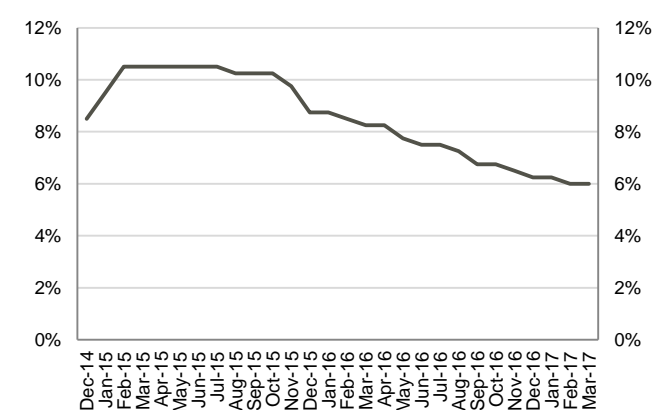
Snapshot: Armenia

Yield curve



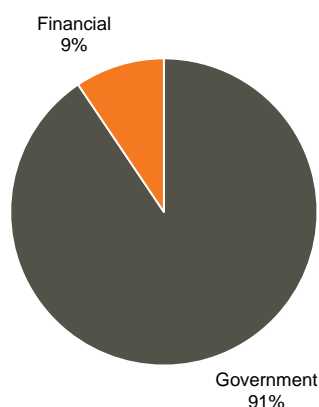
Source: Bloomberg

Monetary policy rate



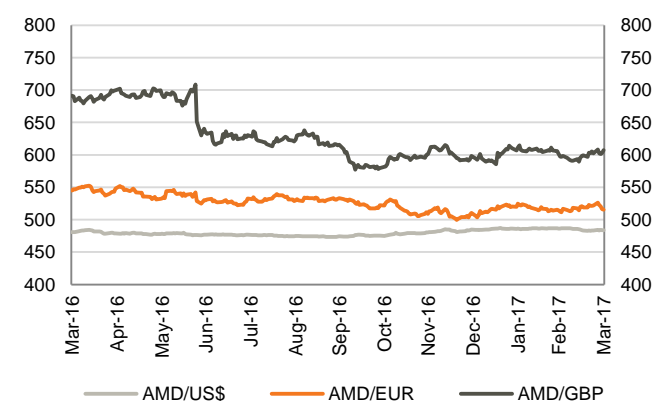
Source: Central Bank of Armenia

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



Source: Bloomberg

Foreign exchange rates



Source: Bloomberg

Bond performance

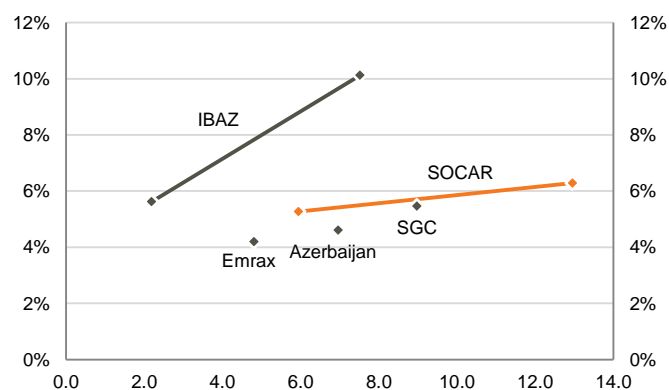
Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Armenia	US\$	Government	ARMEN	Sep-20	6.00%	B+/-/B1	700	104.72	4.45	Dublin
Republic Of Armenia	US\$	Government	ARMEN	Mar-25	7.15%	B+/-/B1	500	107.05	5.99	Dublin
Ameriabank	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	97.75	12.60	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

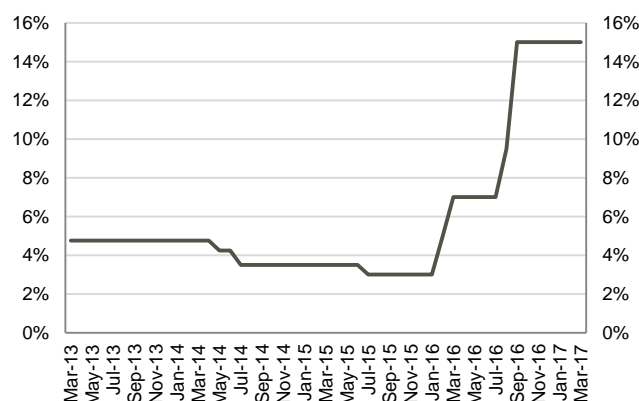
Yield curve



Remaining maturity

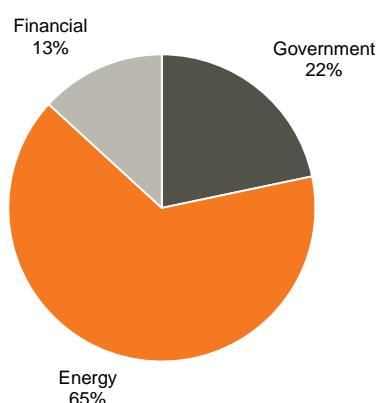
Source: Bloomberg

Monetary policy rate



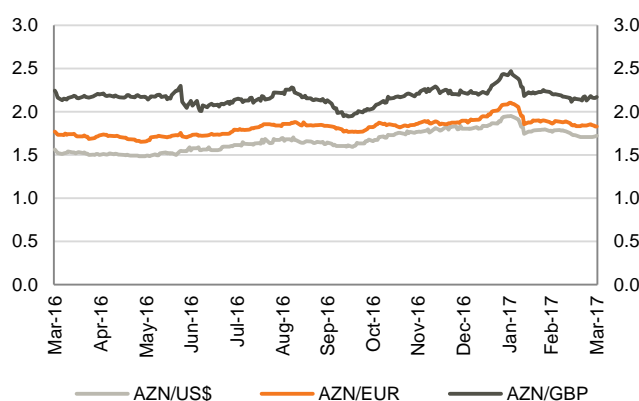
Source: Central Bank of Azerbaijan

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



Source: Bloomberg

Foreign exchange rates



Source: Bloomberg

Bond performance

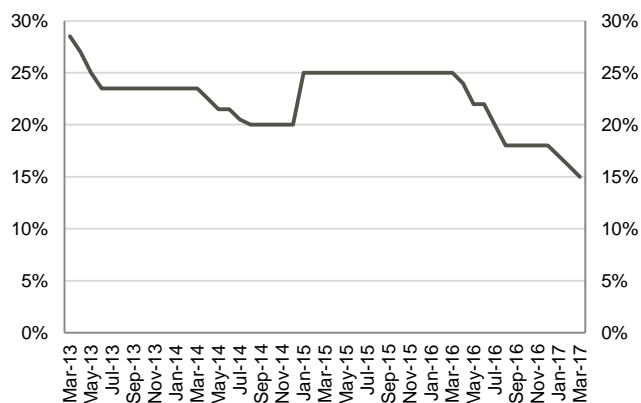
Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Azerbaijan	US\$	Government	AZERBJ	Mar-24	4.75%	BB+/-/Ba1	1,250	100.66	4.61	Stuttgart
Southern Gas Corridor	US\$	Energy	SGCAZE	Mar-26	6.88%	BB+/-/Ba1	2,000	109.75	5.47	Dublin
SOCAR	US\$	Energy	SOIAZ	Mar-23	4.75%	BB+/BB/Ba1	1,000	97.13	5.27	London
SOCAR	US\$	Energy	SOIAZ	Mar-30	6.95%	BB+/BB/NR	750	105.50	6.29	London
Emraxbank	US\$	Financial	EMRXAZ	Jan-22	9.00%	-/-/-	10	120.26	4.20	Baku
IBAZ	US\$	Financial	IBAZAZ	Jun-19	5.63%	BB/-/B1	500	99.75	5.62	Stuttgart
IBAZ	US\$	Financial	IBAZAZ	Oct-24	8.25%	-/-/B1	250	89.63	10.12	Dublin

Source: Bloomberg



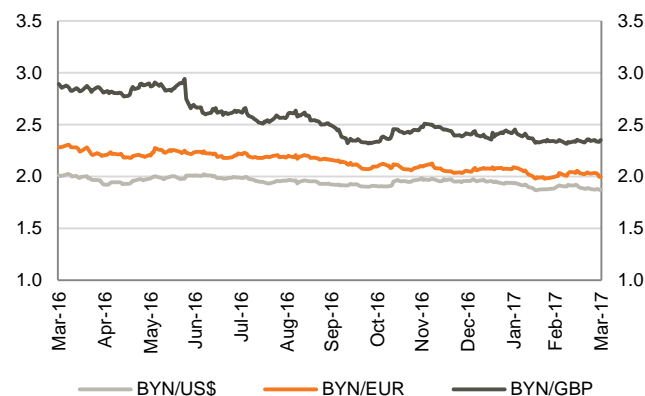
Snapshot: Belarus

Monetary policy rate



Source: National Bank of Belarus

Foreign exchange rates



Source: Bloomberg

Bond performance

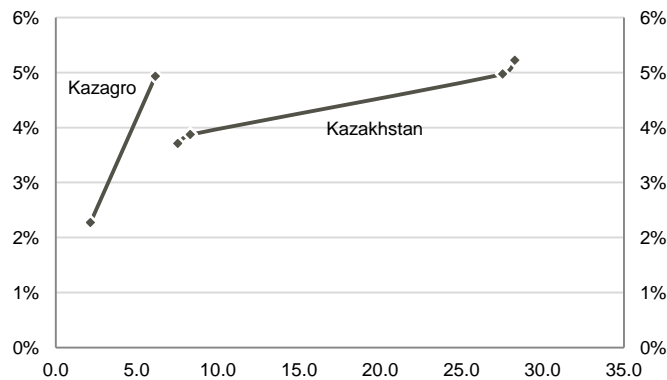
Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Belarus	US\$	Government	BELRUS	Jan-18	8.95%	-/B-/Caa1	800	103.15	4.74	Stuttgart

Source: Bloomberg



Snapshot: Kazakhstan

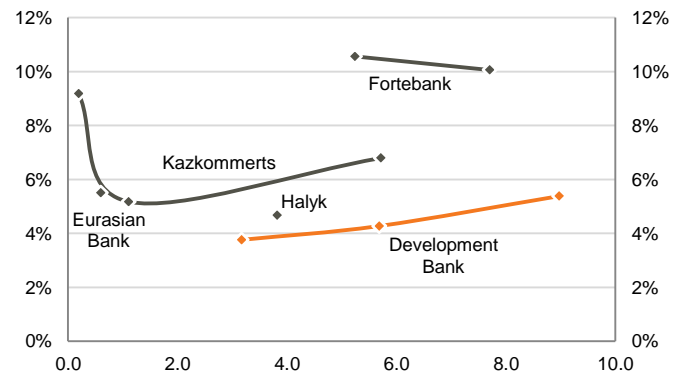
Yield curve (sovereign)



Remaining maturity

Source: Bloomberg

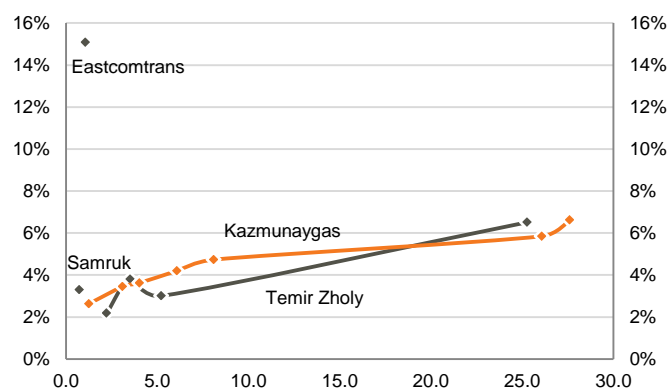
Yield curve (banks)



Remaining maturity

Source: Bloomberg

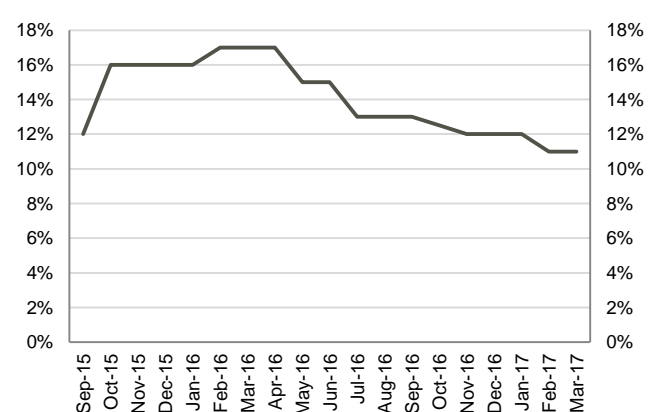
Yield curve (other sectors)



Remaining maturity

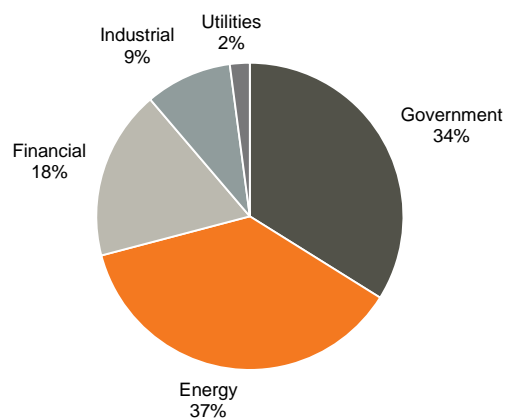
Source: Bloomberg

Monetary policy rate



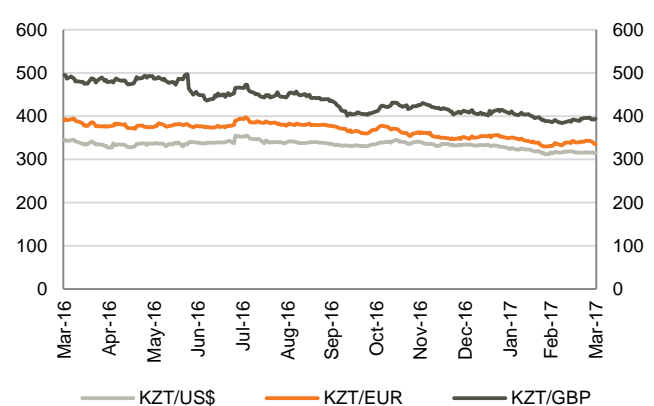
Source: National Bank of Kazakhstan

Bond universe by sector (US\$ 23.9bn total)



Source: Bloomberg

Foreign exchange rates



Source: Bloomberg



Bond performance

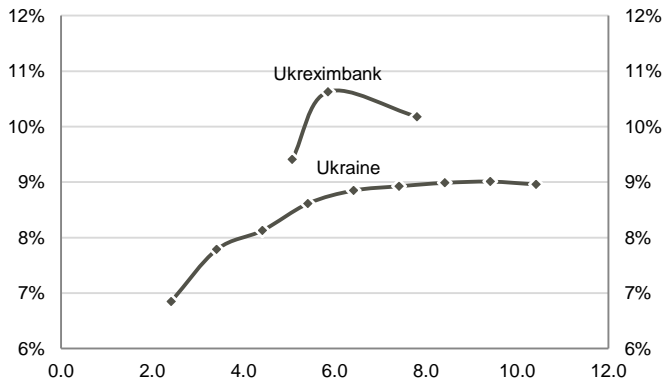
Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Kazakhstan	US\$	Government	KAZAKS	Oct-24	3.88%	BBB/BBB-/Baa3	1,500	100.93	3.71	London
Republic Of Kazakhstan	US\$	Government	KAZAKS	Jul-25	5.13%	BBB/BBB-/Baa3	2,500	108.63	3.87	London
Republic Of Kazakhstan	US\$	Government	KAZAKS	Oct-44	4.88%	BBB/BBB-/Baa3	1,000	98.31	4.97	London
Republic Of Kazakhstan	US\$	Government	KAZAKS	Jul-45	6.50%	BBB/BBB-/Baa3	1,500	118.58	5.22	London
Kazagro Natl Mgmt Hldg	EUR	Government	KAZNMH	May-19	3.26%	BBB-/BB+/-	600	101.81	2.27	Dublin
Kazagro Natl Mgmt Hldg	US\$	Government	KAZNMH	May-23	4.63%	BBB-/BB+/-	1,000	98.23	4.93	Dublin
Kazmunaygas National Co	US\$	Energy	KZOKZ	Jul-18	9.13%	BBB-/BB/Baa3	1,600	107.75	2.63	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	May-20	7.00%	BBB-/BB/Baa3	1,500	110.25	3.44	Frankfurt
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-21	6.38%	BBB-/BB/Baa3	1,250	110.00	3.62	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-23	4.40%	BBB-/BB/Baa3	1,000	100.88	4.20	Kazakhstan
Kazmunaygas National Co	US\$	Energy	KZOKZ	May-25	4.88%	BBB-/BB/Baa3	500	100.50	4.73	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-43	5.75%	BBB-/BB/Baa3	2,000	98.38	5.85	Kazakhstan
Kazmunaygas National Co	US\$	Energy	KZOKZ	Nov-44	6.00%	BBB-/BB/Baa3	1,000	90.75	6.62	London
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Jun-20	6.50%	BBB-/BBB-/Baa3	100	107.76	3.76	Kazakhstan
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Dec-22	4.13%	BBB-/BBB-/Baa3	1,425	99.06	4.28	London
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Mar-26	6.00%	BBB-/BBB-/Baa3	150	103.80	5.38	Kazakhstan
Eurasian Bank	US\$	Financial	EUBNKZ	Nov-17	7.50%	-B/-	500	99.63	5.51	Kazakhstan
Fortebank	US\$	Financial	ALLIBK	Jun-22	14.00%	NR/B/-	61	112.88	10.56	Kazakhstan
Fortebank	US\$	Financial	ALLIBK	Dec-24	11.75%	-B/-	237	108.63	10.06	Kazakhstan
Halyk Savings Bank-Kaz.	US\$	Financial	HSBKKZ	Jan-21	7.25%	BB-/BB/Baa3	500	108.63	4.68	London
Kazkommertsbank	US\$	Financial	KKB	Jun-17	5.95%	CC/CCC/Caa3	250	99.05	9.18	London
Kazkommertsbank	US\$	Financial	KKB	May-18	8.50%	CCC/B-/Caa2	300	103.25	5.18	London
Kazkommertsbank	US\$	Financial	KKB	Dec-22	5.50%	CCC/B/-	750	93.38	6.80	Kazakhstan
Eastcomtrans	US\$	Industrial	EASTCM	Apr-18	7.75%	WD/-/Caa1	100	92.00	15.08	London
Kazakhstan Temir Zholy	CHF	Industrial	KTZKZ	Jun-19	2.59%	BBB-/BB-/Baa3	100	100.25	2.18	Zurich
Kazakhstan Temir Zholy	US\$	Industrial	KTZKZ	Oct-20	6.38%	BBB-/BB-/Baa3	700	108.13	3.80	London
Kazakhstan Temir Zholy	CHF	Industrial	KTZKZ	Jun-22	3.64%	BBB-/BB-/Baa3	185	102.38	3.01	Zurich
Kazakhstan Temir Zholy	US\$	Industrial	KTZKZ	Jul-42	6.95%	BBB-/BB-/Baa3	1,100	105.25	6.51	London
Samruk-Energy	US\$	Utilities	SAMRUE	Dec-17	3.75%	BB/BB/-	500	100.13	3.29	Dublin

Source: Bloomberg



Snapshot: Ukraine

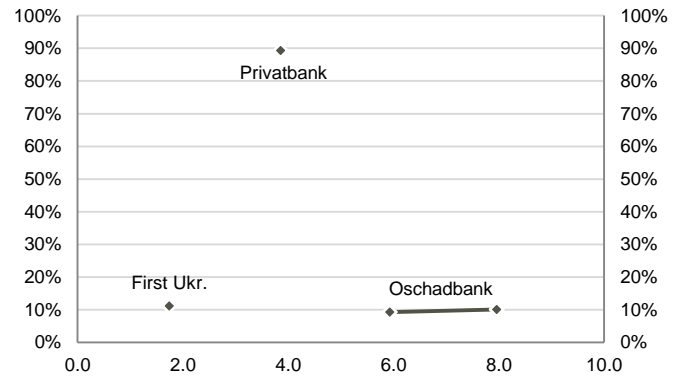
Yield curve (sovereign)



Remaining maturity

Source: Bloomberg

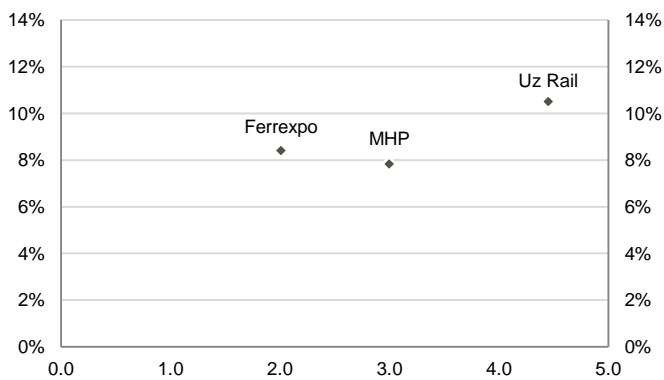
Yield curve (banks)



Remaining maturity

Source: Bloomberg

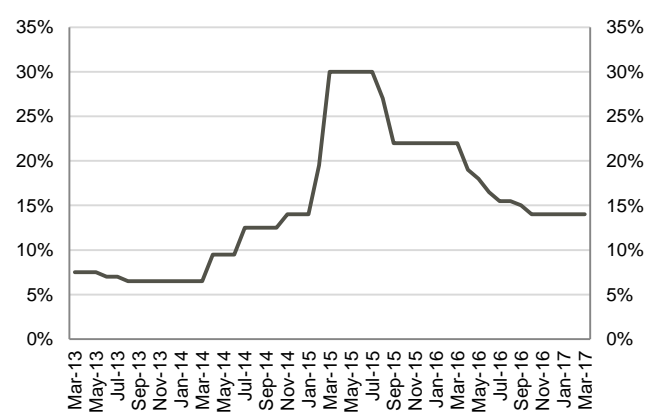
Yield curve (other sectors)



Remaining maturity

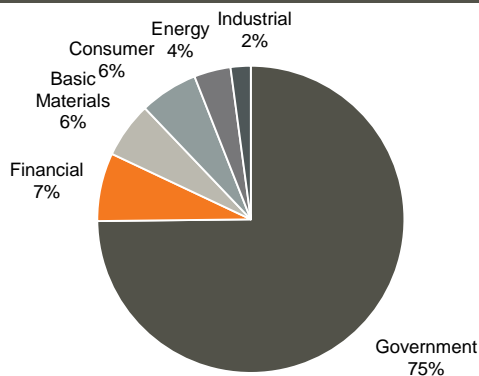
Source: Bloomberg

Monetary policy rate



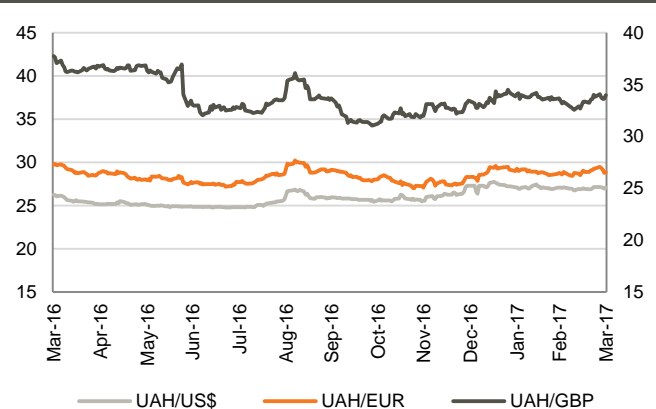
Source: National Bank of Ukraine

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	101.80	6.85	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-20	7.75%	B-/B-/Caa3	1,780	99.67	7.79	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-21	7.75%	B-/B-/Caa3	1,409	98.49	8.13	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-22	7.75%	B-/B-/Caa3	1,384	96.16	8.61	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-23	7.75%	B-/B-/Caa3	1,355	94.52	8.85	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-24	7.75%	B-/B-/Caa3	1,339	93.48	8.92	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-25	7.75%	B-/B-/Caa3	1,329	92.55	8.99	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-26	7.75%	B-/B-/Caa3	1,318	91.96	9.01	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-27	7.75%	B-/B-/Caa3	1,307	91.69	8.96	Dublin
Ukraine Government	US\$	Government	UKRAIN	May-40	0.00%	-/B-/-	3,214	37.00	N/A	Dublin
Ukreximbank	US\$	Government	EXIMUK	Apr-22	9.63%	B-/B-/Caa3	750	100.56	9.41	Dublin
Ukreximbank	US\$	Government	EXIMUK	Feb-23	8.16%	C/-/Ca	125	89.77	10.63	Dublin
Ukreximbank	US\$	Government	EXIMUK	Jan-25	9.75%	B-/B-/Caa3	600	97.59	10.18	Dublin
Ferrexpo Finance	US\$	Basic Materials	FXPOLN	Apr-19	10.38%	B-/B-/Caa3	186	103.25	8.41	Dublin
Ferrexpo Finance	US\$	Basic Materials	FXPOLN	Apr-19	10.38%	B-/B-/Caa3	161	103.38	8.34	Dublin
Metinvest	US\$	Basic Materials	METINV	Nov-17	10.50%	C/-/-	290	N/A	N/A	Dublin
Metinvest	US\$	Basic Materials	METINV	Feb-18	8.75%	C/-/WR	750	N/A	N/A	Dublin
Avangardco Investments	US\$	Consumer	AVINPU	Oct-18	10.00%	WD/-/-	200	27.75	119.51	London
MHP	US\$	Consumer	MHPSA	Apr-20	8.25%	B-/B-/-	750	100.75	7.82	Dublin
Ukrlandfarming	US\$	Consumer	UKRLAN	Mar-18	10.88%	WD/NR/-	500	29.63	197.92	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	99.38	11.12	Zurich
Privatbank	US\$	Financial	PRBANK	Feb-21	11.00%	-/-/-	220	13.25	89.28	Channel Isl.
Oschadbank	US\$	Financial	OSCHAD	Mar-23	9.38%	B-/B-/Caa3	700	100.22	9.25	Dublin
Oschadbank	US\$	Financial	OSCHAD	Mar-25	9.63%	B-/B-/Caa3	500	97.41	10.06	Dublin
Uz Rail Via Shortline	US\$	Industrial	RAILUA	Sep-21	9.88%	CCC/CCC+/-	500	97.50	10.50	Dublin

Source: Bloomberg

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