

Regional Fixed Income Market Watch

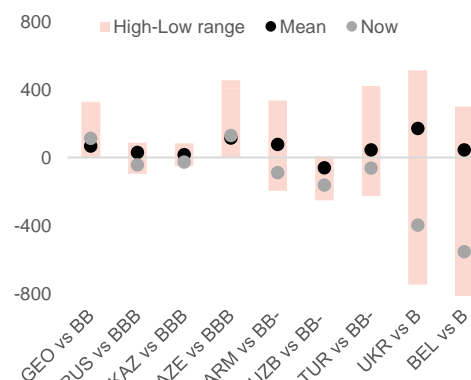
Georgia, Armenia, Azerbaijan, Belarus, Kazakhstan, Ukraine, Russia, Turkey, Uzbekistan

Regional | Fixed Income
 Monthly Market Watch
 June 2, 2020

Highlights

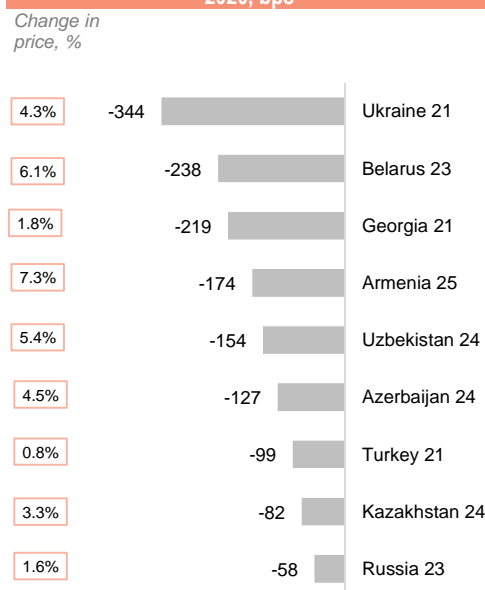
- Georgia's economy increased by 1.5% in 1Q20 before contracting 16.6% in April 2020, due to strict lockdown measures. Belarus economy was down by a mere 0.3% in 1Q20, while the economy contracted by 1.3% in 4M20. Real growth in Kazakhstan stood at 2.7% in 1Q20. Economic data on other regional countries is not yet available.
- As of May 2020, monetary policy rate is at 5.00% in Armenia (-25bps), at 5.50% in Russia (-50bps), at 7.25% in Azerbaijan (unchanged), at 8.75% in Belarus (-25bps), at 8.50% in Georgia (-50bps), at 9.5% in Kazakhstan (unchanged), at 8.75% in Turkey (-100bps) and at 8.00% in Ukraine (-200bps).
- After the unprecedented outflows from EM markets in March-April 2020, non-resident flows have returned to positive levels in May according to Institute of International Finance. The EM bond markets were helped by the massive liquidity injection from the major central banks (FED, ECB, BOJ), which first lifted global equity markets and now are slowly reaching EM.
- With improved global sentiment, exchange rates in most of the regional countries stabilised. GEL strengthened against USD by 1.2% during May, while RUB appreciated by 4.9% followed by KZT +3.9%, TRY +2.5%, BYN +1.9%, AMD +0.9%, while Ukraine's UAH remained mostly flat (+0.1%).
- Stabilization in developed markets helped yields of the regional Eurobonds. UKRAINE 21 (6.8% YTM; 101.1 price) outperformed the regional Eurobonds, with the yield dropping by 343.5bps in May. BELARUS 23 (5.2% YTM; 104.1 price) followed, with the yield down 238.1bps in the same period. GEORGIA 21 (3.6% YTM; 102.7 price) also performed well, with the YTM decreasing by 219.2bps. ARMENIA 25 (3.7% YTM; 114.9 price), UZBEK 24 (3.0% YTM; 106.1 price) and AZERB 24 (3.2% YTM; 105.5 price) narrowed by 174.0bps, 154.2bps and 126.6bps, respectively. YTM on TURKEY 21 (4.0% YTM; 101.3 price) was down 98.9bps in May. RUSSIA 23 (1.5% YTM; 110.9 price) and KAZAKH 24 (1.7% YTM; 109.3 price) whose yields have remained relatively stable over the last couple of months decreased by 82.0bps and 57.9bps, respectively.
- Among Georgian placements, quasi-government GOGC 21 (7.9% YTM; 98.9 price) who has been one of the worst performers in March-April 2020, has partially trimmed recent losses, with the yield declining by 278.2bps in May. GRAIL 22 (7.3% YTM; 100.9 price) narrowed by 131.4bps from the start May level. Among the Georgian banks, TBC 24 (6.0% YTM; 99.2 price) decreased by 139.5bps in May, while YTM on BOG 23 (7.4% YTM; 96.1 price) declined by 55.7bps. GEOCAP 24 has remained mostly flat in May, with the yield up by 6.7bps. In perpetual instruments, yield on BOG's bond narrowed by 7.5bps, while TBC perp. YTM increased by 13.6bps in May. SILKNET 24 (10.6% YTM; 101.1 price) outperformed other Georgian placements, with the yield dropping by 342.9bps to 10.6% in May. Notably, SILKNET 24 is trading at a premium to par for the first time since early March.

Regional sovereign Eurobond spreads vs peers, YTD



Source: Bloomberg, Galt & Taggart Research

Change in sovereign Eurobond yields in May 2020, bps



Source: Bloomberg

Country ratings

	Fitch	Moody's	S&P
Georgia	BB	Ba2	BB
Russia	BBB	Baa3	BBB
Kazakhstan	BBB	Baa3	BBB-
Azerbaijan	BB+	Ba2	BB+
Armenia	BB-	Ba3	n/a
Uzbekistan	BB-	B1	BB-
Turkey	BB-	B1	BB-
Belarus	B	B3	B
Ukraine	B	Caa1	B

Source: Fitch, Moody's, S&P

Eva Bochorishvili - Head of Research
 | evabochorishvili@gt.ge | +995 32 2401 111 ext. 8036

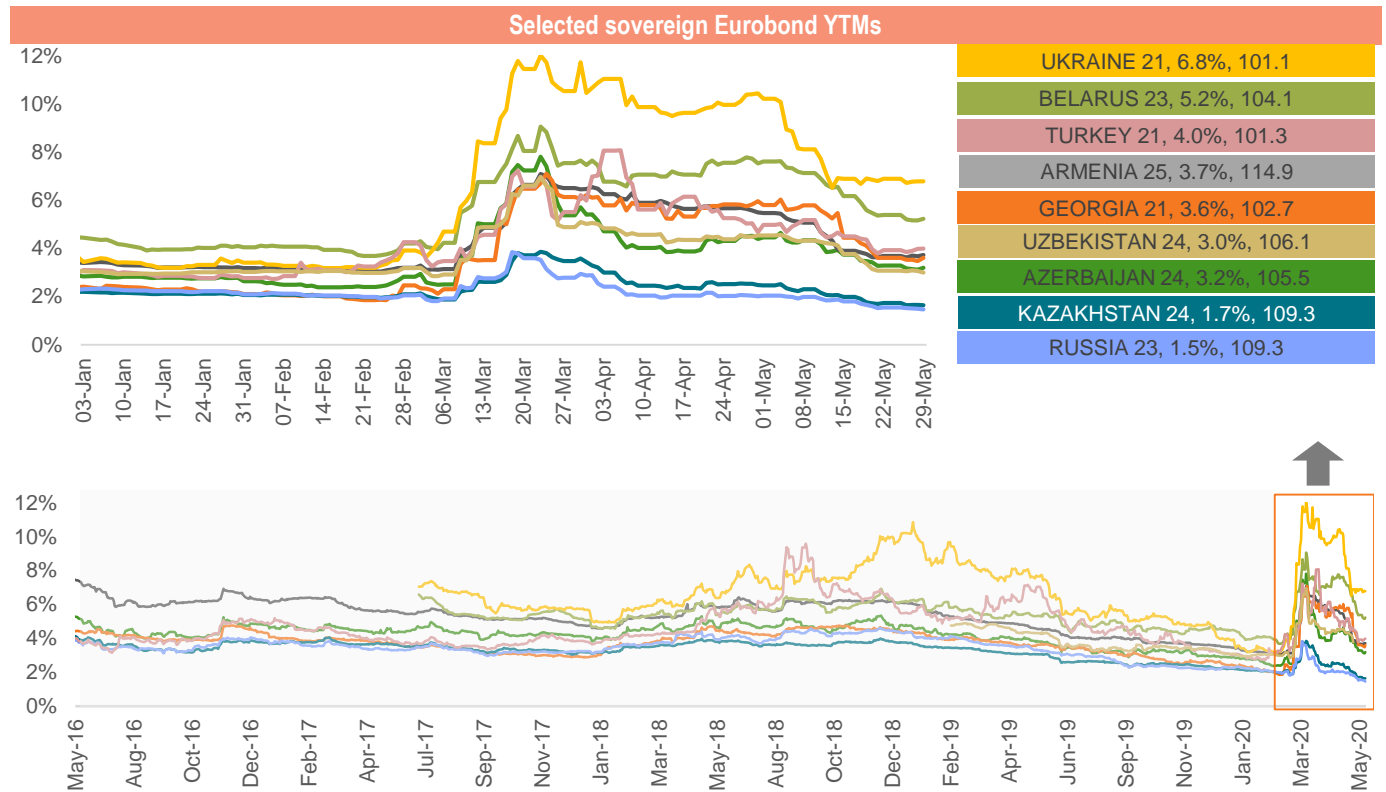
Ana Nachkebia - Senior Analyst
 | ananachkebia@gt.ge | +995 32 2401 111 ext. 8137

Giorgi Iremashvili - Head of Analytics
 | giremashvili@gt.ge | +995 32 2401 111 ext. 4691

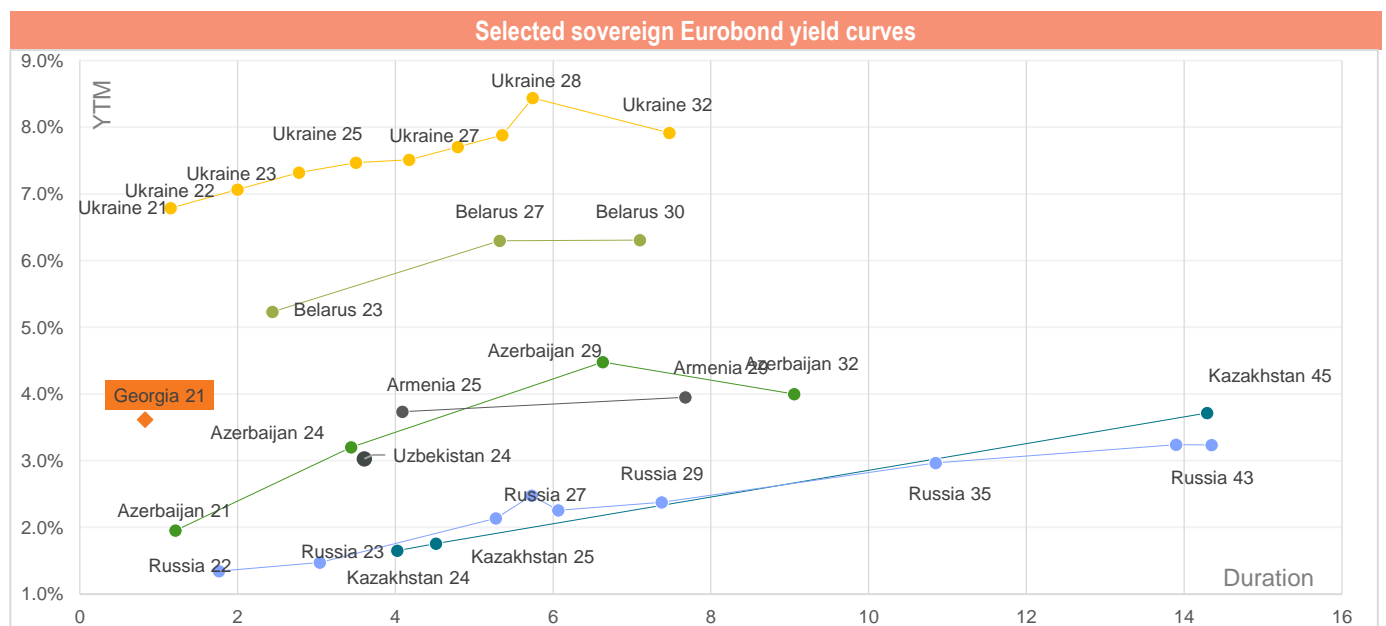
Nika Megutnashvili - Analyst
 | nmegutnashvili@gt.ge | +995 32 2401 111 ext. 7875



Sovereign Eurobond yields



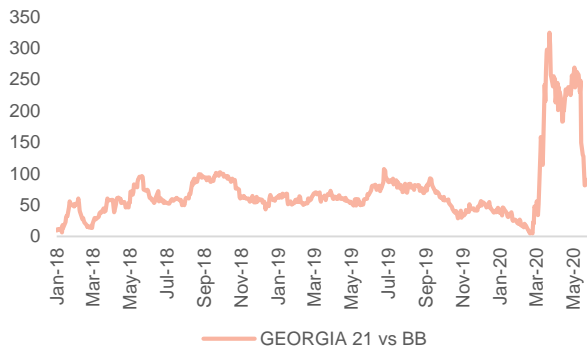
Source: Bloomberg



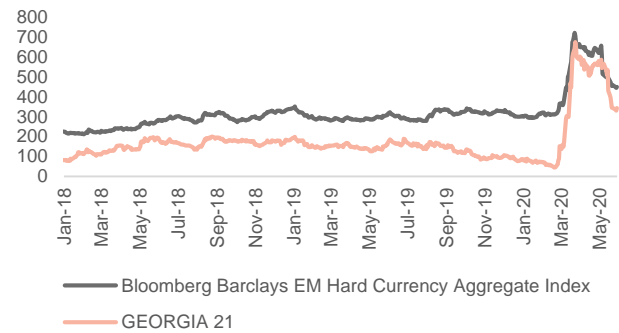
Source: Bloomberg
Note: data as of 29 May 2020



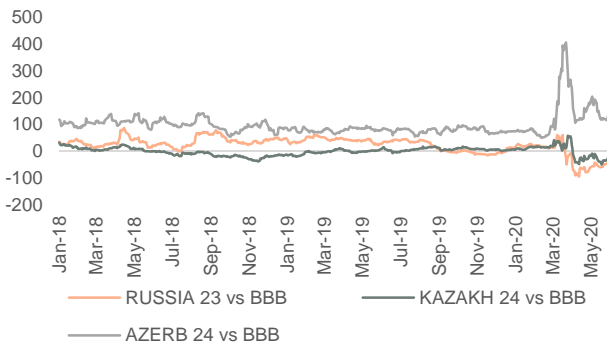
Georgia vs BB peers



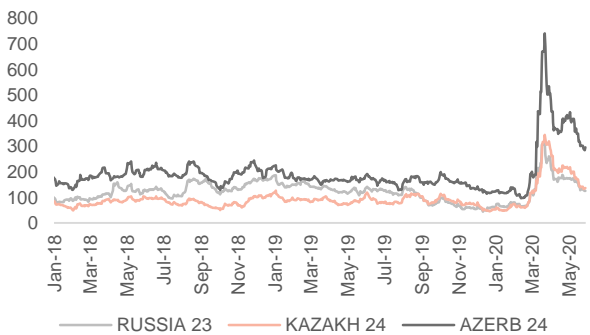
Spreads over US treasury, bps



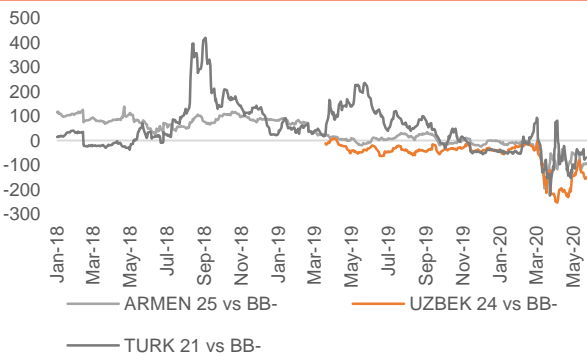
Russia, Kazakhstan and Azerbaijan vs BBB peers



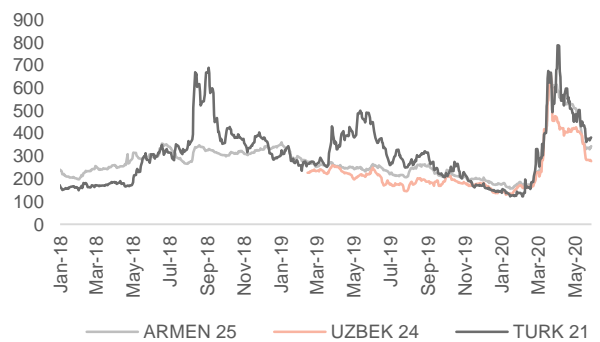
Spreads over US treasury, bps



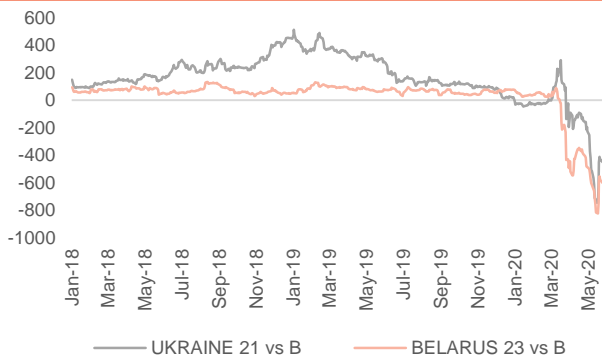
Armenia, Uzbekistan and Turkey vs BB- peers



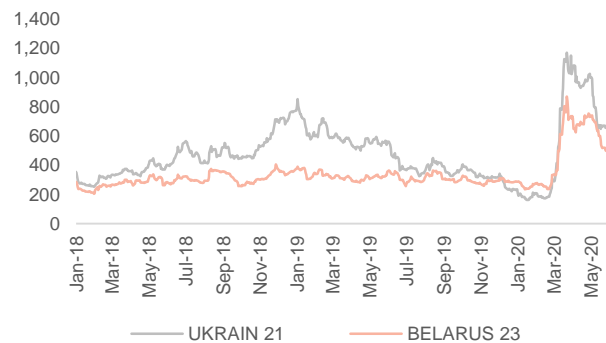
Spreads over US treasury, bps



Ukraine and Belarus vs B peers



Spreads over US treasury, bps

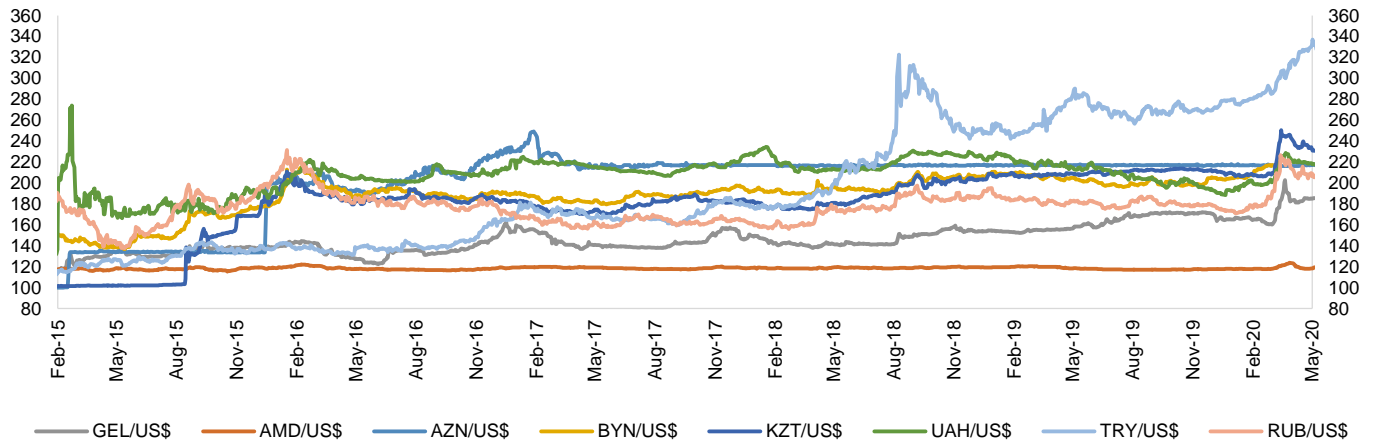


Source: Bloomberg, Galt & Taggart Research

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Regional currencies vs. US\$



Source: Bloomberg

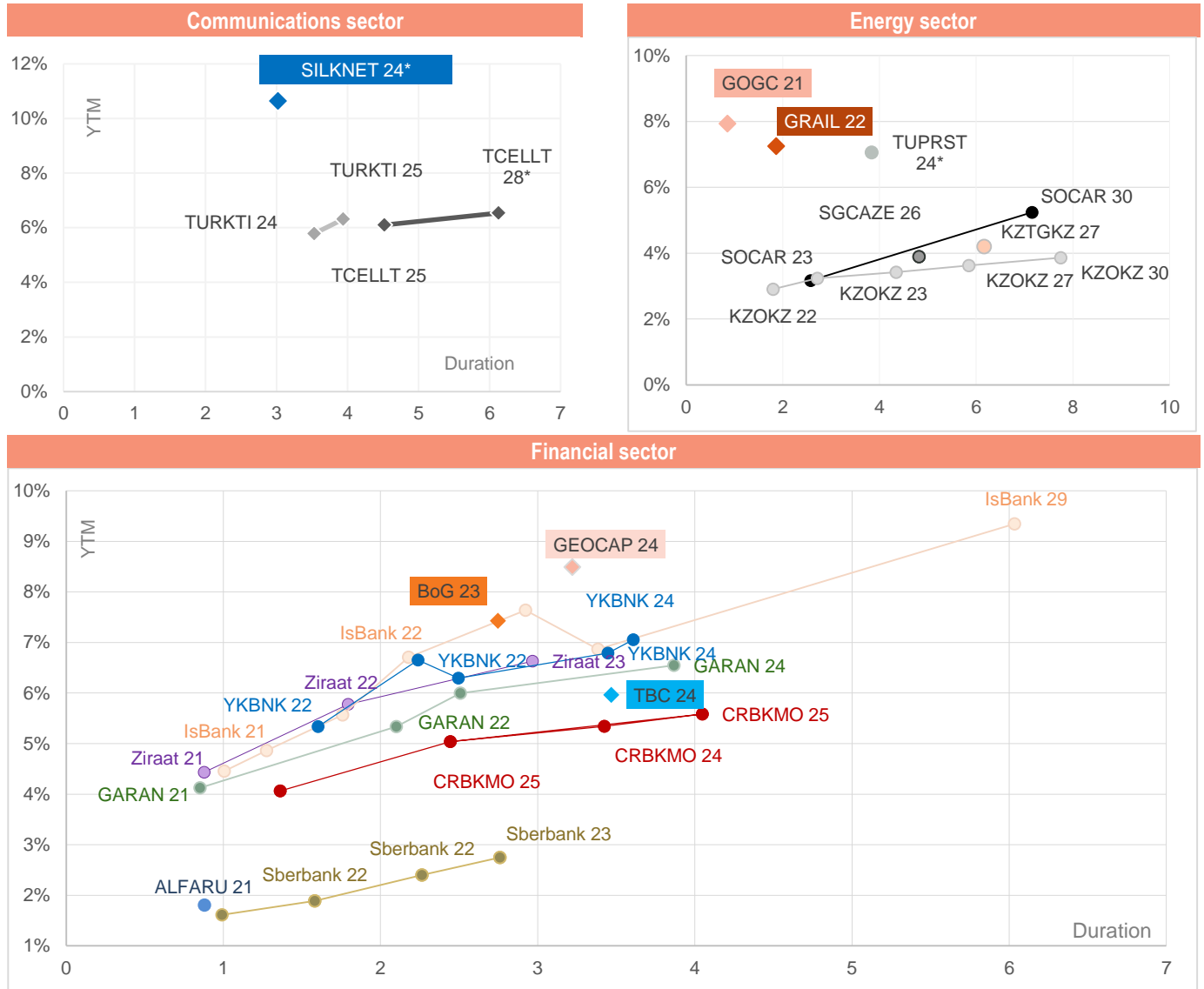
Central banks' monetary policy rates

	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20
Georgia	6.50%	6.50%	6.50%	6.50%	7.50%	8.50%	8.50%	9.00%	9.00%	9.00%	9.00%	8.50%	8.50%
Armenia	5.75%	5.75%	5.75%	5.75%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.25%	5.00%	5.00%
Azerbaijan	8.75%	8.50%	8.25%	8.25%	8.00%	7.75%	7.50%	7.50%	7.25%	7.25%	7.25%	7.25%	7.25%
Belarus	10.00%	10.00%	9.50%	9.50%	9.50%	9.50%	9.00%	9.00%	9.00%	8.75%	8.75%	8.75%	8.00%
Ukraine	17.50%	17.50%	17.00%	17.00%	16.50%	15.50%	13.50%	11.00%	11.00%	11.00%	10.00%	8.00%	8.00%
Kazakhstan	9.00%	9.00%	9.00%	9.00%	9.25%	9.25%	9.25%	9.25%	9.25%	9.25%	12.00%	9.50%	9.50%
Russia	7.75%	7.50%	7.25%	7.25%	7.00%	6.50%	6.50%	6.25%	6.25%	6.00%	6.00%	5.50%	5.50%
Uzbekistan	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	15.00%	15.00%
Turkey	24.00%	24.00%	19.75%	19.75%	16.50%	14.00%	14.00%	12.00%	11.25%	10.75%	9.75%	8.75%	8.25%
FED	2.50%	2.50%	2.25%	2.25%	2.00%	1.75%	1.75%	1.75%	1.75%	1.75%	0.25%	0.25%	0.25%
ECB	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Central banks



Selected corporate Eurobonds in regional countries

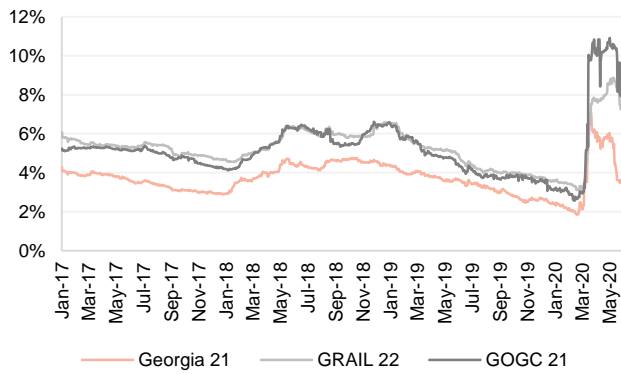


Source: Bloomberg, as of 29 May 2020
Note: GEOCAP is an investment holding company
* The notes are callable

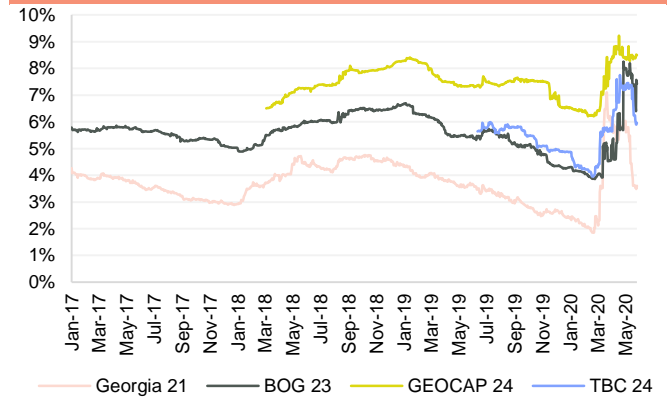


Georgian corporate Eurobond YTM

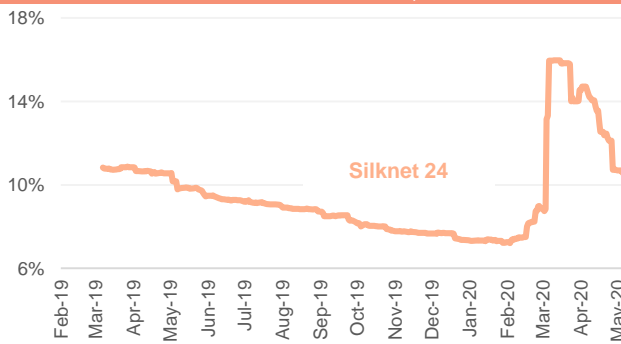
Quasi government, YTM



Financial sector, YTM

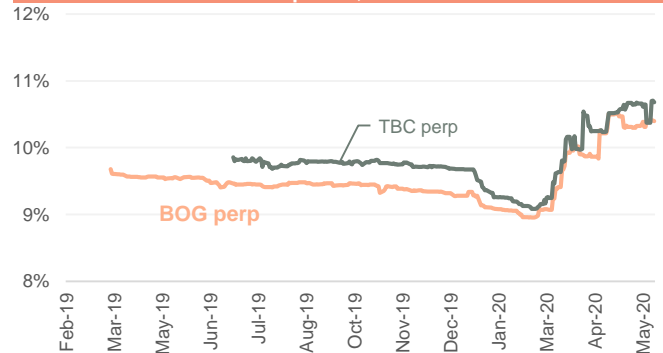


Communications sector, YTM



Source: Bloomberg

Perpetual, YTM

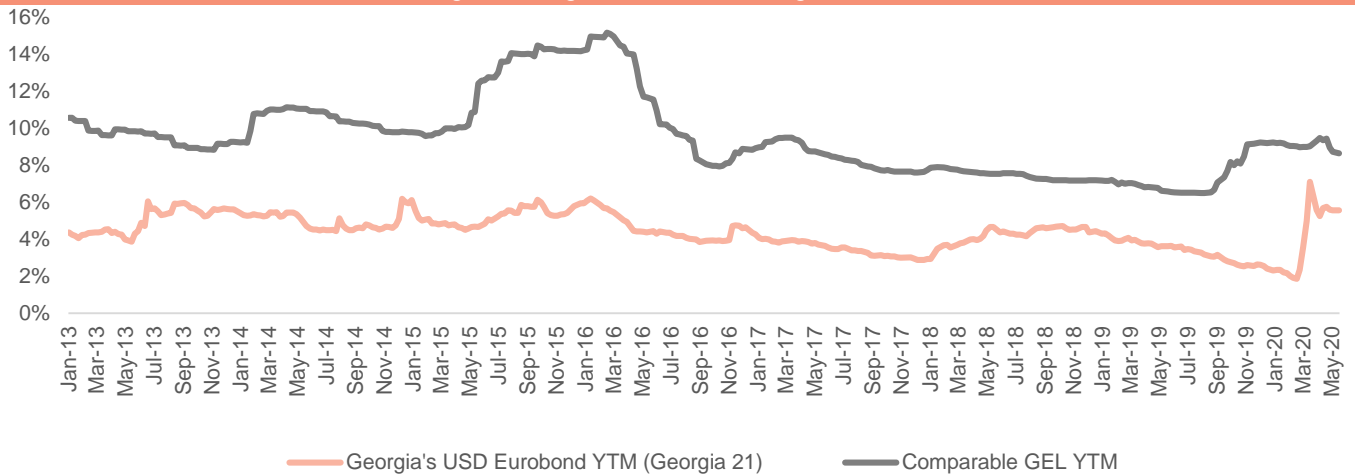


Source: Bloomberg



Georgian local treasury bonds

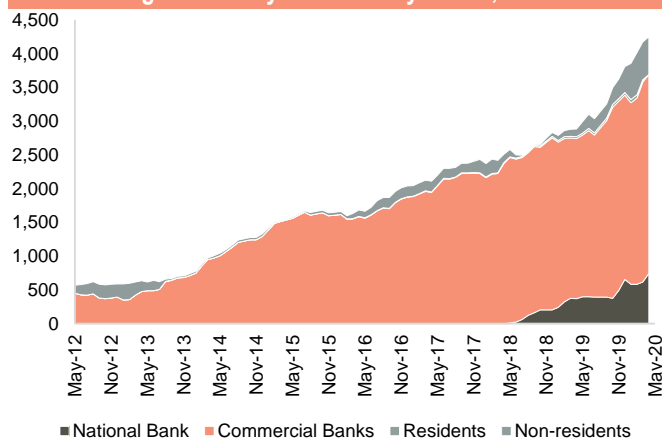
Georgia sovereign Eurobond vs. Georgian treasuries



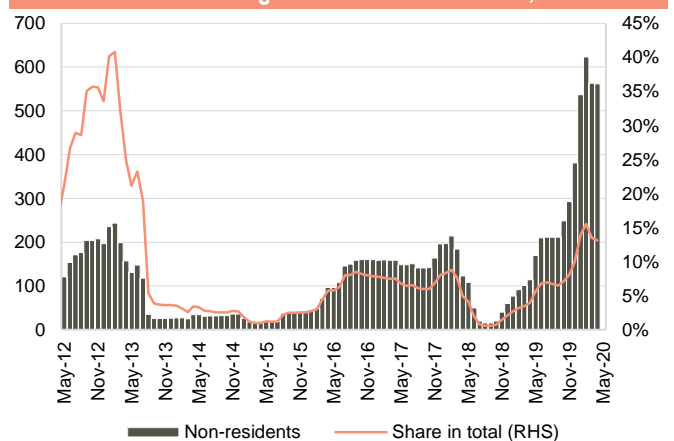
Source: Bloomberg, NBG, Galt & Taggart Research

Note: LC treasury yields are derived from daily yield curve information from NBG

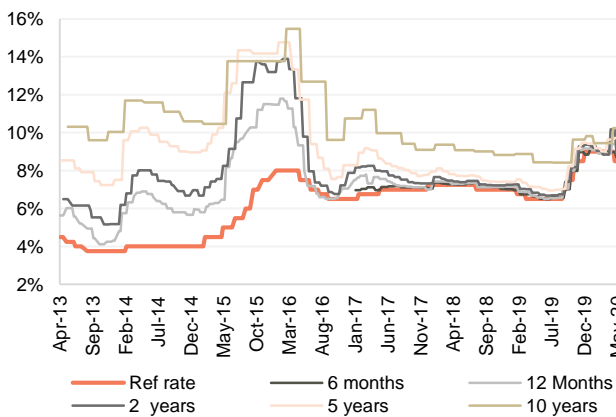
Georgian treasury securities by holder, GEL mn



Non-resident holdings as % of total treasuries, GEL mn

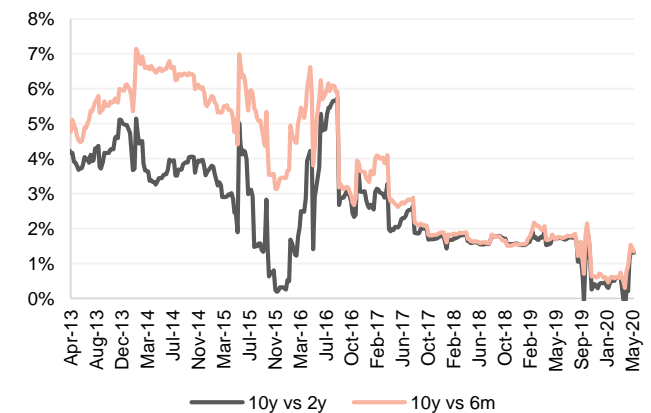


Interest rates on Georgian treasury securities



Source: NBG

Georgian 10y vs 2y and 10y vs 6m treasury yields, bps

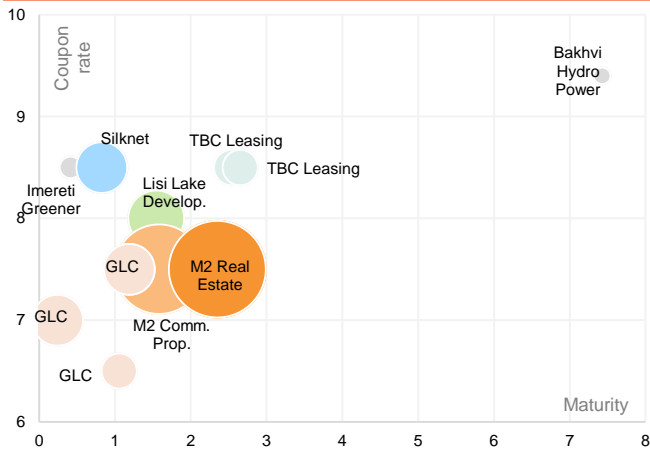


Source: NBG



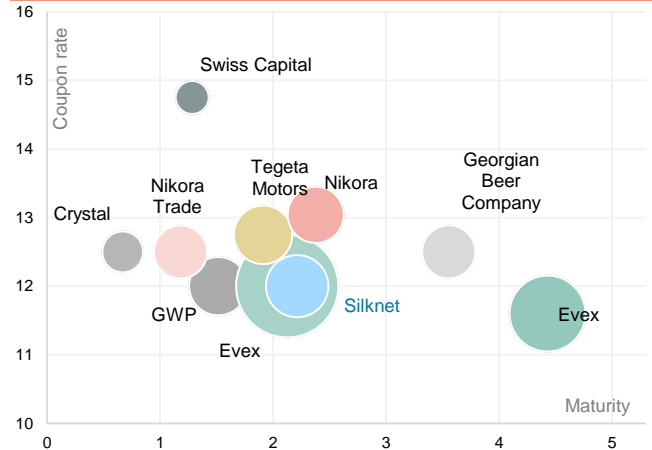
Georgian local corporate bonds

Georgian local corporate bonds, USD



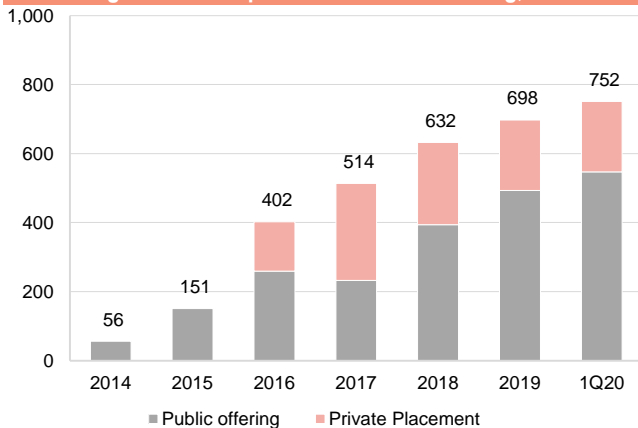
Source: NBG, Galt & Taggart Research
Note: the size of the bubble corresponds to the size of issuance, with max. at US\$ 35mn

Georgian local corporate bonds, GEL



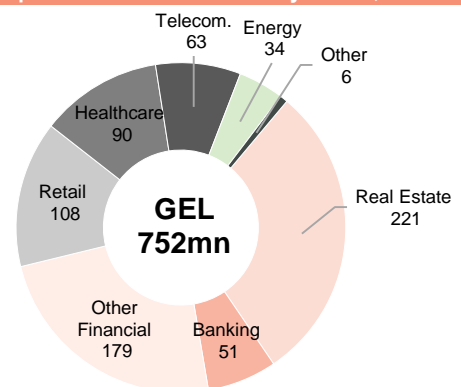
Source: NBG, Galt & Taggart Research
Note: the size of the bubble corresponds to the size of issuance, with max. at GEL 90mn
All GEL denominated bonds are floating, coupons are derived from adding spreads to a current 8.5% ref. rate

Georgian local corporate bonds outstanding, GEL mn



Source: NBG, Galt & Taggart Research

Local corporate bond distribution by sector, 1Q20



Source: NBG, Galt & Taggart Research

Appendix

Issuer	Ticker	ISIN	Currency	Coupon	Sector	Maturity	Duration	Amount, US\$ mn	Mid price	YTM Mid	Ratings (Moody's/Fitch/S&P)
Sovereign Eurobonds											
Georgia	GEORG	XS0617134092	USD	6.9%	Government	Apr-21	0.92	500	102.7	3.6	BB/Ba2/BB
Azerbaijan	AZERBJ	XS1678621522	USD	2.8%	Government	Sep-20	0.34	174	100.3	1.8	BB+/Ba2/-
Azerbaijan	AZERBJ	XS1678622090	USD	2.8%	Government	Sep-21	1.31	174	101.1	2.0	BB+/Ba2/-
Azerbaijan	AZERBJ	XS1044540547	USD	4.8%	Government	Mar-24	3.51	1,250	105.5	3.2	BB+/Ba2/-
Azerbaijan	AZERBJ	XS1678623064	USD	5.1%	Government	Sep-29	6.65	311	104.8	4.5	BB+/Ba2/-
Azerbaijan	AZERBJ	XS1678623734	USD	3.5%	Government	Sep-32	9.06	1,077	95.2	4.0	BB+/Ba2/-
Armenia	ARMEN	XS0974642273	USD	6.0%	Government	Sep-20	0.41	700	99.9	6.4	BB-/Ba3/-
Armenia	ARMEN	XS1207654853	USD	7.2%	Government	Mar-25	4.11	500	114.9	3.7	BB-/Ba3/-
Armenia	ARMEN	XS2010043904	USD	4.0%	Government	Sep-29	7.67	500	100.0	4.0	BB-/Ba3/-
Belarus	BELRUS	XS1634369067	USD	6.9%	Government	Feb-23	2.50	800	104.1	5.2	B/B3/B
Belarus	BELRUS	XS1634369224	USD	7.6%	Government	Jun-27	5.31	600	107.5	6.3	B/B3/B
Belarus	BELRUS	XS1760804184	USD	6.2%	Government	Feb-30	7.03	600	99.2	6.3	B/B3/B
Kazakhstan	KAZAKS	XS1120709669	USD	3.9%	Government	Oct-24	4.10	1,500	109.3	1.7	BBB/Baa3/BBB-
Kazakhstan	KAZAKS	XS1263054519	USD	5.1%	Government	Jul-25	4.57	2,500	116.5	1.8	BBB/Baa3/BBB-
Kazakhstan	KAZAKS	XS1263139856	USD	6.5%	Government	Jul-45	13.86	1,500	145.3	3.7	BBB/Baa3/BBB-
Kazakhstan	KAZAKS	XS1120709826	USD	4.9%	Government	Oct-44	14.87	1,000	125.8	3.3	BBB/Baa3/BBB-
Russia	RUSSIA	XS0767472458	USD	4.5%	Government	Apr-22	1.86	2,000	105.7	1.3	BBB/Baa3/BBB-
Russia	RUSSIA	XS0971721450	USD	4.9%	Government	Sep-23	3.13	3,000	110.9	1.5	BBB/Baa3/BBB-
Russia	RUSSIA	RU000A0JWHA4	USD	4.8%	Government	May-26	5.22	3,000	114.6	2.1	BBB/-/-
Russia	RUSSIA	XS0088543193	USD	12.8%	Government	Jun-28	5.74	2,500	174.7	2.5	BBB/Baa3/BBB-
Russia	RUSSIA	RU000A0JXTS9	USD	4.3%	Government	Jun-27	6.11	2,405	112.9	2.3	BBB/-/-
Russia	RUSSIA	RU000A0ZYNN4	USD	4.4%	Government	Mar-29	7.40	3,000	115.8	2.4	BBB/-/-
Russia	RUSSIA	RU000A1006S9	USD	5.1%	Government	Mar-35	10.76	4,000	125.5	3.0	BBB/-/-
Russia	RUSSIA	XS0767473852	USD	5.6%	Government	Apr-42	13.59	3,000	137.1	3.2	BBB/Baa3/BBB-
Russia	RUSSIA	XS0971721963	USD	5.9%	Government	Sep-43	13.95	1,500	142.9	3.2	BBB/Baa3/BBB-
Russia	RUSSIA	RU000A0JXU14	USD	5.3%	Government	Jun-47	15.47	7,000	135.3	3.3	BBB/-/-
Ukraine	UKRAIN	XS1303918939	USD	7.8%	Government	Sep-20	0.33	1,780	100.2	7.0	B/Caa1/B
Ukraine	UKRAIN	XS1303920083	USD	7.8%	Government	Sep-21	1.23	1,409	101.1	6.8	B/Caa1/B
Ukraine	UKRAIN	XS1303921214	USD	7.8%	Government	Sep-22	2.06	1,384	101.4	7.1	B/Caa1/B
Ukraine	UKRAIN	XS1303921487	USD	7.8%	Government	Sep-23	2.83	1,355	101.2	7.3	B/Caa1/B
Ukraine	UKRAIN	XS1303925041	USD	7.8%	Government	Sep-24	3.54	1,339	101.0	7.5	B/Caa1/B
Ukraine	UKRAIN	XS1303925470	USD	7.8%	Government	Sep-25	4.19	1,329	101.0	7.5	B/Caa1/B
Ukraine	UKRAIN	XS1303926528	USD	7.8%	Government	Sep-26	4.77	1,318	100.2	7.7	B/Caa1/B
Ukraine	UKRAIN	XS1303927179	USD	7.8%	Government	Sep-27	5.32	1,307	99.3	7.9	B/Caa1/B
Ukraine	UKRAIN	XS1902171757	USD	9.8%	Government	Nov-28	5.37	1,600	107.8	8.4	B/-/B

Issuer	Ticker	ISIN	Currency	Coupon	Sector	Maturity	Duration	Amount, US\$ mn	Mid price	YTM Mid	Ratings (Moody's/Fitch/S&P)
Corporate Eurobonds											
SILKNET JSC	SILNET	XS1843443430	USD	11.0%	Communications	Apr-24	3.01	200	101.1	10.6	B+/B1/-
TURK TELEKOMUNIKASYON AS	TURKTI	XS1028951264	USD	4.9%	Communications	Jun-24	3.59	500	96.8	5.8	BB-/BB-
TURK TELEKOMUNIKASYON AS	TURKTI	XS1955059420	USD	6.9%	Communications	Feb-25	3.98	500	102.3	6.3	BB-/BB-
TURKCELL ILETISIM HIZMET	TCELLT	XS1298711729	USD	5.8%	Communications	Oct-25	4.56	500	98.4	6.1	BB-/B1/BB-
TURKCELL ILETISIM HIZMET	TCELLT	XS1803215869	USD	5.8%	Communications	Apr-28	6.15	500	95.5	6.5	BB-/BB-
SOUTHERN GAS CORRIDOR	SGCAZE	XS1319820897	USD	6.9%	Energy	Mar-26	4.81	2000	115.3	3.9	BB+/Ba2/-
STATE OIL CO OF THE AZER	SOIAZ	XS0903465127	USD	4.8%	Energy	Mar-23	2.64	1000	104.2	3.2	BB+/Ba2/BB-
STATE OIL CO OF THE AZER	SOIAZ	XS1196496688	USD	7.0%	Energy	Mar-30	7.19	750	113.0	5.2	BB+/BB-
GEORGIAN OIL & GAS CORP	GEOROG	XS1319820384	USD	6.8%	Energy	Apr-21	0.93	250	99.0	7.9	BB-/BB/-
KAZMUNAYGAS NATIONAL CO	KZOKZ	XS1595713279	USD	3.9%	Energy	Apr-22	1.88	500	101.8	2.9	BBB-/Baa3/BB
KAZMUNAYGAS NATIONAL CO	KZOKZ	XS0925015074	USD	4.4%	Energy	Apr-23	2.73	1000	103.2	3.2	BBB-/Baa3/BB
KAZMUNAYGAS NATIONAL CO	KZOKZ	XS1807299174	USD	4.8%	Energy	Apr-25	4.40	500	105.9	3.4	BBB-/Baa3/-
KAZMUNAYGAS NATIONAL CO	KZOKZ	XS1595713782	USD	4.8%	Energy	Apr-27	5.86	1000	106.8	3.6	BBB-/Baa3/BB
KAZMUNAYGAS NATIONAL CO	KZOKZ	XS1807300105	USD	5.4%	Energy	Apr-30	7.66	1250	112.3	3.9	BBB-/Baa3/-
KAZTRANS GAS JSC	KZTGKZ	XS1682544157	USD	4.4%	Energy	Sep-27	6.20	750	101.1	4.2	BBB-/Baa3/-
TUPRAS-TURKIYE PETROL RA	TUPRST	XS1686704948	USD	4.5%	Energy	Oct-24	3.91	700	90.5	7.1	BB-/B1/-
GEORGIAN RAILWAY JSC	GRAIL	XS0800346362	USD	7.8%	Industrial	Jul-22	1.95	500	100.9	7.3	BB-/B+
INTERNATIONAL BANK OF AZ	IBAZAZ	XS1678463784	USD	3.5%	Financial	Sep-24	3.87	1000	90.8	6.0	B-/B-
BANK OF GEORGIA JSC	GEBGG	XS1405775880	USD	6.0%	Financial	Jul-23	2.88	350	96.1	7.4	BB-/Ba2/-
TBC BANK JSC	TBCBGE	XS1843434363	USD	5.8%	Financial	Jun-24	3.52	300	99.2	6.0	BB-/Ba2/-
AKBANK TAS	AKBNK	USM0375YAK49	USD	5.0%	Financial	Oct-22	2.28	500	98.7	5.6	B+/B2/-
AKBANK TAS	AKBNK	XS1210422074	USD	5.1%	Financial	Mar-25	4.18	500	94.0	6.6	B+/B2/-
TC ZIRAAT BANKASI AS	TCZIRA	XS1223394914	USD	4.8%	Financial	Apr-21	0.94	500	100.3	4.4	B+/B2/-
TC ZIRAAT BANKASI AS	TCZIRA	XS1605397394	USD	5.1%	Financial	May-22	1.81	600	98.8	5.8	B+/B2/-
TC ZIRAAT BANKASI AS	TCZIRA	XS1691349010	USD	5.1%	Financial	Sep-23	3.03	500	95.6	6.6	B+/B2/-
TURKIYE GARANTI BANKASI	GARAN	USM8931TAA71	USD	6.3%	Financial	Apr-21	0.94	500	101.8	4.1	B+/B2/-
TURKIYE GARANTI BANKASI	GARAN	USM8931TAF68	USD	5.3%	Financial	Sep-22	2.17	750	99.8	5.3	B+/B2/-
TURKIYE GARANTI BANKASI	GARAN	XS1576037284	USD	5.9%	Financial	Mar-23	2.58	500	99.7	6.0	B+/B2/-
TURKIYE GARANTI BANKASI	GARAN	XS2094608580	USD	5.3%	Financial	Dec-24	3.92	50	95.0	6.5	B+/B-
TURKIYE IS BANKASI A.S	ISCTR	XS1079527211	USD	5.0%	Financial	Jun-21	1.09	750	100.6	4.5	B-/B3/-
TURKIYE IS BANKASI A.S	ISCTR	XS1390320981	USD	5.4%	Financial	Oct-21	1.36	750	100.7	4.9	B-/B3/-
TURKIYE IS BANKASI A.S	ISCTR	XS1508390090	USD	5.5%	Financial	Apr-22	1.84	600	99.9	5.6	B-/B3/-
TURKIYE IS BANKASI A.S	ISCTR	XS0847042024	USD	6.0%	Financial	Oct-22	2.23	1000	98.5	6.7	B/Caa2/-
TURKIYE IS BANKASI A.S	ISCTR	XS1003016018	USD	7.9%	Financial	Dec-23	2.96	400	100.6	7.6	B/Caa3/-
TURKIYE IS BANKASI A.S	ISCTR	XS1578203462	USD	6.1%	Financial	Apr-24	3.44	1250	97.5	6.9	B-/B3/-
TURKIYE IS BANKASI A.S	ISCTR	XS2041003901	USD	8.1%	Financial	Dec-29	5.98	50	92.3	9.3	B+/B-

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Galt & Taggart

Address: 79 D. Agmashenebeli Avenue, Tbilisi 0102, Georgia

Tel: + (995) 32 2401 111

Email: gt@gt.ge