

Regional Fixed Income Market Watch

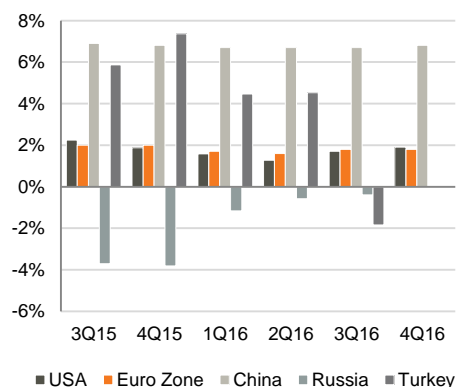
Georgia, Armenia, Azerbaijan, Belarus, Kazakhstan, Ukraine

Regional | Fixed Income
 Monthly Bulletin
 March 6, 2017

Highlights

- Inflation in the USA came in at 2.5% y/y in January 2017, following 2.1% annual inflation in December 2016, above FED's 2.0% target, thus feeding expectations of FED's rate increase in March 2017.
- Inflation in the Euro Zone came in at 2.0% y/y in February 2017, following 1.8% annual inflation in January 2017 and above ECB's medium-term target of slightly below 2.0%.
- Based on short-term indicators, growth significantly accelerated in Georgia (+5.2% y/y), turned positive in Armenia (+6.5% y/y), and slowed in Kazakhstan (+3.8% y/y) in January 2017.
- In January 2017, Azerbaijan also returned to growth territory (+0.8% y/y), while economic activity in Belarus was down 0.5% y/y.
- Compared to the previous month, inflation in January 2017 retreated in Azerbaijan (+11.9% y/y), Belarus (+9.5% y/y), Kazakhstan (+7.9% y/y), and Russia (+5.0% y/y). Meanwhile, inflation increased in Turkey (+9.2% y/y), Ukraine (+12.6% y/y), and Georgia (+3.8% y/y). Armenia remained in deflationary territory, with prices down 0.6% y/y in January 2017.
- In February 2017, the monetary policy rate was lowered in Armenia (to 6.0%, down 0.25ppts), Belarus (to 16.0%, down 1.0ppts), and Kazakhstan (to 11.0%, down 1.0ppts).

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+	stable
Turkey	BB+	BB+	stable	Ba1	Ba1	stable	BB+	BB	negative

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

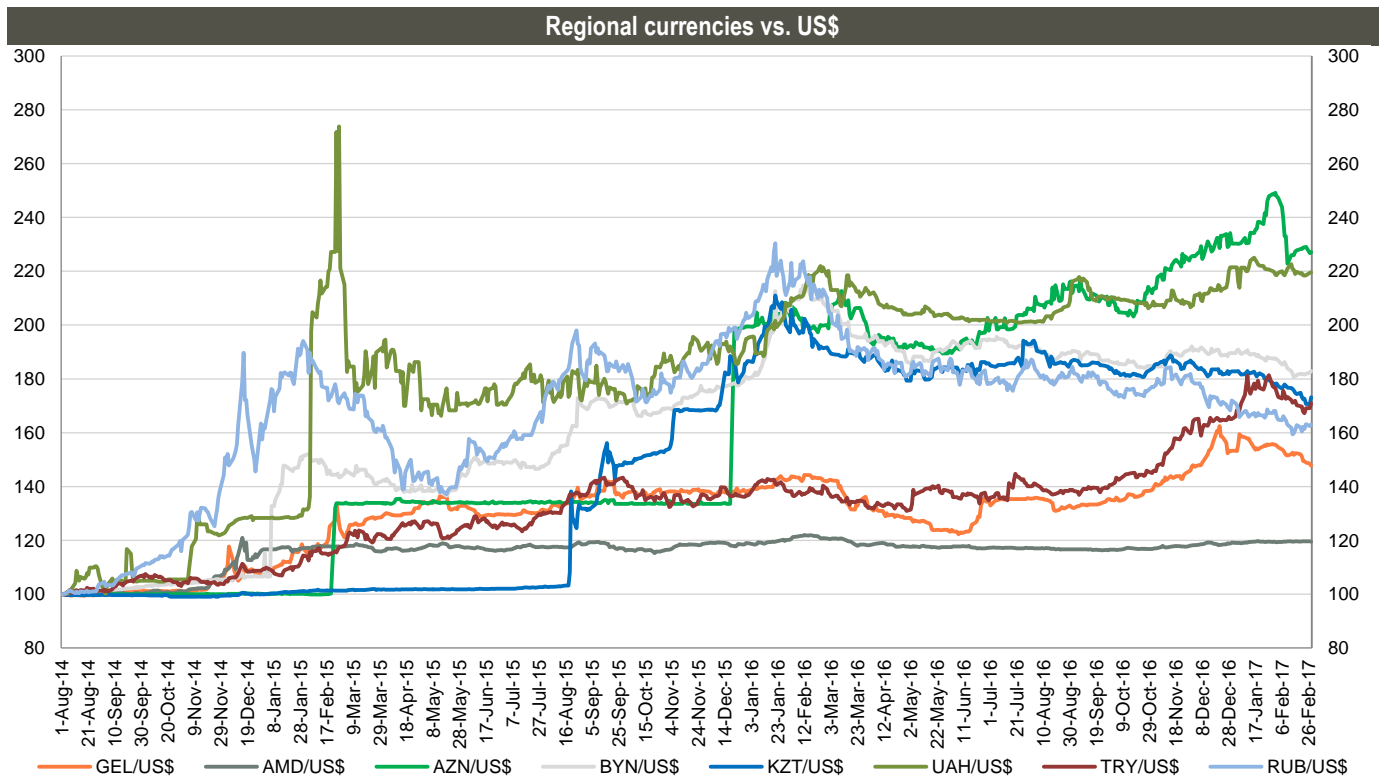
Monetary stance

	Inflation, y/y	MPR
	Jan-17	Feb-17
Armenia	-0.6%	6.00%
Azerbaijan	11.9%	15.00%
Belarus	9.5%	16.00%
Georgia	3.8%	6.75%
Kazakhstan	7.9%	11.00%
Ukraine	12.6%	14.00%
Russia	5.0%	10.00%
Turkey	9.2%	8.00%

Source: Central banks, Statistics Offices

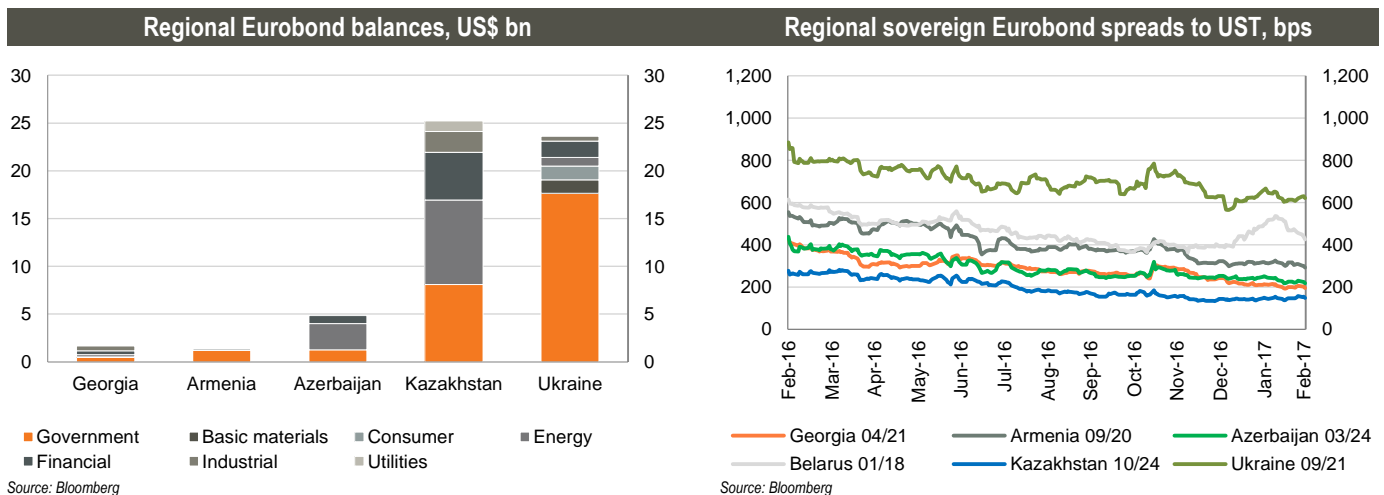


Eurobonds



Source: Bloomberg

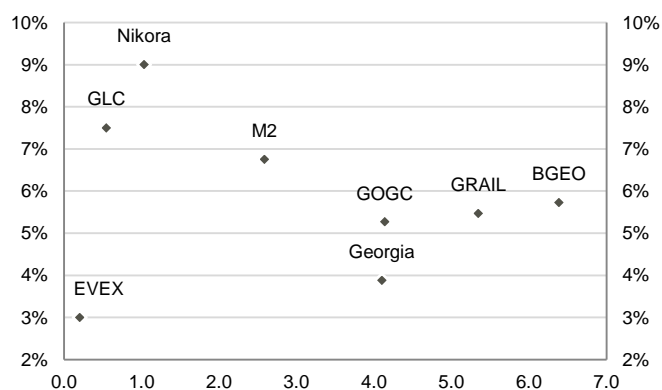
Note: 1 US\$ per local currency; Index growth means depreciation of the local currency, index decline means appreciation of the local currency; Aug-2014=100



Source: Bloomberg

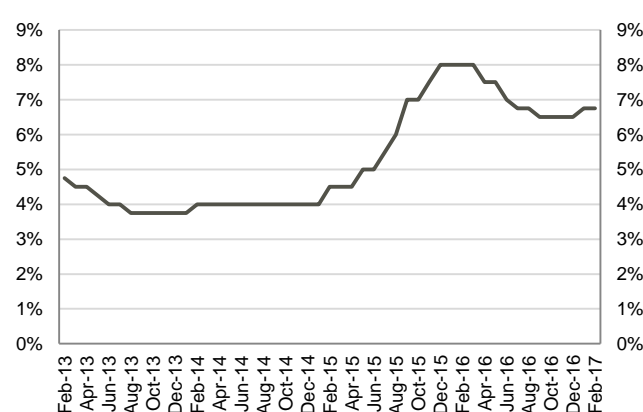
Source: Bloomberg

Snapshot: Georgia

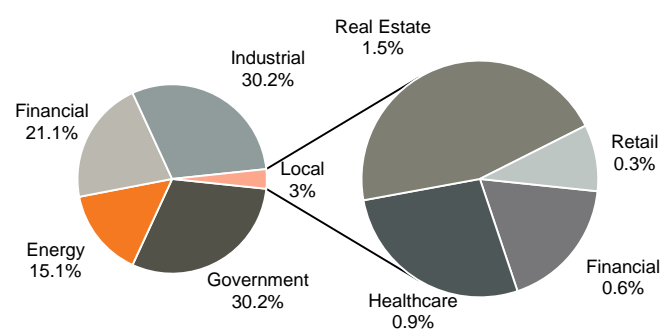
Yield curve


Remaining maturity

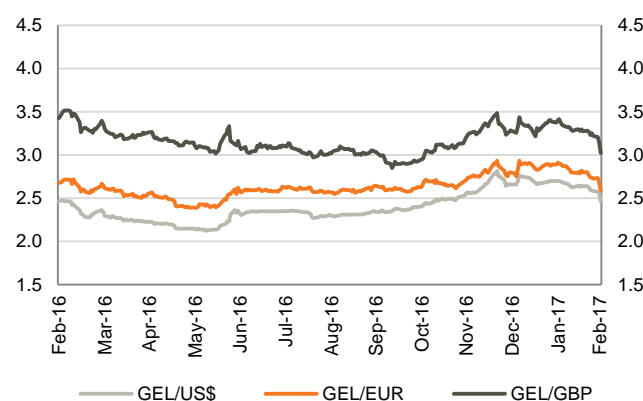
Source: Bloomberg, Galt & Taggart

Monetary policy rate


Source: National Bank of Georgia

Bond universe by sector (US\$ 1.7bn 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 Georgia	US\$	Government	GEORG	Apr-21	6.88%	BB-/BB-/Ba3	500	110.88	3.88	London
Georgian Oil & Gas Corp	US\$	Energy	GEOROG	Apr-21	6.75%	BB-/B+/-	250	105.13	5.27	London
BGEO Group	US\$	Financial	BGEOLN	Jul-23	6.00%	BB-/B1	350	101.25	5.73	Dublin
Georgian Railway	US\$	Industrial	GRAIL	Jul-22	7.75%	B+/B+/-	500	110.13	5.47	London
Georgian Leasing Co	US\$	Financial	GEBGG	Sep-17	8.75%	-/-/-	10	100.16	7.50	Georgia
EVEX Medical	US\$	Healthcare	EVEXMD	May-17	9.50%	-/-/-	15	101.14	3.00	Georgia
M2 Real Estate	US\$	Real Estate	GEBGG	Oct-19	7.50%	-/-/-	25	99.99	6.75	Georgia
Nikora Trade	US\$	Retail	NIKORA	Mar-18	11.00%	-/-/-	5	100.99	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

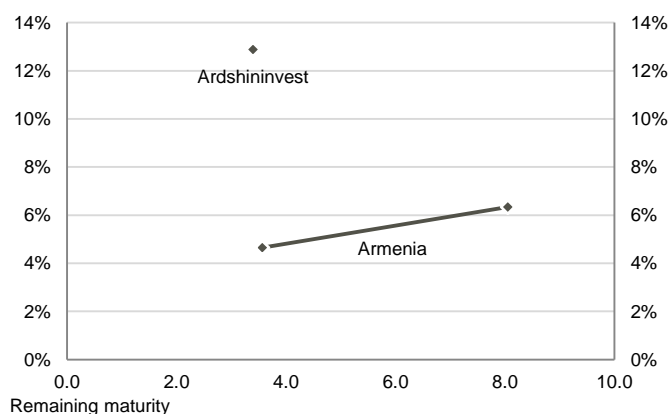
*Company ratings

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

Source: Bloomberg, Galt & Taggart

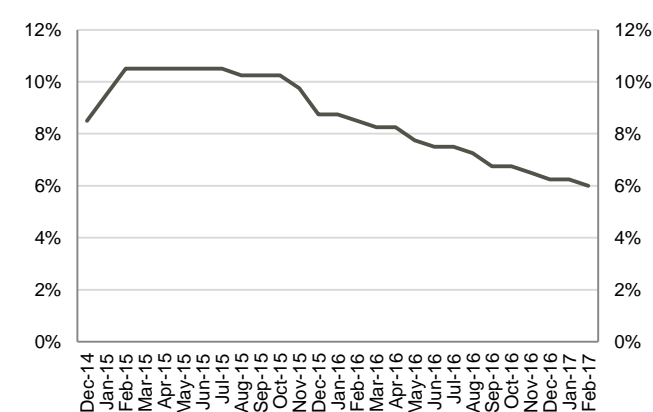
Snapshot: Armenia

Yield curve



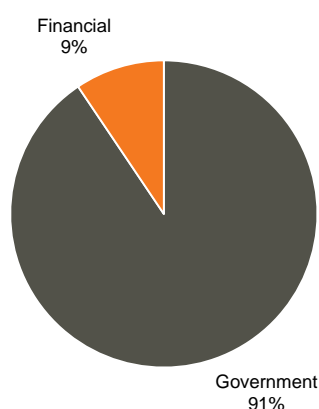
Source: Bloomberg

Monetary policy rate



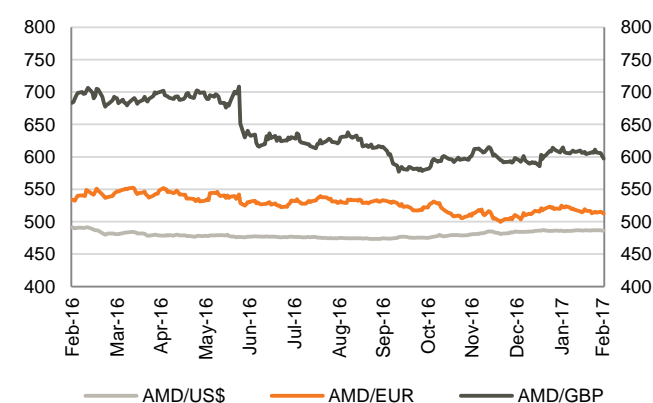
Source: Central Bank of Armenia

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



Source: Bloomberg

Foreign exchange rates



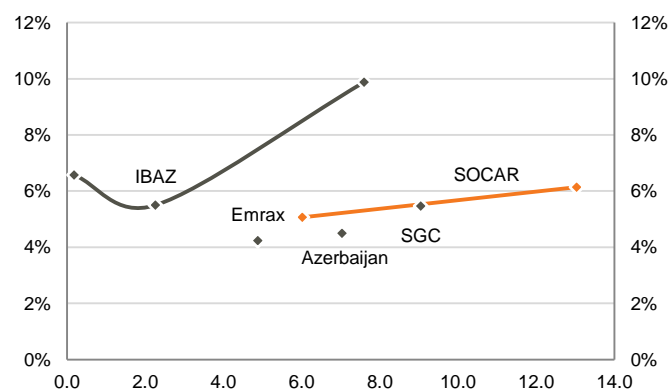
Source: Bloomberg

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	103.96	4.65	Dublin
Republic Of Armenia	US\$	Government	ARMEN	Mar-25	7.15%	B+/-/B1	500	104.85	6.34	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	97.25	12.87	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

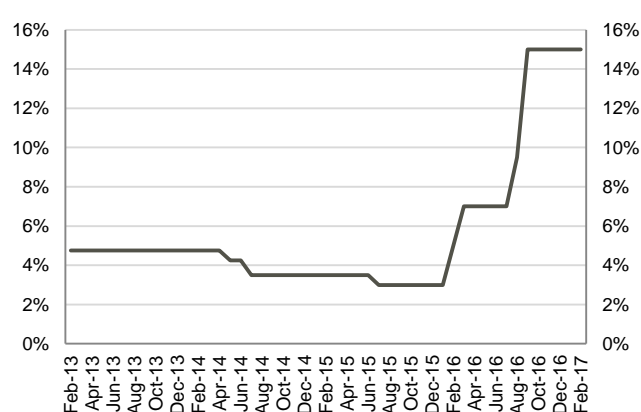
Source: Bloomberg

Snapshot: Azerbaijan

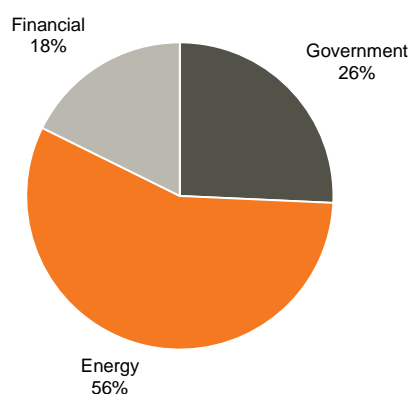
Yield curve


Remaining maturity

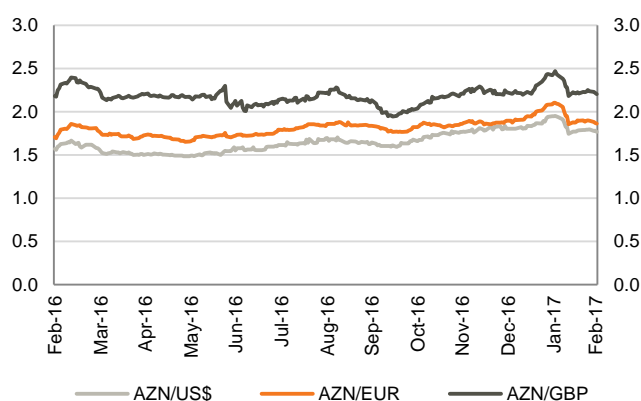
Source: Bloomberg

Monetary policy rate


Source: Central Bank of Azerbaijan

Bond universe by sector (US\$ 4.9bn total)


Source: Bloomberg

Foreign exchange rates


Source: Bloomberg

Bond performance

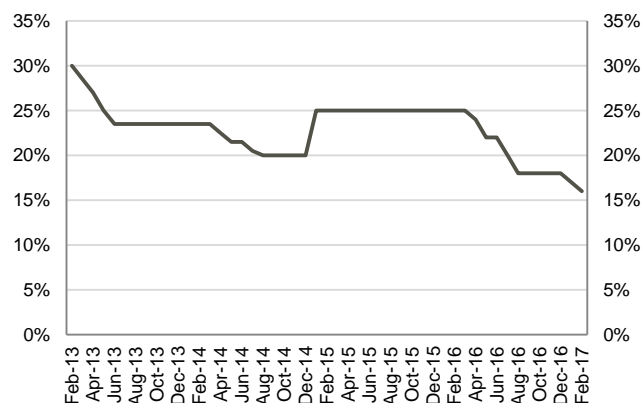
Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Azerbaijan	US\$	Government	AZERBJ	Mar-24	4.75%	BB+/-/Ba1	1,250	101.30	4.50	Stuttgart
Southern Gas Corridor	US\$	Energy	SGCAZE	Mar-26	6.88%	BB+/-/Ba1	1,000	109.75	5.47	Dublin
SOCAR	US\$	Energy	SOIAZ	Mar-23	4.75%	BB+/BB/Ba1	1,000	98.25	5.07	London
SOCAR	US\$	Energy	SOIAZ	Mar-30	6.95%	BB+/BB/NR	750	107.00	6.14	London
Emraxbank	US\$	Financial	EMRXAZ	Jan-22	9.00%	-/-	10	120.40	4.23	Baku
IBAZ	US\$	Financial	IBAZAZ	May-17	6.17%	-/-B2	100	99.76	6.57	Cayman Isl.
IBAZ	US\$	Financial	IBAZAZ	Jun-19	5.63%	BB-/B1	500	100.00	5.50	Stuttgart
IBAZ	US\$	Financial	IBAZAZ	Oct-24	8.25%	-/-B1	250	90.75	9.88	Dublin

Source: Bloomberg



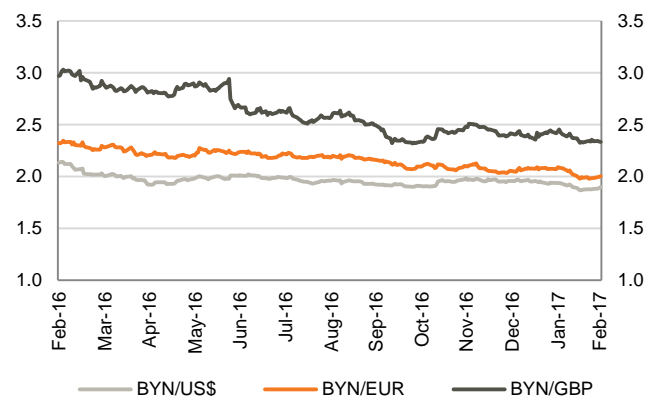
Snapshot: Belarus

Monetary policy rate



Source: National Bank of Belarus

Foreign exchange rates



Source: Bloomberg

Bond performance

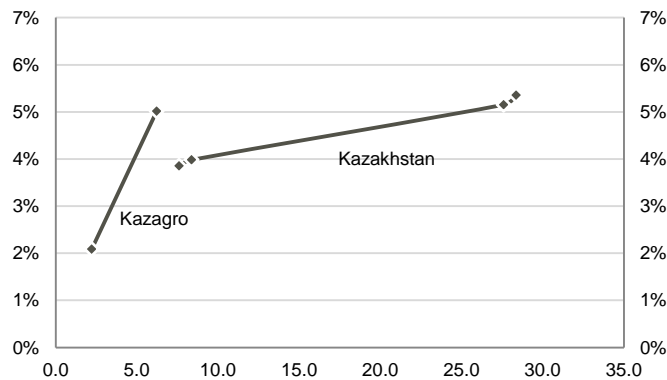
Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Belarus	US\$	Government	BELRUS	Jan-18	8.95%	-/B-/Caa1	800	103.07	5.10	Stuttgart

Source: Bloomberg



Snapshot: Kazakhstan

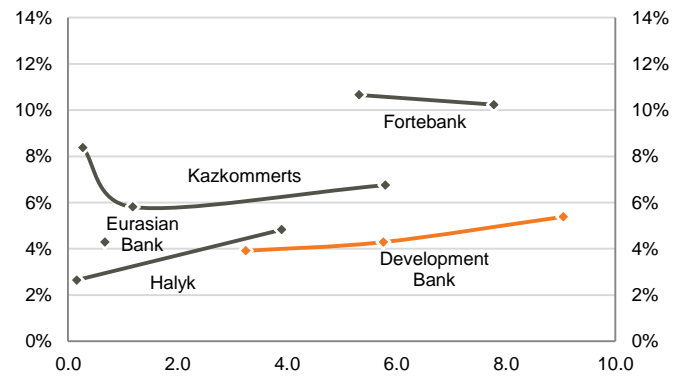
Yield curve (sovereign)



Remaining maturity

Source: Bloomberg

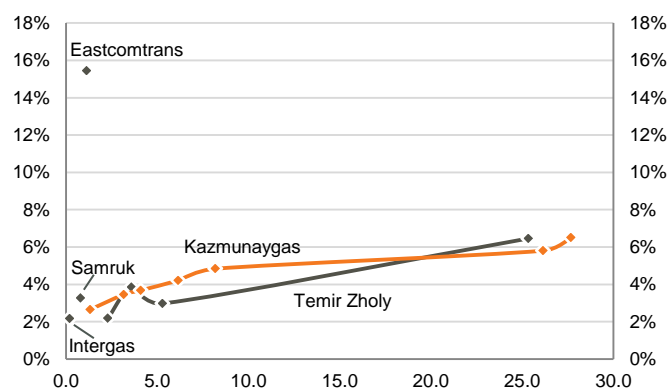
Yield curve (banks)



Remaining maturity

Source: Bloomberg

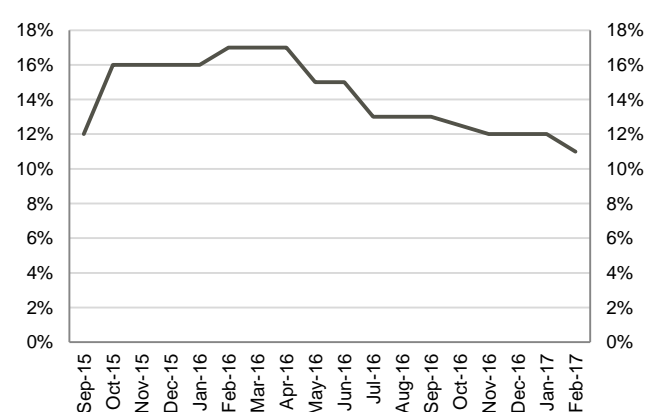
Yield curve (other sectors)



Remaining maturity

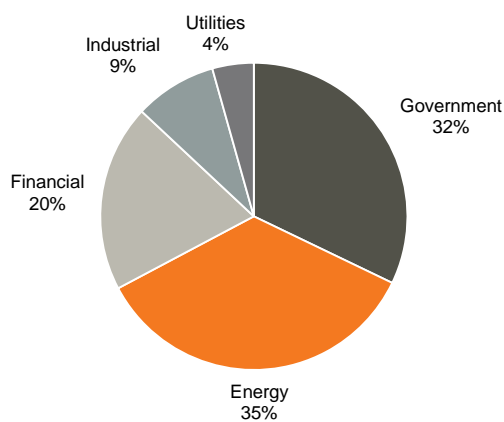
Source: Bloomberg

Monetary policy rate



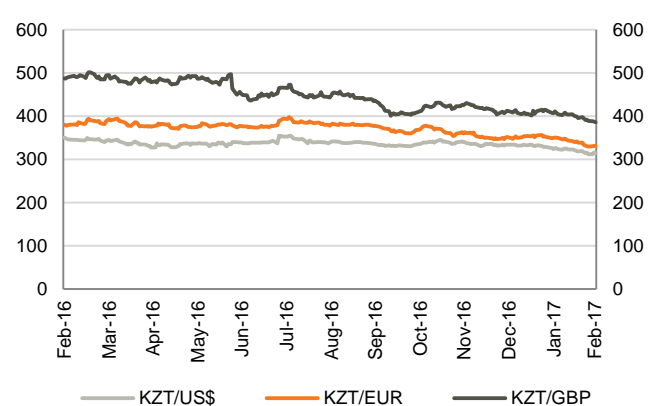
Source: National Bank of Kazakhstan

Bond universe by sector (US\$ 25.2bn total)



Source: Bloomberg

Foreign exchange rates



Source: Bloomberg



Bond performance

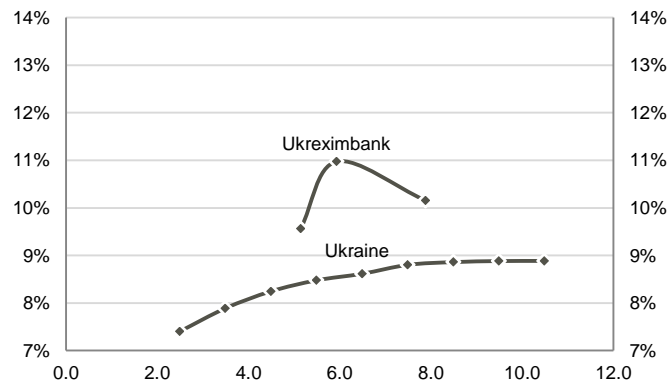
Issuer	Currency	Sector	Ticker	Maturity	Coupon	Issue Ratings (Fitch/S&P/Moody's)	Size (Currency mn)	Bid price	YTM Mid	Exchange
Republic Of Kazakhstan	US\$	Government	KAZAKS	Oct-24	3.88%	BBB/BBB-/Baa3	1,500	99.99	3.86	London
Republic Of Kazakhstan	US\$	Government	KAZAKS	Jul-25	5.13%	BBB/BBB-/Baa3	2,500	107.96	3.98	London
Republic Of Kazakhstan	US\$	Government	KAZAKS	Oct-44	4.88%	BBB/BBB-/Baa3	1,000	95.80	5.15	London
Republic Of Kazakhstan	US\$	Government	KAZAKS	Jul-45	6.50%	BBB/BBB-/Baa3	1,500	116.47	5.36	London
Kazagro Natl Mgmt Hldg	EUR	Government	KAZNMH	May-19	3.26%	BBB-/BB+/-	600	102.25	2.08	Dublin
Kazagro Natl Mgmt Hldg	US\$	Government	KAZNMH	May-23	4.63%	BBB-/BB+/-	1,000	97.74	5.01	Dublin
Kazmunaygas National Co	US\$	Energy	KZOKZ	Jul-18	9.13%	BBB-/BB/Baa3	1,600	108.25	2.65	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	May-20	7.00%	BBB-/BB/Baa3	1,500	110.38	3.46	Frankfurt
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-21	6.38%	BBB-/BB/Baa3	1,250	110.00	3.68	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-23	4.40%	BBB-/BB/Baa3	1,000	100.75	4.21	Kazakhstan
Kazmunaygas National Co	US\$	Energy	KZOKZ	May-25	4.88%	BBB-/BB/Baa3	500	99.88	4.84	London
Kazmunaygas National Co	US\$	Energy	KZOKZ	Apr-43	5.75%	BBB-/BB/Baa3	2,000	99.00	5.81	Kazakhstan
Kazmunaygas National Co	US\$	Energy	KZOKZ	Nov-44	6.00%	BBB-/BB/Baa3	1,000	92.25	6.51	London
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Jun-20	6.50%	BBB-/BBB-/Baa3	100	107.54	3.91	Kazakhstan
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Dec-22	4.13%	BBB-/BBB-/Baa3	1,425	98.98	4.29	London
Development Bank Of Kaz.	US\$	Financial	DBKAZ	Mar-26	6.00%	BBB-/BBB-/Baa3	150	104.01	5.39	Kazakhstan
Eurasian Bank	US\$	Financial	EUBNKZ	Nov-17	7.50%	-/B/-	500	99.88	4.29	Kazakhstan
Fortebank	US\$	Financial	ALLIBK	Jun-22	14.00%	NR/B/-	61	112.75	10.66	Kazakhstan
Fortebank	US\$	Financial	ALLIBK	Dec-24	11.75%	-/B/-	237	107.50	10.24	Kazakhstan
Halyk Savings Bank-Kaz.	US\$	Financial	HSBKKZ	May-17	7.25%	BB/BB/Baa3	700	100.63	2.65	London
Halyk Savings Bank-Kaz.	US\$	Financial	HSBKKZ	Jan-21	7.25%	BB/BB/Baa3	500	108.25	4.82	London
Kazkommertsbank	US\$	Financial	KKB	Jun-17	5.95%	CC/CCC/Caa3 /*	250	98.80	8.38	London
Kazkommertsbank	US\$	Financial	KKB	May-18	8.50%	CCC/B-/Caa2 /*	300	102.75	5.81	London
Kazkommertsbank	US\$	Financial	KKB	Dec-22	5.50%	CCC/B-/	750	93.63	6.75	Kazakhstan
Eastcomtrans	US\$	Industrial	EASTCM	Apr-18	7.75%	WD/-/Caa1	100	91.00	15.44	London
Kazakhstan Temir Zholy	CHF	Industrial	KTZKZ	Jun-19	2.59%	BBB-/BB/Baa3	100	100.25	2.19	Zurich
Kazakhstan Temir Zholy	US\$	Industrial	KTZKZ	Oct-20	6.38%	BBB-/BB/Baa3	700	108.25	3.85	London
Kazakhstan Temir Zholy	CHF	Industrial	KTZKZ	Jun-22	3.64%	BBB-/BB/Baa3	185	102.88	2.97	Zurich
Kazakhstan Temir Zholy	US\$	Industrial	KTZKZ	Jul-42	6.95%	BBB-/BB/Baa3	1,100	106.00	6.46	London
Intergas Finance	US\$	Utilities	KZTGKZ	May-17	6.38%	BB+/BB/Baa3	600	100.50	2.16	London
Samruk-Energy	US\$	Utilities	SAMRUE	Dec-17	3.75%	BB/BB- /*-/	500	100.25	3.26	Dublin

Source: Bloomberg



Snapshot: Ukraine

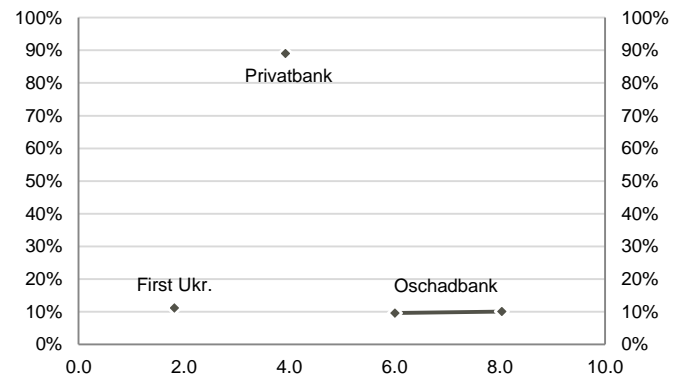
Yield curve (sovereign)



Remaining maturity

Source: Bloomberg

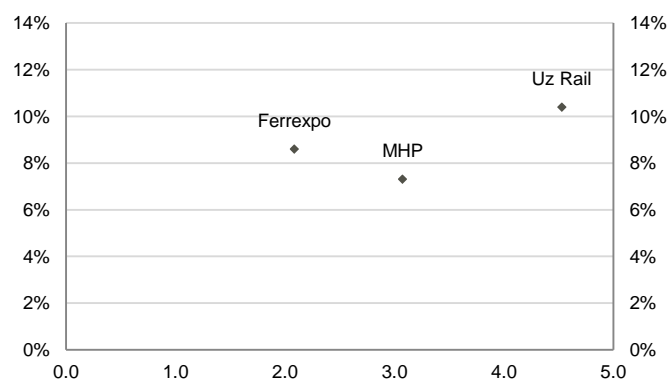
Yield curve (banks)



Remaining maturity

Source: Bloomberg

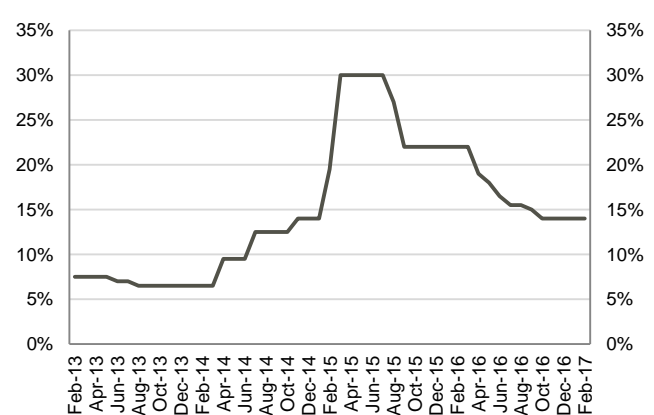
Yield curve (other sectors)



Remaining maturity

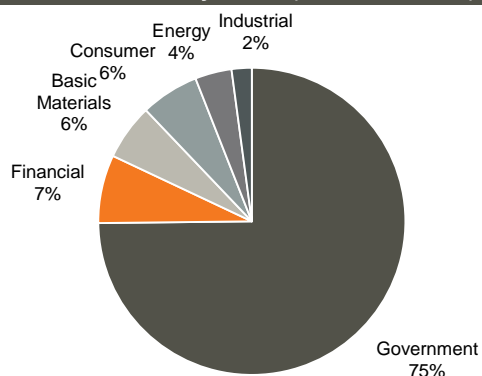
Source: Bloomberg

Monetary policy rate



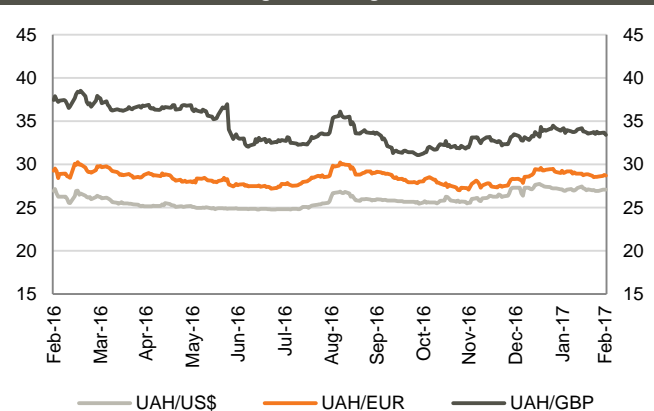
Source: National Bank of Ukraine

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	100.55	7.40	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-20	7.75%	B-/B-/Caa3	1,780	99.32	7.89	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-21	7.75%	B-/B-/Caa3	1,409	97.98	8.24	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-22	7.75%	B-/B-/Caa3	1,384	96.59	8.48	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-23	7.75%	B-/B-/Caa3	1,355	95.57	8.61	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-24	7.75%	B-/B-/Caa3	1,339	93.96	8.80	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-25	7.75%	B-/B-/Caa3	1,329	93.28	8.86	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-26	7.75%	B-/B-/Caa3	1,318	92.68	8.88	Dublin
Ukraine Government	US\$	Government	UKRAIN	Sep-27	7.75%	B-/B-/Caa3	1,307	92.22	8.88	Dublin
Ukraine Government	US\$	Government	UKRAIN	May-40	0.00%	-B/-	3,214	31.13	N/A	Dublin
Ukreximbank	US\$	Government	EXIMUK	Apr-22	9.63%	B-/B-/Caa3	750	100.06	9.57	Dublin
Ukreximbank	US\$	Government	EXIMUK	Feb-23	8.16%	C/-/Ca	125	88.15	10.97	Dublin
Ukreximbank	US\$	Government	EXIMUK	Jan-25	9.75%	B-/B-/Caa3	600	97.65	10.15	Dublin
Ferrexpo Finance	US\$	Basic Materials	FXPOLN	Apr-19	10.38%	B-/B-/Caa3	186	103.00	8.59	Dublin
Ferrexpo Finance	US\$	Basic Materials	FXPOLN	Apr-19	10.38%	B-/B-/Caa3	161	102.63	8.79	Dublin
Metinvest	US\$	Basic Materials	METINV	Nov-17	10.50%	C/-/-	290	97.00	N/A	Dublin
Metinvest	US\$	Basic Materials	METINV	Feb-18	8.75%	C/-/Caa3	750	95.75	N/A	Dublin
Avangardco Investments	US\$	Consumer	AVINPU	Oct-18	10.00%	WD/-/-	200	31.00	104.39	London
MHP	US\$	Consumer	MHPSA	Apr-20	8.25%	B-/B/-	750	102.38	7.30	Dublin
Ukrlandfarming	US\$	Consumer	UKRLAN	Mar-18	10.88%	WD/NR/-	500	30.00	175.22	Dublin
Dtek Finance	US\$	Energy	DTEKUA	Mar-18	10.38%	C/-/-	160	N/A	N/A	Dublin
Dtek Finance	US\$	Energy	DTEKUA	Apr-18	7.88%	C/-/WR	750	N/A	N/A	Trace
First Ukr.	US\$	Financial	PUMBUZ	Dec-18	11.00%	NR/-/WR	275	99.00	11.07	Zurich
Privatbank	US\$	Financial	PRBANK	Feb-21	11.00%	-/-/-	220	15.88	88.98	Channel Isl.
Oschadbank	US\$	Financial	OSCHAD	Mar-23	9.38%	B-/B-/Caa3	700	98.68	9.59	Dublin
Oschadbank	US\$	Financial	OSCHAD	Mar-25	9.63%	B-/B-/Caa3	500	97.61	10.03	Dublin
Uz Rail Via Shortline	US\$	Industrial	RAILUA	Sep-21	9.88%	CCC/CCC+/-	500	98.00	10.39	Dublin

Source: Bloomberg

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Galt & Taggart

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

Tel: + (995) 32 2401 111

Email: gt@gt.ge