

Kazakhstan

Bonds of the Ministry of Finance of the Republic of Kazakhstan. An increased demand for tenge bonds was observed last week. The Ministry of Finance of the Republic of Kazakhstan placed 3 bond issues for a total of KZT82 billion. On January 18, 11-year bonds were placed in the amount of KZT14.4 billion with a yield of 10.21% (the yield of placement in September 2020 was 10.5%). On January 20, the Ministry of Finance raised KZT28bn by placing 1-year bonds at a rate of 9.49%. The demand for the Ministry of Finance securities exceeded the announced volume 10 times. As recently as at the end of November 2020, the Ministry of Finance placed bonds with a similar maturity (1.3 years) at a rate of 10%. On January 22, 2.5-year bonds worth KZT40bn were placed with a yield of 9.58%. Demand exceeded supply 11 times. Compared to the placement two months ago, the yield decreased by 70bp.

Over the last three weeks from the beginning of January, the Ministry of Finance raised KZT120.5bn on the market, while the plan was KZT110bn for the whole month. The high demand for the Central Bank of the Ministry of Finance contributed not only to overfulfillment of the plan for the amount of borrowing, but also made it possible to attract funds at an attractive rate.

The decrease in the yield on tenge bonds of the Ministry of Finance occurs as a result of a decrease in the risks of a significant weakening of the tenge and an increase in non-residents' interest in tenge government bonds of the Republic of Kazakhstan.

Notes of the National Bank. Last week, the total volume of placement of the National Bank's notes amounted to KZT471 billion. On January 18, the National Bank placed 28-days. notes in the volume of **KZT371bn** with a yield of 9.01% (9.1% on January 11) and January 20, 182-days. notes in the volume of **KZT100bn** with a yield of 9.63% (-11bp to the previous placement). For semi-annual notes, there was a record demand in the amount of T602 billion, the yield fell back to the level of June 2019. At the same time, the National Bank redeemed notes in the amount of T300 billion last week. We note a significant increase in the volume of holding notes of the National Bank by non-residents (more than by T100 billion per week) , as a result of which their share increased from 9.9% to 12.5%.

Today, as we expected, the National Bank decided to keep the base rate at 9% +/- 1%. The adoption of this decision was justified by the accelerated inflation rates at the end of last year to 7.5% y / y. We expect inflation to slow down to below 7% starting from April this year, as a result of which the National Bank may make the long-awaited decision to cut the base rate.

Corporate issuers' instruments. On Friday, specialized trades were held on the placement of 5-year bonds of **Kazakhstan Stability Fund JSC** in the amount of 38.3 billion tenge with a yield to maturity of 10.65%. With the announced volume of placement of 35 billion tenge, the total volume of applications for the purchase of these bonds amounted to 57 billion tenge (demand to supply 171%). At the end of December 2020, Kazakhstan Stability Fund JSC placed bonds with a similar maturity (5.0 years, 9.5 billion) with a yield of 10.94%. Thus, the decrease in profitability for the month reached 29bp.

Last week, Kazakhstan Mortgage Company bought back its 8.6-year bonds in the secondary market for KZT26bn (yield 9.99%) and 8.4-year bonds for KZT40bn (yield 9.75%).

Regional Market

The RF Ministry of Finance on January 20 placed **OFZ-PD (with constant income)** in the amount of 20 billion rubles. with a maturity date of July 16, 2025 and a weighted average yield of 5.55% per annum.

Bond yields table

Country	Years to maturity	Yld (ask), %	1W, p-p	Year to Date, p-p
Emerging markets (local currency)				
Kazakhstan	10.3	10.03	9.599	9.603
Russia	9.2	6.25	0.140	0.360
Vietnam	9.8	2.00	2.083	2.136
Brazil	9.9	7.65	7.394	6.727
Turkey	2.1	13.68	13.67	13.63
Developed markets (local currency)				
USA	9.6	1.03	1.022	0.860
Canada	9.3	0.81	0.750	0.646
Germany	9.6	-0.57	-0.606	-0.607
Spain	9.8	0.07	0.001	-0.014
Portugal	9.7	0.01	-0.063	-0.037
Italy	10.2	0.63	0.515	0.443
Emerging markets (USD)				
Russia	14.2	2.96	2.874	2.746
Belarus	9.1	5.95	5.869	5.814
Turkey	7.7	5.14	5.202	4.847
Serbia	9.8	2.42	2.338	2.188
Romania	10.1	2.28	2.289	2.130
Mexico	9.2	2.46	2.513	2.254
Oman	8.5	5.38	5.541	5.347
Ecuador	9.5	8.88	8.449	7.611
Egypt	11.3	6.23	6.221	5.973
China	9.7	1.27	1.283	1.141
India	9.0	2.57	2.582	2.309
Developed markets (USD)				
Finland	9.3	1.12	1.113	0.962
Belgium	9.3	1.19	1.185	1.053
Italy	8.7	2.23	2.232	2.129

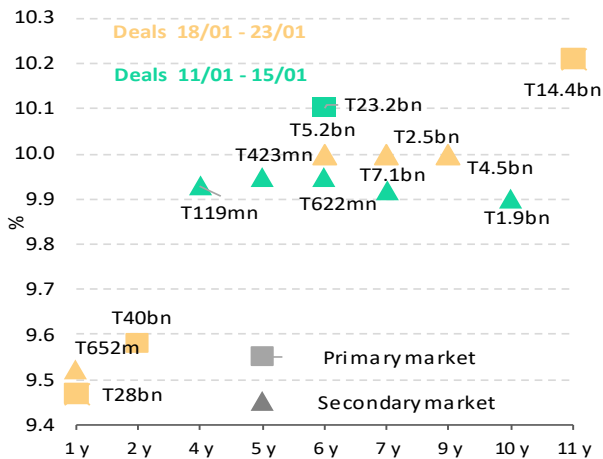
The yield on the previous OFZ-PD issue with a similar maturity was 5.30% per annum.

JSC Gazprom entered the international capital market for the fifth time in the last 12 months, placing \$ 2bn Eurobonds with a yield of 2.95% and an 8-year maturity. At the peak of demand, the investor order book reached over \$ 4bn. The volume of this issue corresponds to the volume of issues last year, when 10-year bonds for \$ 2bn were placed in February, 5-year bonds for 1bn euros in April, 7-year bonds for \$ 1bn in June and perpetual bonds for 1.4bn euros and 1bn euros. in the fall. In 2021, Gazprom plans to borrow 6 billion euros on foreign markets.

On January 18, the **Ministry of Finance of Georgia** at an auction of treasury securities issued benchmark bonds with a nominal value of 25 million lari (\$ 7.6 million), maturity of 10 years and an average weighted rate of 8.54% per annum. The total demand amounted to 45.5 million lari (\$ 13.7 million). The previous issue with a similar maturity, carried out at the end of October 2020, yielded 8.8%.

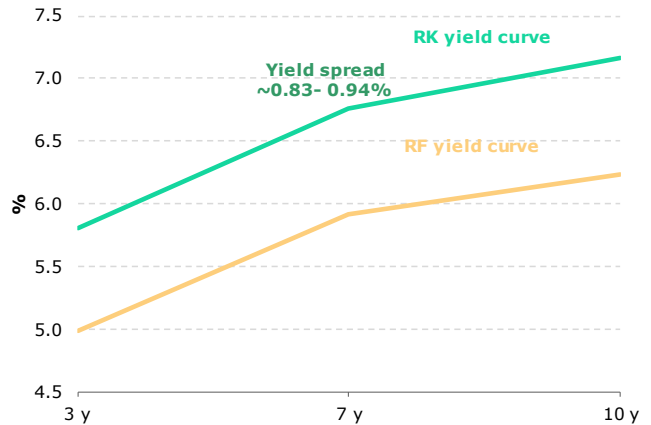
On January 20, the **Turkish Ministry of Finance** announced the sale of 2-year zero-coupon government bonds and 5-year bonds indexed at the Turkish lira overnight reference rate (TLREF) for a total of 6 billion lira (\$ 809 million) in two auctions held on January 19, the Ministry sold government bonds in the amount of 1.5 billion lira (\$ 203 million) with maturity on April 13, 2022, with a yield of 19.39% per annum. The ministry also placed bonds for 4.5bn lira (\$ 606mn) maturing on January 14, 2026 at a yield of 4.28%.

Fig 1. Transactions with the Central Bank of the Ministry of Finance in the primary and secondary markets



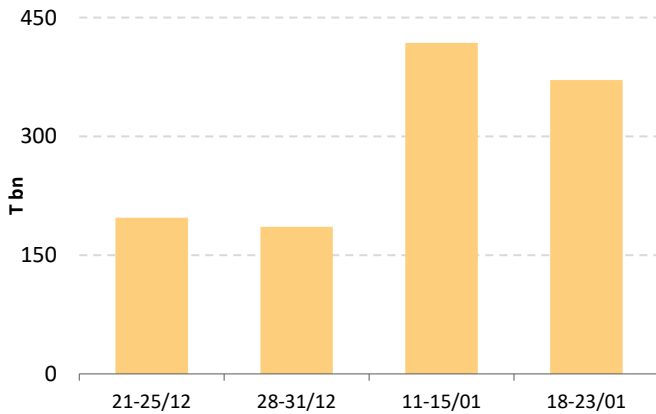
Source: KASE

Fig 2. Ruble bonds yield curve of Kazakhstan and FLB of the Russian Federation



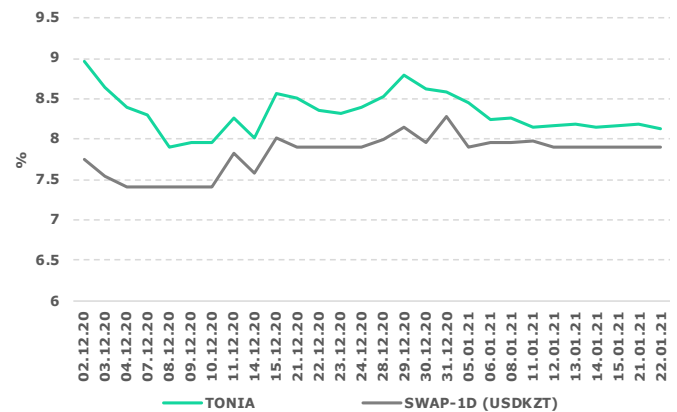
Source: Bloomberg

Fig 3. 28-days placement of NBK's notes (Dec 2020-Jan 2021)



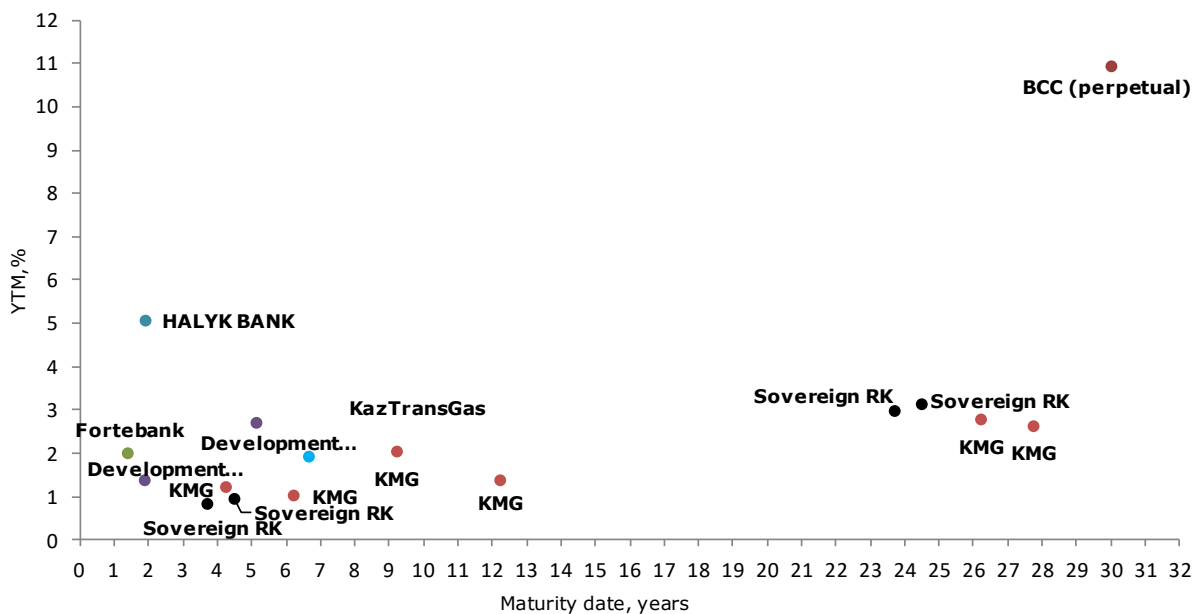
Source: HSK

Fig 4. Money market indicators in Kazakhstan



Source: KASE

Fig 5. Kazakhstan issuers Eurobonds yields in USD



Current Eurobonds yields

Company	Country	Crncy	Amt outstan . mln	Cpn	Date		Years to maturit	Price		Yld (ask), %	1W, P-P	Year to Date, P-P
					Issue	Maturity		Bid	Ask			
Sovereign												
Kazakhstan	KZ	USD	1500	3.9	14.10.2014	14.10.2024	3.71	110.89	111.46	0.74	-0.02	-0.02
Kazakhstan	KZ	USD	2500	5.1	21.07.2015	21.07.2025	4.48	117.98	118.50	0.91	-0.02	-0.03
Kazakhstan	KZ	USD	1000	4.9	14.10.2014	14.10.2044	23.72	131.68	132.72	2.95	0.02	0.14
Kazakhstan	KZ	USD	1500	6.5	21.07.2015	21.07.2045	24.49	157.21	158.25	3.09	0.04	0.16
Kazakhstan	KZ	EUR	525	2.4	09.11.2018	09.11.2028	7.78	111.00	111.00	0.94	-0.04	-0.04
Kazakhstan	KZ	EUR	500	0.6	30.09.2019	30.09.2026	5.67	100.12	100.92	0.44	0.05	0.10
Kazakhstan	KZ	EUR	525	1.6	09.11.2018	09.11.2023	2.78	103.09	103.81	0.18	-0.04	0.03
Kazakhstan	KZ	EUR	650	1.5	30.09.2019	30.09.2034	13.68	103.67	104.81	1.12	0.06	0.11
Uzbekistan	UZ	USD	500	4.8	20.02.2019	20.02.2024	3.06	107.67	108.72	1.81	0.24	0.31
Uzbekistan	UZ	USD	500	5.4	20.02.2019	20.02.2029	8.07	115.13	116.12	3.10	0.23	0.25
Uzbekistan	UZ	USD	555	3.7	25.11.2020	25.11.2030	9.83	103.85	104.90	3.12	0.21	0.21
Russia	RU	USD	2500	12.8	24.06.1998	24.06.2028	7.41	169.19	170.00	2.39	0.07	0.11
Russia	RU	EUR	1250	1.9	20.11.2020	20.11.2032	11.82	99.63	100.16	1.83	0.09	0.10
Russia	RU	EUR	1750	2.9	04.12.2018	04.12.2025	4.85	110.10	110.77	0.62	0.03	0.02
China	CH	EUR	2000	0.3	25.11.2020	25.11.2030	9.83	99.95	100.56	0.19	0.00	-0.02
China	CH	USD	2250	0.6	21.10.2020	21.10.2025	4.73	99.42	99.83	0.59	-0.03	0.04
Ukraine	UK	USD	1600	9.8	01.11.2018	01.11.2028	7.76	122.00	122.71	6.04	0.04	0.22
Ukraine	UK	USD	1318	7.8	12.11.2015	01.09.2026	5.59	112.53	113.18	5.02	-0.05	0.10
Ukraine	UK	USD	1329	7.8	12.11.2015	01.09.2025	4.59	112.03	112.94	4.59	-0.04	0.08
Ukraine	UK	USD	1339	7.8	12.11.2015	01.09.2024	3.59	110.47	111.38	4.30	-0.01	0.17
Ukraine	UK	USD	2600	7.3	30.07.2020	15.03.2033	12.13	107.39	108.14	6.28	0.07	0.34
Ukraine	UK	USD	3000	7.4	25.09.2017	25.09.2032	11.66	108.04	108.87	6.29	0.06	0.33
Ukraine	UK	EUR	1250	4.4	27.01.2020	27.01.2030	9.00	95.66	96.63	4.85	-0.06	0.11
Belarus	BK	USD	800	6.9	29.06.2017	28.02.2023	2.08	103.53	104.54	4.57	0.04	0.36
Belarus	BK	USD	600	6.2	28.02.2018	28.02.2030	9.09	100.53	101.82	5.94	0.09	0.10
Georgia	GG	USD	500	6.9	12.04.2011	12.04.2021	0.20	100.81	101.49	-0.19	0.63	1.22
Banks												
JSC HALYK BANK	KZ	USD	248	5.5	21.12.2012	21.12.2022	1.89	100.31	101.37	4.74	-0.14	-0.27
SBERBANK	LX	USD	1000	5.3	23.05.2013	23.05.2023	2.31	106.77	107.41	1.97	0.10	-0.02
FORTEBANK JSC	KZ	USD	75	14.0	30.06.2010	30.06.2022	1.42	116.68	117.60	1.50	-1.14	-0.75
TINKOFF	IR	USD	300	9.3	15.06.2017	perpetual	0.00	105.28	106.54	7.66	0.01	0.05
UZPROMSTROYBANK	UZ	USD	300	5.8	02.12.2019	02.12.2024	3.84	103.79	104.78	4.39	0.30	0.30
BANK CENTERCREDIT	KZ	USD	81	6.3	03.03.2006	perpetual	0.00	56.02	58.02	10.75	0.92	1.94
BANK OF GEORGIA JSC	GG	USD	350	6.0	26.07.2016	26.07.2023	2.49	105.26	105.80	3.56	-0.02	0.10
BANK OF GEORGIA JSC	GG	USD	100	11.1	28.03.2019	perpetual	0.00	105.39	108.83	8.94	-0.04	-0.15
TBC BANK JSC	GG	USD	300	5.8	19.06.2019	19.06.2024	3.39	104.96	105.81	3.91	-0.22	-0.22
TBC BANK JSC	GG	USD	125	10.8	03.07.2019	perpetual	0.00	102.72	105.77	9.39	-0.02	-0.28
Ipoteka Bank	UZ	USD	300	5.5	19.11.2020	19.11.2025	4.81	101.81	102.84	4.83	0.08	-0.13
Corporate												
DEVELOPMENT BANK OF KZ	KZ	USD	1264	4.1	10.12.2012	10.12.2022	1.863	104.77	105.421	1.188	-0.06	-0.12
DEVELOPMENT BANK OF KZ	KZ	USD	107	6.0	23.03.2006	23.03.2026	5.15	114.67	116.71	2.52	-0.26	-0.38
KAZAKHSTAN TEMIR ZHOLY	NE	USD	883	7.0	10.07.2012	10.07.2042	21.46	146.38	147.90	3.70	0.03	0.08
KAZAKHSTAN TEMIR ZHOLY	KZ	CHF	250	3.3	05.12.2018	05.12.2023	2.85	104.58	106.76	0.85	-0.28	-0.29
KAZAKHSTAN TEMIR ZHOLY	KZ	CHF	185	3.6	20.06.2014	20.06.2022	1.39	103.04	104.24	0.59	-0.05	-0.03
KAZMUNAYGAS NATIONAL CO	KZ	USD	500	4.8	24.04.2018	24.04.2025	4.24	113.45	114.23	1.29	-0.03	0.02
KAZMUNAYGAS NATIONAL CO	KZ	USD	1000	4.8	19.04.2017	19.04.2027	6.22	115.38	116.08	1.99	-0.05	0.01
KAZMUNAYGAS NATIONAL CO	KZ	USD	750	3.5	14.10.2020	14.04.2033	12.21	107.08	107.84	2.74	0.00	0.15
KAZMUNAYGAS NATIONAL CO	KZ	USD	1250	5.4	24.04.2018	24.04.2030	9.24	121.94	122.69	2.60	-0.02	0.08
KAZMUNAYGAS NATIONAL CO	KZ	USD	1250	5.8	19.04.2017	19.04.2047	26.24	127.61	128.51	3.99	0.11	0.28
KAZMUNAYGAS NATIONAL CO	KZ	USD	1500	6.4	24.04.2018	24.10.2048	27.75	137.88	138.54	4.05	0.10	0.26
KazTransGas	KZ	USD	706	4.4	26.09.2017	26.09.2027	6.66	114.39	115.13	1.94	0.04	0.08
Development Bank of Belarus	BK	USD	500	6.8	02.05.2019	02.05.2024	3.26	101.26	102.03	6.05	0.15	1.49
SOCAR	AZ	USD	750	7.0	18.03.2015	18.03.2030	9.14	127.33	128.49	3.31	0.05	0.03
SOCAR	AZ	USD	1000	4.8	13.03.2013	13.03.2023	2.12	105.95	106.86	1.47	0.06	0.18
Georgian Railway	GG	USD	500	7.8	05.07.2012	11.07.2022	1.45	105.68	107.72	2.33	-0.23	-0.73
Georgian Oil & Gas Corp	GG	USD	250	6.8	26.04.2016	26.04.2021	0.24	100.15	100.95	2.87	0.44	1.23

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