

Weekly Market Watch

 Weekly Market Watch | Georgia
 March 21, 2016

Economy

Money transfers down 2.6% y/y in February 2016

In February 2016, money transfers decreased by 2.6% y/y to US\$ 79.9mn according to NBG. Reduced remittances from Russia (-11.1% y/y 31.4% of total), Greece (-32.4% y/y, 11.6% of total), and Turkey (-14.4% y/y, 6.2% of total) were the major contributors to the drop in the total money transfers. Meanwhile, remittances grew from Italy (+8.6% y/y), USA (+23.2% y/y), Israel (+77.4% y/y), Germany (+23.6% y/y), and Spain (+14.8% y/y). Overall, in 2M16 money transfers were down 7.0% y/y to US\$ 146.4mn.

Trade deficit down 13.5% y/y in February 2016, excluding one-offs

In February 2016, imports decreased 11.1% y/y to US\$ 515.1mn (excluding donated C-hepatitis medicine imports), while exports were down 5.1% y/y to US\$ 158.7mn, and trade deficit narrowed 13.5% y/y to US\$ 356.4mn, according to GeoStat's preliminary figures. Detailed foreign trade statistics will be available on March 21, 2016.

Producer price index up 1.1% m/m and 3.9% y/y in February 2016

PPI for industrial goods increased 1.1% m/m in February 2016, according to GeoStat. A 1.0% rise in manufacturing prices contributed the most to the overall index change. Prices were up for manufacturing of basic and fabricated metals (+5.2% m/m) and up for food products, beverages and tobacco (+0.6% m/m). Prices were also up for mining and quarrying (+4.9% m/m) and for supply of electricity, gas, and water (+0.8% m/m).

Annual PPI increased 3.9% y/y in February 2016, with supply of electricity, gas, and water prices increasing 19.4% y/y and contributing 2.51pts to the overall index change. Also, manufacturing prices increased 1.8% y/y, contributing 1.48pts to the overall index change (in this category, prices were up for the manufacture of food, beverages and tobacco and chemical products; down for basic and fabricated metals).

NBG bought US\$ 5mn

NBG intervened on the FX market with a purchase of US\$ 5mn on March 17, 2016. This was the first intervention on the purchasing side since August 2014, aimed at curbing the appreciation of the national currency, which strengthened 5.5% w/w and 3.4% YTD against the US\$.

Key macro indicators

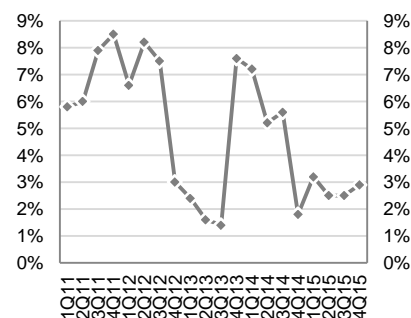
	2M16	2015E	2014
GDP (% change)	0.8%*	2.8%	4.6%
GDP per capita (ppp)	...	9,566	9,209
GDP per capita (US\$)	...	3,743	3,676
Population (mn)	3.7**	3.7**	4.5
Inflation (eop)	5.6%	4.9%	2.0%
Gross reserves (US\$ bn)	2.4	2.5	2.7
CAD (% of GDP)	10.7%	10.6%
Fiscal deficit (% of GDP)	3.0%
Total public debt (% of GDP)	...	41.1%	35.5%

Source: Official data, IMF, G&T

* As of Jan-16

**Preliminary results of census, previous data is subject to recalculation

Real GDP growth, %



Source: GeoStat

Note: 4Q15 figure based on rapid estimates

International ranking of Georgia, 2016

Ease of Doing Business # 24 (regional leader)
 Economic Freedom Index # 23 (mostly free)
 Global Competitiveness Index # 66 (improving trend)

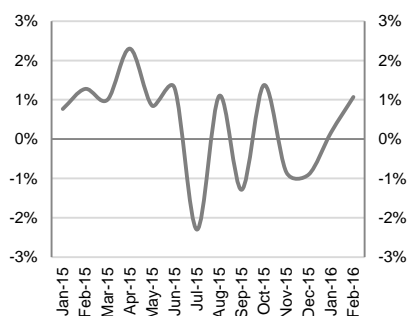
Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

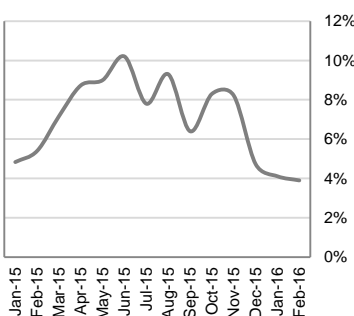
STANDARD & POOR'S BB- Stable Affirmed Nov-2015	Moody's INVESTORS SERVICE Ba3 Positive Affirmed Mar-2015	FitchRatings BB- Stable Affirmed Oct-2015
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Source: Rating agencies

PPI (% change, m/m)



PPI (% change, y/y)



Source: GeoStat



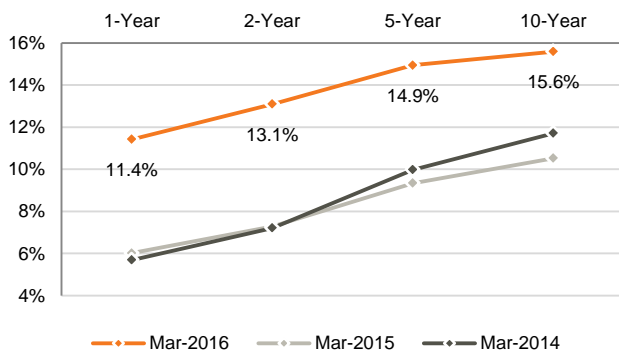
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 301.2mn).

Certificates of deposit: NBG sold 182-day, GEL 20mn (US\$ 8.1mn) certificates of deposit, with an average yield of 9.66% (down by 25bps from previous issue).

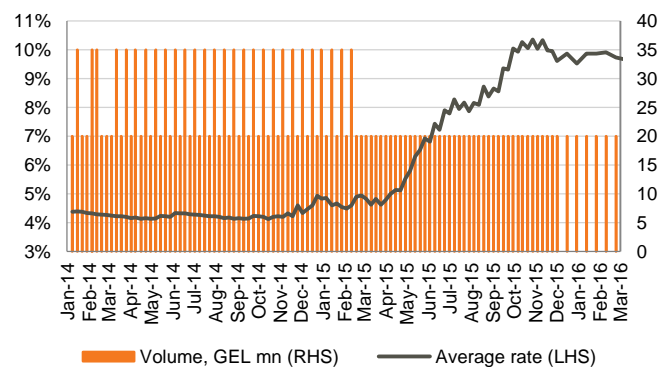
Ministry of Finance Treasury Notes: 2-year GEL 40.0mn (US\$ 16.2mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on March 9, 2016. The weighted average yield was fixed at 13.355%. The nearest treasury securities auction is scheduled for March 23, 2016, where GEL 10mn nominal value 5-year T-Notes will be sold.

T-bills / T-notes, yield curve



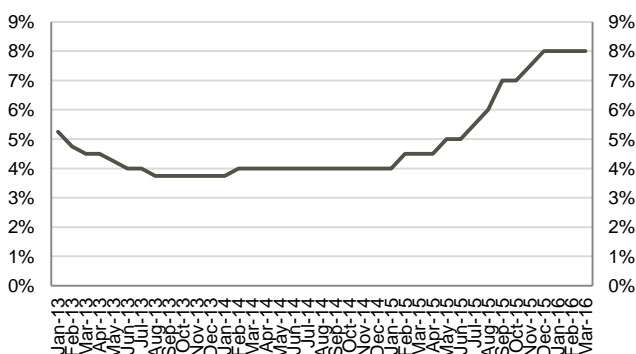
Source: NBG
*As of latest auction

Certificates of Deposits (weighted average rate)



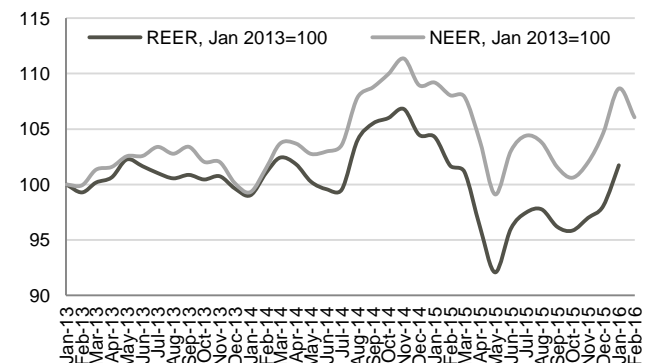
Source: NBG

Monetary policy rate



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG

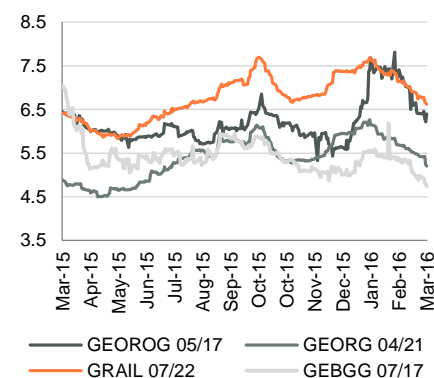
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG) closed at 4.7% yield, trading at 103.7 (+0.1% w/w). GOGC Eurobonds (GEOROG) were trading at 100.5 (unchanged w/w), yielding 6.4%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 105.6 (+0.7% w/w), yielding 6.6%.

Georgian Sovereign Eurobonds (GEORG) closed at 107.3 (+0.8% w/w) at 5.2% yield to maturity.

Georgia Eurobonds, YTM (%)



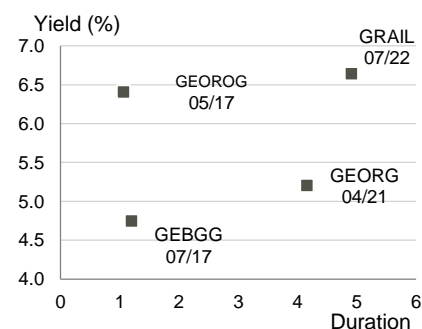
	Local bonds				Eurobonds			
	GWP 11/17	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	6*	20	15	10	250	400	500	500
Issue date	11/15	03/15	05/15	09/14	May-2012	Jul-2012	Apr-2011	Jul-2012
Maturity date	11/17	03/17	05/17	09/17	May-2017	Jul-2017	Apr-2021	Jul-2022
Coupon, %	15.000**	9.500	9.500	8.750	6.875%	7.750%	6.875%	7.750%
Fitch/S&P/Moody's	BB-/B+	-/-	-/-	-/-	BB-/B+	BB-/BB-/Ba3	BB-/BB-/Ba3	BB-/BB-/
Mid price, US\$	100.0*	99.0	100	98.0	100.5	103.7	107.3	105.6
Mid yield, %	15.0	10.1	9.5	9.7	6.4	4.7	5.2	6.6
Z-spread, bps	n/a	n/a	n/a	n/a	511.7	400.2	384.9	519.1

Source: Bloomberg

*GWP 11/17 bonds are in Georgian lari

**Floating rate with 7.5% over the NBG's refinancing rate

Georgian Eurobond universe



Eastern European sovereign 10-year bond performance

Issuer	Amount, US\$ mn	Coupon, %	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price, US\$	Mid yield, %	Z-spread, bps
Georgia	500	6.875%	12/04/2021	BB-/BB-/Ba3	107.3	5.2	384.9
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	94.8	5.6	396.4
Bulgaria	323	5.000%	19/07/2021	BBB-/B+	119.8	1.1	-238.3
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa1	102.9	3.4	314.9
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Baa1	113.8	3.4	215.8
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	119.0	3.2	179.6
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Baa1	105.7	3.5	223.5
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	108.0	3.9	252.8

Source: Bloomberg

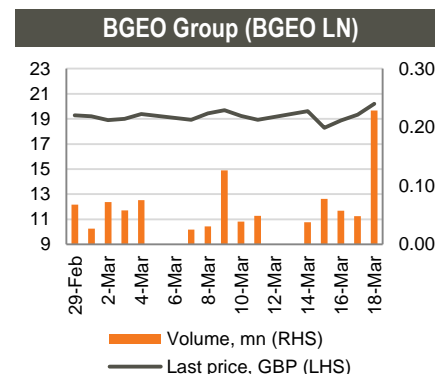
Equities

BGEO Group (BGEO LN) shares closed at GBP 20.21/share (+3.11% w/w and +4.72% m/m). More than 450k shares traded in the range of GBP 18.24 – 20.21/share. Average daily traded volume was 62k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BOGH is a constituent, gained 1.89% w/w and gained 4.53% m/m, respectively. The volume of BOGH shares traded was at 1.14% of its capitalization.

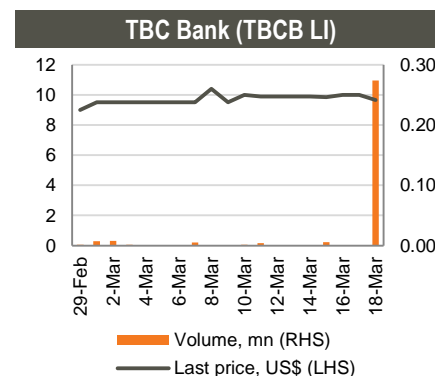
TBC Bank (TBCB LI) closed the week at US\$ 9.66 (-2.42 w/w and +1.68% m/m). More than 280k GDRs changed hands in the range of US\$ 9.66 – 10.30/GDR. Average daily traded volume was 20k in the last 4 weeks, more than in the previous month.

Georgia Healthcare Group (GHG LN) shares closed at GBP 1.58/share (-2.17% w/w and -8.07% m/m). More than 1,318k shares were traded in the range of GBP 1.53 – 1.67/share. Average daily traded volume was 86k in the last 4 weeks. The volume of GHG shares traded was at 1.00% of its capitalization.

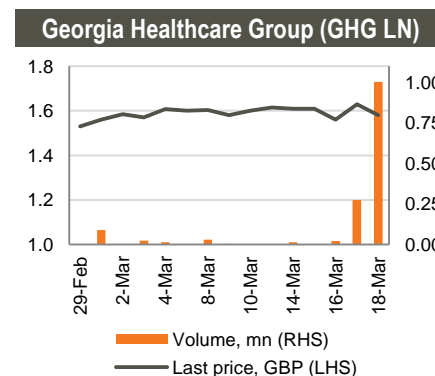
On the Georgian stock exchange: Bank of Georgia shares were traded at GEL 39.00 (+11.4% w/w). As a result, the G&T remained at 886.18 (unchanged w/w).



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Eastern European banks

Eastern European Banks								
	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
	BGEO*	BGEO	29.28	1,157	5.8%	0.3%	-2.5%	-9.5%
	TBC	TBC	9.66	473	1.7%	-3.4%	4.4%	-23.3%
	Halyk Bank	HSBK	4.00	1,091	8.1%	-19.2%	-36.5%	-52.9%
	KKB	KKB	1.00	399	19.0%	-31.0%	-63.2%	-73.7%
	VTB Bank	VTBR	2.20	14,276	15.6%	5.3%	8.8%	-4.2%
	Vozrozhdenie Bank	VZRZ	7.72	183	12.6%	-11.0%	-14.9%	4.6%
	Sberbank	SBER	7.00	37,766	20.0%	19.0%	43.3%	72.8%

Source: Bloomberg

Note: * BGEO is traded in GBP and is shown in US\$ equivalent

Healthcare sector peers

Ticker		Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG*	GHG	2.29	293	-7.1%	-4.1%	nm	nm	nm
Mouwasat	MOUWASAT	31.86	1,593	12.9%	7.5%	-3.3%	-3.1%	-11.1%
Fortis	FORH	2.74	1,268	19.6%	3.0%	1.1%	55.8%	9.3%
Raffles	RFMD	3.36	1,935	12.9%	15.1%	-0.5%	14.5%	20.7%
IHH	IHH	1.67	13,701	6.7%	13.2%	17.5%	21.0%	6.5%
Bangkok Chain	BCH	0.31	772	29.6%	30.9%	55.1%	28.8%	24.2%
Netcare	NTC	2.28	3,328	2.0%	5.7%	-18.6%	-30.7%	-32.9%

Source: Bloomberg

Note: * GHG is traded in GBP and is shown in US\$ equivalent

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