

Weekly Market Watch

Weekly Market Watch | Georgia
November 28, 2016

Economy

Exports up 0.8% y/y in October 2016

In October 2016, exports increased 0.8% y/y at US\$ 189.3mn, imports were up 7.4% y/y to US\$ 661.7mn, and the trade deficit widened 10.3% y/y to US\$ 472.4mn according to GeoStat. Increased exports of copper ores (+4.7% y/y), cars (+26.0% y/y), wine (+24.9% y/y), ferro-alloys (+33.0% y/y), and spirituous beverages (+17.3% y/y) were the major commodities positively affecting exports growth in October 2016, while nuts (-3.9% y/y), and fertilizer (-84.4% y/y) exports decreased.

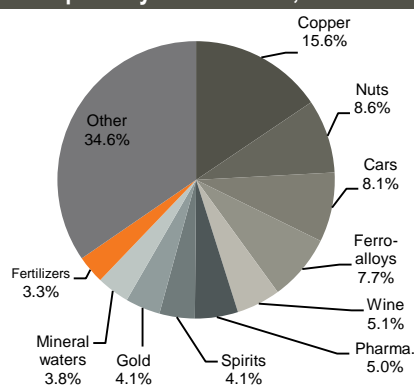
Petroleum (+17.3% y/y), cars (+12.3% y/y), gases (+3.7% y/y), pharmaceuticals (+11.3% y/y), and phones (+21.9% y/y) represented the top 5 imported commodities in October 2016.

In 10M16, trade deficit was up 0.2% y/y to US\$ 4.16bn, excluding one-offs, as imports were down 2.1% y/y to US\$ 5.86bn and exports fell 7.2% y/y to US\$ 1.70bn.

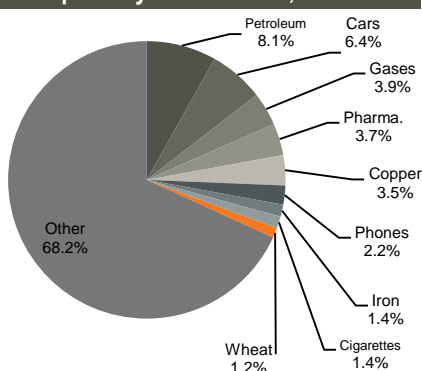
NPLs at 3.9% y/y in October 2016

In October 2016, the banking sector loan portfolio increased 7.3% y/y after growing 6.7% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 7.6% y/y and 2.7% m/m to GEL 16.9bn (US\$ 7.0bn). Deposits were up 12.5% y/y to GEL 15.6bn (US\$ 6.5bn), excluding the exchange rate effect. In unadjusted terms deposits were up 12.6% y/y and up 4.8% m/m, and deposit dollarization reached 69.7% (+0.5ppts m/m). NPLs stood at 3.9% in October 2016, up 0.8ppts y/y and up 0.1ppts m/m.

Exports by commodities, 10M16



Imports by commodities, 10M16



Source: GeoStat

Note: 10M16 imports provided excluding donated C-hepatitis medicine imports

Key macro indicators

	10M16	2015	2014
GDP (% change)	2.6% ⁽³⁾	2.8%	4.6%
GDP per capita (ppp)	...	9,630	9,209
GDP per capita (US\$)	...	3,759	3,676
Population (mn)	3.7 ⁽¹⁾	3.7 ⁽¹⁾	4.5
Inflation (eop)	-0.2%	4.9%	2.0%
Gross reserves (US\$ bn)	2.8	2.5	2.7
CAD (% of GDP)	13.4% ⁽²⁾	11.8%	10.6%
Fiscal deficit (% of GDP)	3.8%	3.0%
Total public debt (% of GDP)	...	41.5%	35.5%

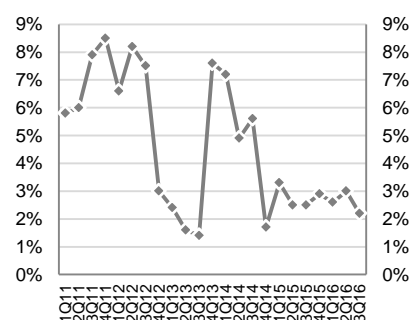
Source: Official data, IMF

(1) Preliminary results of census, previous data is subject to recalculation

(2) As of 2Q16

(3) As of 9M16

Real GDP growth, %



Source: GeoStat

Note: 3Q16 figure based on rapid estimates

International ranking, 2016-17

Ease of Doing Business # 16 (Top 20)

Economic Freedom Index # 23 (mostly free)

Global Competitiveness Index # 59 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POOR'S BB- Stable Affirmed Nov-2016	Moody's INVESTORS SERVICE Ba3 Stable Affirmed Mar-2016	FitchRatings BB- Stable Affirmed Sep-2016
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Source: Rating agencies



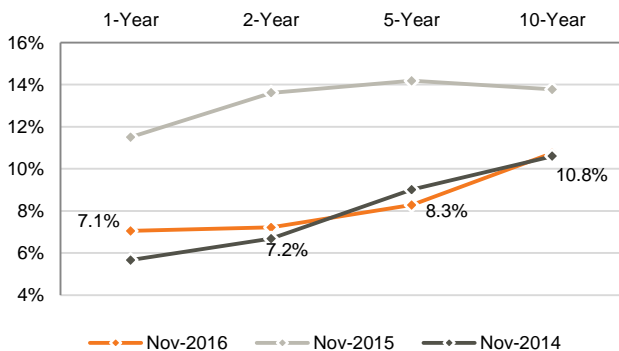
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,310mn (US\$ 524.5mn).

Certificates of deposit: NBG sold 182-day, GEL 20mn (US\$ 8.0mn) certificates of deposit, with an average yield of 6.87% (up by 15bps from previous issue).

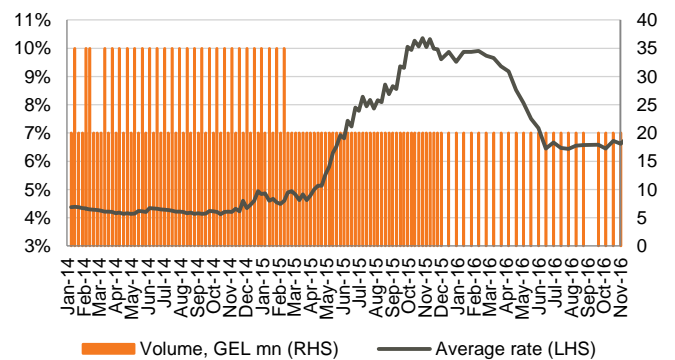
Ministry of Finance Treasury Notes: 10-year GEL 7.5mn (US\$ 3.0mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on November 22, 2016. The weighted average yield was fixed at 10.750%. The nearest treasury securities auction is scheduled for December 7, 2016, where GEL 30mn nominal value 2-year T-Notes will be sold.

T-bills / T-notes, yield curve



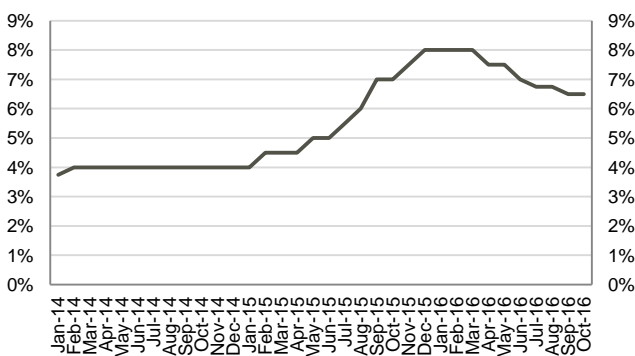
Source: NBG

Certificates of Deposits (weighted average rate)



Source: NBG

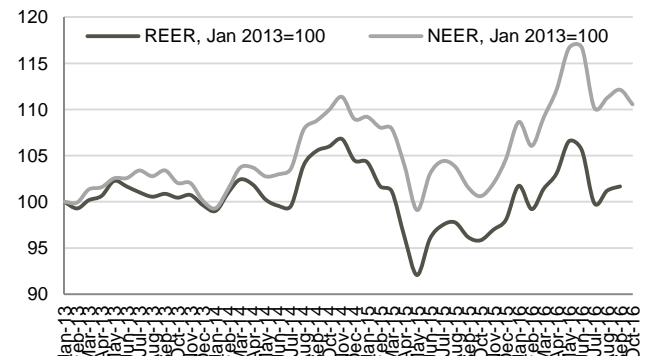
Monetary policy rate



Source: NBG

Note: Next revision of a monetary policy rate is scheduled for 14 December 2016

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

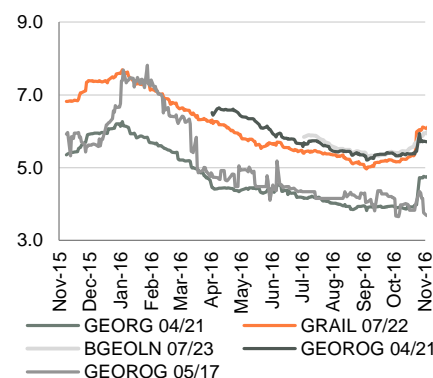


Fixed income

Corporate Eurobonds: Bank of Georgia Eurobond (BGEOLN) closed at 6.0% yield, trading at 99.8 (-0.5% w/w). GOGC Eurobonds - GEOROG 05/17 traded at 101.4 (unchanged w/w), yielding 3.7% and GEOROG 04/21 traded at 103.8 (unchanged w/w), yielding 5.8%. Georgian Railway Eurobond (GRAIL) traded at a premium at 107.2 (-0.6% w/w), yielding 6.2%.

Georgian Sovereign Eurobond (GEORG) closed at 108.2 (-0.1% w/w) at 4.8% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

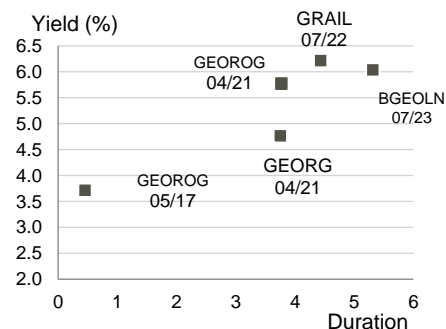
	Local bonds					Eurobonds				
	M2RE 10/19	Nikora 03/18	GWP 12/17	EVEX 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	25	5	6*	15	10	250	53.5	350	500	500
Issue date	10/16	03/16	12/15	05/15	09/14	04/16	05/12	07/16	04/11	07/12
Maturity date	10/19	03/18	12/17	05/17	09/17	04/21	05/17	07/23	04/21	07/22
Coupon, %	7.50	11.00	14.00**	9.50	8.75	6.750	6.875	6.000	6.875	7.750
Fitch/S&P/Moody's	-/-	-/-	BB-/	-/-	-/-	BB-/B+	BB-/B+	BB-/B1	BB-/BB-/Ba3	BB-/BB-/
Mid price, US\$	102.61	102.72	100.0*	101.46	101.2	103.8	101.4	99.8	108.2	107.2
Mid yield, %	6.5	8.750	14.0	6.25	7.25	5.8	3.7	6.0	4.8	6.2
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	389.9	203.0	400.4	293.1	427.2

Source: Bloomberg

*GWP 12/17 bonds are in Georgian lari

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

Georgian Eurobond universe



Source: Bloomberg

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	108.2	4.8	293.1
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1	98.5	5.0	292.0
Bulgaria	323	5.000%	19/07/2021	BBB-/	119.6	0.7	-238.3
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	106.8	2.5	233.5
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	112.5	3.3	149.2
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	114.8	3.6	178.5
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	105.4	3.3	162.7
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Ba1	102.5	5.0	319.2

Source: Bloomberg

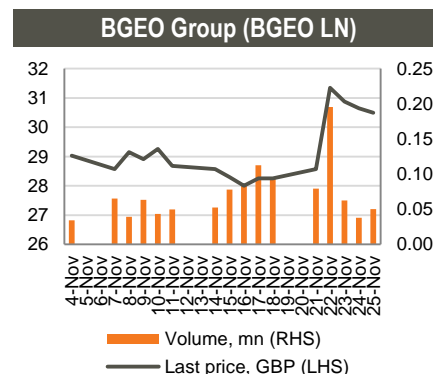
Equities

BGEO Group (BGEO LN) shares closed at GBP 30.50/share (+7.96% w/w and -0.10% m/m). More than 425k shares traded in the range of GBP 27.85 – 31.42/share. Average daily traded volume was 70k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BGEO is a constituent, lost 0.35% w/w and lost 1.15% m/m. The volume of BGEO shares traded was at 1.08% of its capitalization.

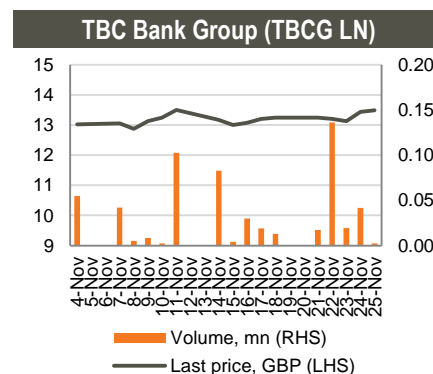
TBC Bank Group (TBCG LN) closed the week at GBP 13.49 (+1.81% w/w and +2.39% m/m). More than 216k shares changed hands in the range of GBP 13.00 – 13.55/share. Averaged daily traded volume was 29k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.65/share (+2.10% w/w and +2.01% m/m). More than 70k shares were traded in the range of GBP 3.58 – 3.70/share. Average daily traded volume was 11k in the last 4 weeks. The volume of GHG shares traded was at 0.05% of its capitalization.

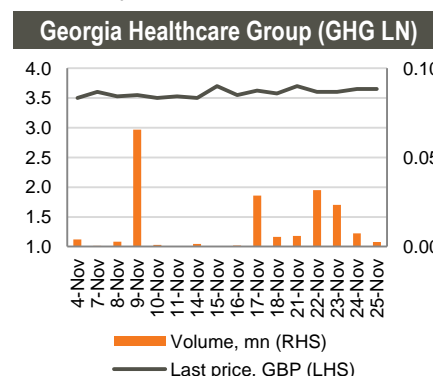
On the Georgian stock exchange, Liberty Bank shares were traded at GEL 0.017 (+6.25% w/w). As a result, the G&T Index went up to 908.64 (+0.1% w/w).



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Eastern European Banks

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
	BGEO*	37.98	1,500	2.0%	2.6%	0.6%	35.4%	38.6%
	TBC*	16.80	876	4.5%	40.0%	37.7%	66.3%	97.6%
	Halyk Bank	HSBK	5.74	1,578	-11.7%	-7.4%	22.1%	-5.4%
	KKB	KKB	1.37	546	-0.7%	-13.8%	11.8%	-14.4%
	VTB Bank	VTBR	2.06	13,330	-6.5%	1.1%	-1.5%	-6.8%
	Vozrozhdenie Bank	VZRZ	10.86	258	-3.0%	1.5%	31.6%	17.7%
	Sberbank	SBER	10.25	55,290	2.9%	13.5%	74.2%	44.1%

Source: Bloomberg

*BGEO and TBC are traded in GBP and are shown in US\$ equivalent

Note: 6M, YTD, and 1Y changes in TBC share prices calculated using GDR prices on those dates.

Healthcare Sector Peers

Ticker		Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG*	GHG	4.54	598	0.0%	30.1%	23.5%	99.0%	71.8%
Mouwasat	MOUWASAT	35.45	1,773	11.3%	6.8%	0.7%	9.3%	15.8%
Fortis	FORH	2.57	1,193	-3.3%	-2.1%	2.5%	-5.3%	6.9%
Raffles	RFMD	1.03	1,804	-5.3%	-7.2%	-8.1%	5.5%	2.8%
IHH	IHH	1.43	11,788	-7.6%	-13.4%	-10.3%	-6.3%	-7.8%
Bangkok Chain	BCH	0.38	952	4.2%	14.8%	27.4%	52.2%	63.1%
Netcare	NTC	2.37	3,463	-7.2%	3.2%	14.6%	8.2%	-10.3%

Source: Bloomberg

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

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