

# Weekly Market Watch

 Weekly Market Watch | Georgia  
 April 18, 2016

## Economy

### Trade deficit down 18.9% y/y in March 2016

In March 2016, imports decreased 16.4% y/y to US\$ 565.8mn, exports were down 9.5% y/y to US\$ 162.0mn, and the trade deficit narrowed 18.9% y/y to US\$ 403.8mn, according to GeoStat's preliminary figures. In 1Q16, the trade deficit was down 19.4% y/y to US\$ 1.04bn (excluding one-offs). Detailed foreign trade statistics will be available on April 19, 2016.

### Money transfers down marginally in March 2016

In March 2016, money transfers decreased 1.3% y/y to US\$ 90.7mn, according to NBG. Reduced remittances from Russia (-12.2% y/y, 33.1% of total) and Greece (-30.7% y/y, 11.0% of total) were the major contributors to the drop in total money transfers. Meanwhile, remittances grew from USA (+18.2% y/y), Italy (+10.3% y/y), Turkey (+12.5% y/y), and Israel (+70.6% y/y). Overall, money transfers were down 4.9% y/y to US\$ 237.1mn in 1Q16.

### Producer price index down 0.9% m/m and up 1.9% y/y in March 2016

PPI for industrial goods decreased 0.9% m/m in March 2016, according to GeoStat. A 1.4% decline in manufacturing prices contributed the most to the overall index change. Prices were down for manufacture of food products, beverages and tobacco (-1.7% m/m) and for manufacture of paper and publishing (-9.9% m/m). Prices were up for mining and quarrying (+2.6% m/m).

Annual PPI rose 1.9% y/y in March 2016, down from 3.9% in the previous month, with supply of electricity, gas and water prices increasing 19.8% y/y and contributing 2.53ppts to the overall index change. Manufacturing prices decreased 0.5% y/y, contributing -0.40ppts to the overall index change (in this category, prices were down for the manufacture of basic and fabricated metals and up for manufacture of chemical products).

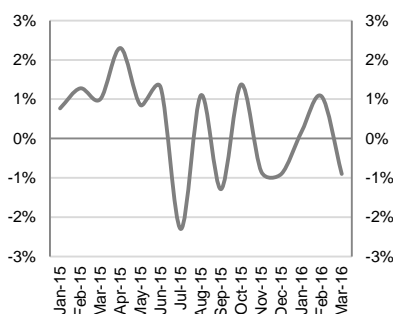
### Property registration up 23.1% y/y in March 2016

Property registration (commercial and residential real estate) increased 23.1% y/y (+13.4% m/m), reaching 60,340 units in March 2016, according to the National Agency of Public Registry. Registration increased for primary (+49.9% y/y, 22.1% of total), as well as secondary (+17.1% y/y, 77.9% of total) properties.

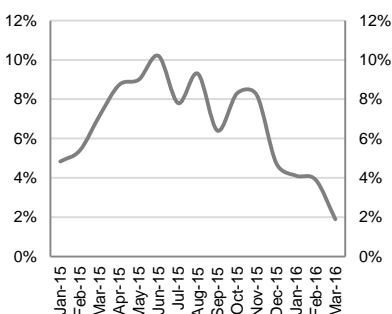
### NBG bought US\$ 10mn

NBG intervened on the FX market with a purchase of US\$ 10mn on April 14, 2016. This was NBG's third intervention (total purchase of US\$ 25mn YTD) this year on the purchasing side, aimed at curbing the appreciation of the national currency, which strengthened 1.6% w/w and 5.4% YTD against the US\$.

PPI (% change m/m)



PPI (% change y/y)



Source: GeoStat

### Key macro indicators

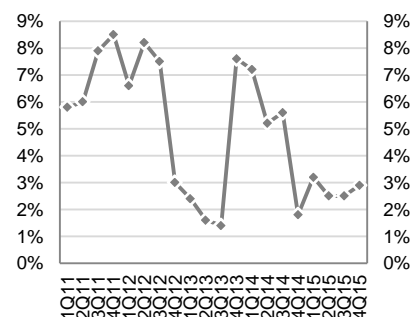
	3M16	2015	2014
GDP (% change)	1.7%*	2.8%	4.6%
GDP per capita (ppp)	...	9,566	9,209
GDP per capita (US\$)	...	3,743	3,676
Population (mn)	3.7**	3.7**	4.5
Inflation (eop)	4.1%	4.9%	2.0%
Gross reserves (US\$ bn)	2.5	2.5	2.7
CAD (% of GDP)	....	11.8%	10.6%
Fiscal deficit (% of GDP)	....	3.8%	3.0%
Total public debt (% of GDP)	...	41.5%	35.5%

Source: Official data, IMF, G&T

\*As of 2M16

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

### Real GDP growth, %



Source: GeoStat

### 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

<b>STANDARD &amp; POOR'S</b>  <b>BB-</b> Stable Affirmed Nov-2015	<b>Moody's</b> INVESTORS SERVICE  <b>Ba3</b> Stable Affirmed Mar-2016	<b>FitchRatings</b>  <b>BB-</b> Stable Affirmed Oct-2015
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Source: Rating agencies



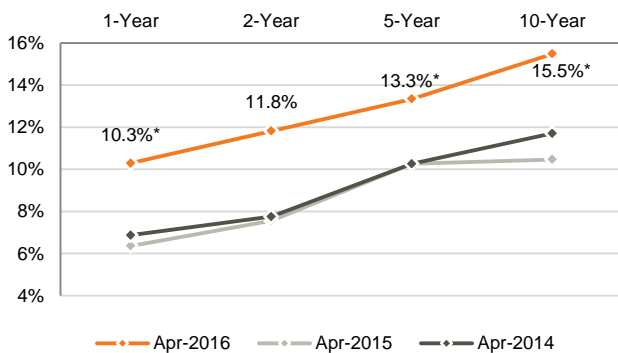
## Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 720mn (US\$ 317.5mn).

**Certificates of deposit:** NBG sold 182-day, GEL 20mn (US\$ 8.7mn) certificates of deposit, with an average yield of 9.18% (down by 48bps from previous issue).

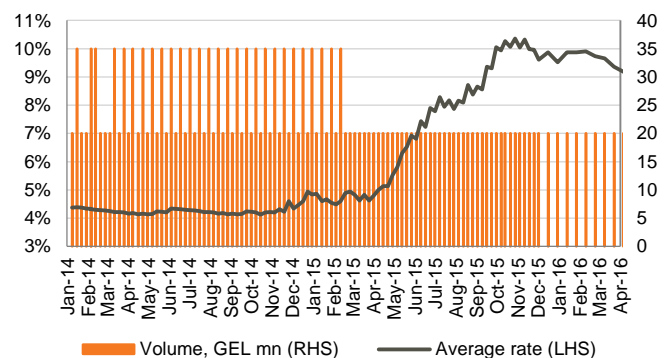
**Ministry of Finance Treasury Notes:** 2-year GEL 20.0mn (US\$ 8.7mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on April 6, 2016. The weighted average yield was fixed at 11.817%. The nearest treasury securities auction is scheduled for April 20, 2016, where GEL 30mn nominal value 1-year T-Bills will be sold.

T-bills / T-notes, yield curve



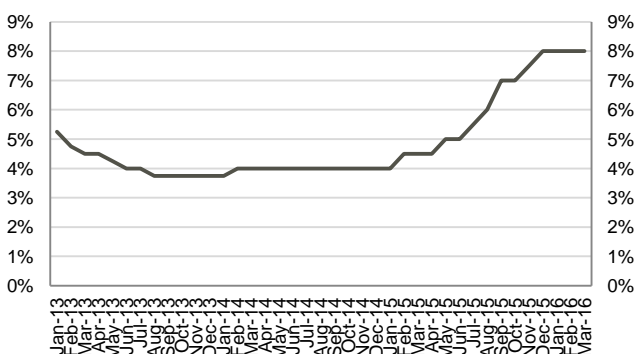
Source: NBG  
\*As of latest auction

Certificates of Deposits (weighted average rate)



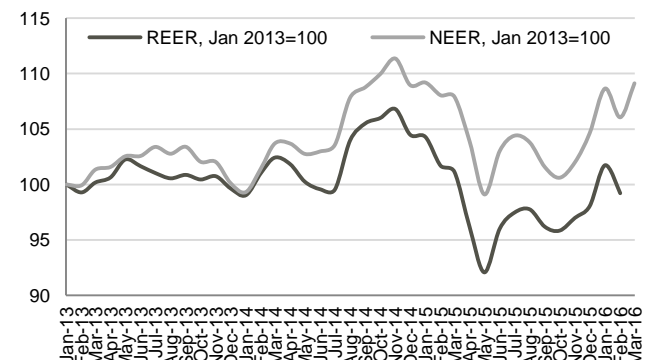
Source: NBG

Monetary policy rate



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG

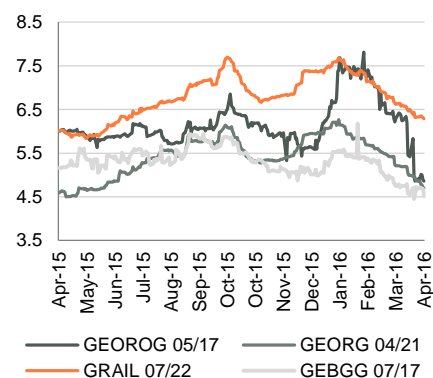
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

## Fixed income

**Corporate Eurobonds:** Bank of Georgia Eurobonds (GEBGG) closed at 4.5% yield, trading at 103.8 (unchanged w/w). GOGC Eurobonds (GEOROG) were trading at 102.1 (unchanged w/w), yielding 4.8%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 107.6 (+0.7% w/w), yielding 6.3%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 109.6 (+0.6% w/w) at 4.7% yield to maturity.

Georgia Eurobonds, YTM (%)



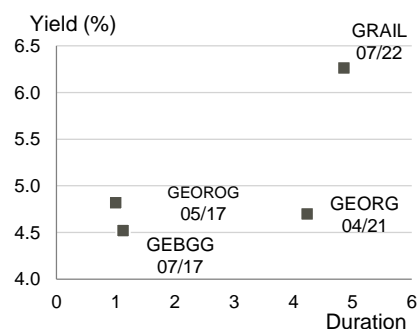
	Local bonds					Eurobonds			
	Nikora 03/18	GWP 11/17	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	5	6*	20	15	10	250	400	500	500
Issue date	03/16	12/15	03/15	05/15	09/14	May-2012	Jul-2012	Apr-2011	Jul-2012
Maturity date	03/18	12/17	03/17	05/17	09/17	May-2017	Jul-2017	Apr-2021	Jul-2022
Coupon, %	11.000	15.500**	9.500	9.500	8.750	6.875%	7.750%	6.875%	7.750%
Fitch/S&P/Moody's	-/-	BB-/-	-/-	-/-	-/-	BB-/B+	BB-/BB-/Ba3	BB-/BB-/Ba3	BB-/BB-/
Mid price, US\$	100.0	100.0*	101.6	101.87	100.65	102.1	103.8	109.6	107.6
Mid yield, %	11.0	15.0	7.75	7.75	8.25	4.8	4.5	4.7	6.3
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	417.3	394.1	342.7	499.2

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	109.6	4.7	342.7
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1 -	95.9	5.4	390.3
Bulgaria	323	5.000%	19/07/2021	BBB/-/-	120.0	1.1	-243.1
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	103.0	3.3	317.1
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	113.8	3.3	208.5
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	118.7	3.2	185.4
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	105.6	3.5	235.4
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	108.8	3.7	246.2

Source: Bloomberg

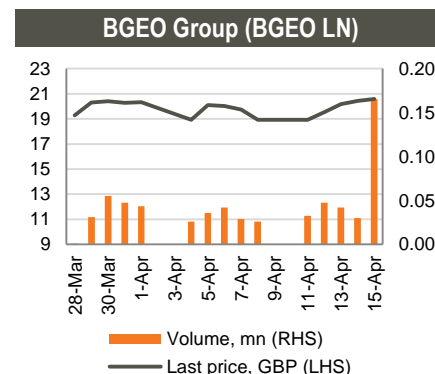
## Equities

**BGEO Group** (BGEO LN) shares closed at GBP 20.60/share (+4.57% w/w and +12.57% m/m). More than 317k shares traded in the range of GBP 19.31 – 22.57/share. Average daily traded volume was 52k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BOGH is a constituent, gained 0.45% w/w and gained 1.62% m/m, respectively. The volume of BOGH shares traded was at 0.80% of its capitalization.

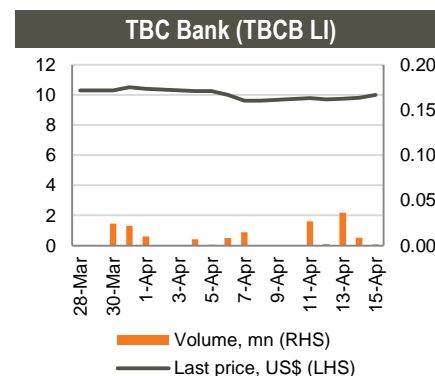
**TBC Bank** (TBCB LI) closed the week at US\$ 10.00 (+4.06% w/w and +1.52% m/m). More than 74k GDRs changed hands in the range of US\$ 9.66 – 10.15/GDR. Average daily traded volume was 16k in the last 4 weeks, less than in the previous month.

**Georgia Healthcare Group** (GHG LN) shares closed at GBP 1.79/share (+2.95% w/w and +10.95% m/m). More than 80k shares were traded in the range of GBP 1.67 – 1.80/share. Average daily traded volume was 18k in the last 4 weeks. The volume of GHG shares traded was at 0.06% of its capitalization.

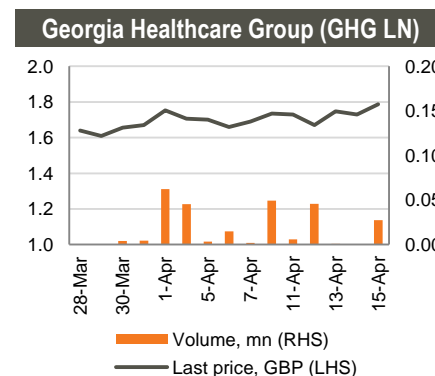
**On the Georgian stock exchange:** Liberty Bank shares were traded at GEL 0.016 (unchanged w/w) and Teliani Valley shares were traded at GEL 0.130 (unchanged w/w). As a result, the G&T remained at 796.75 (unchanged w/w).



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*	29.24	1,155	12.9%	20.8%	-4.0%	-9.6%	-4.3%
TBC	10.00	490	1.5%	11.1%	16.3%	-20.6%	-17.0%
Halyk Bank	4.05	1,105	0.0%	-14.7%	-33.9%	-52.4%	-46.7%
KKB	0.92	367	-8.0%	-16.4%	-68.2%	-75.8%	-71.4%
VTB Bank	2.21	14,321	7.6%	28.4%	-10.7%	-3.9%	-1.8%
Vozrozhdenie Bank	6.95	165	-5.4%	4.2%	-27.0%	-5.8%	-19.4%
Sberbank	7.55	40,756	17.9%	60.6%	25.6%	86.5%	25.2%

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*	2.54	325	11.3%	7.6%	nm	nm	nm
Mouwasat	31.45	1,572	1.0%	23.1%	-4.9%	-4.4%	-14.1%
Fortis	2.71	1,255	6.4%	5.2%	8.6%	54.3%	-3.4%
Raffles	3.34	1,927	5.0%	22.0%	4.2%	13.9%	15.3%
IHH	1.71	14,072	10.7%	15.0%	10.1%	24.3%	10.7%
Bangkok Chain	0.31	769	2.1%	22.5%	57.1%	28.3%	22.3%
Netcare	2.45	3,577	16.0%	31.1%	-15.7%	-25.5%	-30.6%

Source: Bloomberg

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

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