

Weekly Market Watch

 Weekly Market Watch | Georgia
 April 25, 2016

Economy

Trade deficit down 18.9% y/y in March 2016

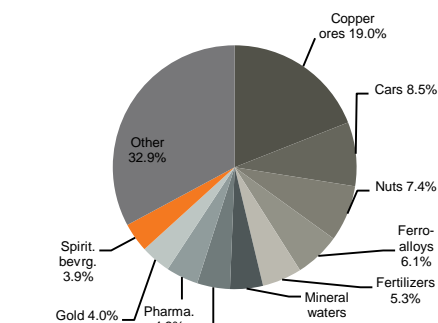
In March 2016, exports decreased 9.5% y/y to US\$ 161.9mn, imports fell 16.4% y/y to US\$ 565.8mn, and the trade deficit narrowed 18.9% y/y to US\$ 403.8mn, according to GeoStat. Reduced car re-exports (-14.4% y/y) and copper exports (-14.6% y/y) were the major commodities weighing on export growth, while ferro-alloys (+21.6% y/y), nuts (+11.0% y/y), fertilizers (+39.7% y/y), wine (+18.7% y/y), gold (+25.2% y/y), and spirituous beverages (+26.7% y/y) posted increases in March.

Gases (-22.1% y/y), cars (-34.9% y/y), copper ores (+148.7% y/y), petroleum (-43.2% y/y), and pharmaceuticals (-19.0% y/y) represented the top 5 imported commodities in March 2016.

NBG bought US\$ 30mn

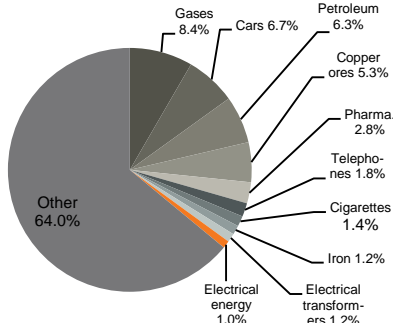
NBG intervened on the FX market with a purchase of US\$ 10mn and US\$ 20mn on April 20 and April 21, 2016 respectively. Overall, NBG's intervened 5 times this year on the purchasing side (total purchase of US\$ 55mn YTD), aimed at curbing the appreciation of the national currency, which strengthened 1.5% w/w and 6.8% YTD against the US\$.

Exports by commodities, 1Q16



Source: GeoStat

Imports by commodities, 1Q16



Key macro indicators

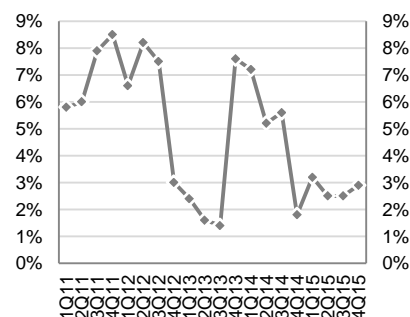
	3M16	2015	2014
GDP (% change)	1.7%*	2.8%	4.6%
GDP per capita (ppp)	...	9,566	9,209
GDP per capita (US\$)	...	3,743	3,676
Population (mn)	3.7**	3.7**	4.5
Inflation (eop)	4.1%	4.9%	2.0%
Gross reserves (US\$ bn)	2.5	2.5	2.7
CAD (% of GDP)	11.8%	10.6%
Fiscal deficit (% of GDP)	3.8%	3.0%
Total public debt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

 BB- Stable Affirmed Nov-2015	 Ba3 Stable Affirmed Mar-2016	 BB- Stable Affirmed Oct-2015
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Source: Rating agencies



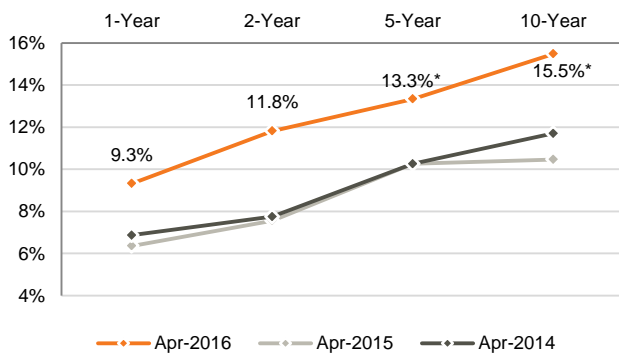
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 780mn (US\$ 349.1mn).

Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 8.9mn) certificates of deposit, with an average yield of 9.52% (down by 84bps from previous issue).

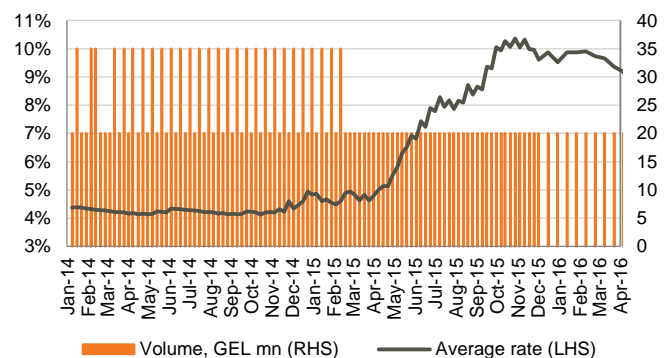
Ministry of Finance Treasury Notes: 1-year GEL 30.0mn (US\$ 13.4mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on April 20, 2016. The weighted average yield was fixed at 9.325%. The nearest treasury securities auction is scheduled for April 27, 2016, where GEL 10mn nominal value 5-year T-Notes will be sold.

T-bills / T-notes, yield curve



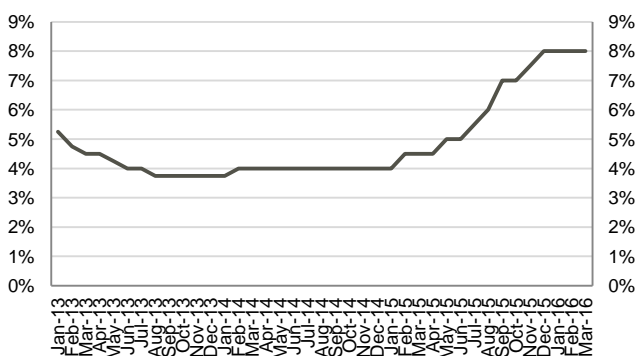
Source: NBG
*As of latest auction

Certificates of Deposits (weighted average rate)



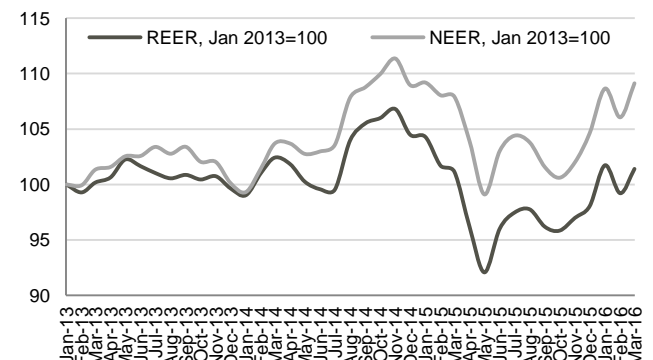
Source: NBG

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 4.5% 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 107.8 (+0.2% w/w), yielding 6.2%.

Georgian Sovereign Eurobonds (GEORG) closed at 110.8 (+1.1% w/w) at 4.4% yield to maturity.

JSC Georgian Oil and Gas Corporation has successfully refinanced Eurobond of US\$ 250mn. GOGC placed new bonds on the London Stock Exchange on April 19, 2016. The bond is priced at a coupon of 6.75% with 7.00% yield rate and has a maturity of 5 years.

	Local bonds					Eurobonds				
	Nikora 03/18	GWP 11/17	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	5	6*	20	15	10	250	250	400	500	500
Issue date	03/16	12/15	03/15	05/15	09/14	Apr-2016	May-2012	Jul-2012	Apr-2011	Jul-2012
Maturity date	03/18	12/17	03/17	05/17	09/17	Apr-2021	May-2017	Jul-2017	Apr-2021	Jul-2022
Coupon, %	11.000	15.500**	9.500	9.500	8.750	6.750%	6.875%	7.750%	6.875%	7.750%
Fitch/S&P/Moody's	-/-	BB-/	-/-	-/-	-/-	BB-/	BB-/	BB-/BB-/	BB-/BB-/	BB-/
Mid price, US\$	100.0	100.0*	101.6	101.87	100.65	101.2	102.1	103.8	110.8	107.8
Mid yield, %	11.0	15.0	7.75	7.75	8.25	6.5	4.8	4.5	4.4	6.2
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	508.4	408.4	367.5	303.5	495.2

Source: Bloomberg

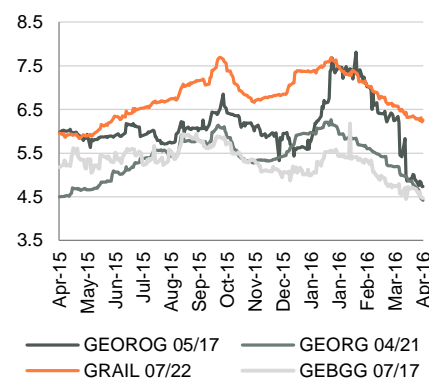
*GWP 11/17 bonds are in Georgian lari

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

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	110.8	4.4	303.5
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1/-	97.0	5.2	360.3
Bulgaria	323	5.000%	19/07/2021	BBB-/	119.6	1.1	-238.4
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	103.4	3.3	305.8
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	113.7	3.3	193.3
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	118.5	3.2	176.9
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	105.8	3.4	216.5
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	109.0	3.6	225.7

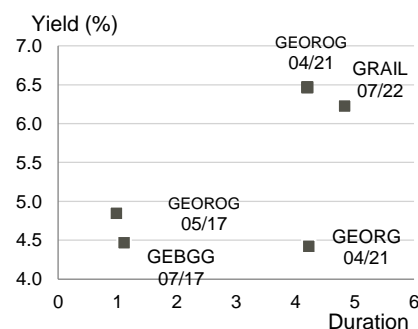
Source: Bloomberg

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

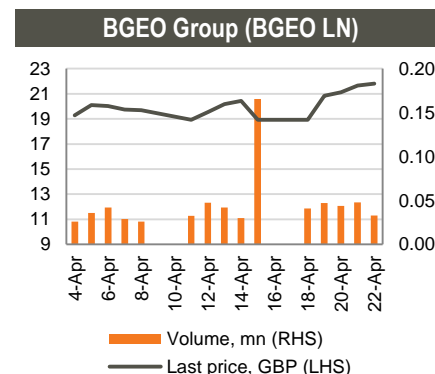
Equities

BGEO Group (BGEO LN) shares closed at GBP 21.82/share (+5.92% w/w and +7.49% m/m). More than 212k shares traded in the range of GBP 20.28 – 21.89/share. Average daily traded volume was 45k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BOGH is a constituent, lost 0.22% w/w and lost 0.17% m/m, respectively. The volume of BOGH shares traded was at 0.54% of its capitalization.

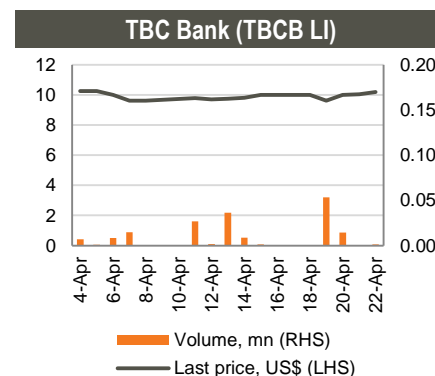
TBC Bank (TBCB LI) closed the week at US\$ 10.20 (+2.00% w/w and +0.99% m/m). More than 70k GDRs changed hands in the range of US\$ 9.61 – 10.40/GDR. Average daily traded volume was 13k in the last 4 weeks, less than in the previous month.

Georgia Healthcare Group (GHG LN) shares closed at GBP 1.79/share (+0.28% w/w and +13.91% m/m). More than 34k shares were traded in the range of GBP 1.76 – 1.82/share. Average daily traded volume was 15k in the last 4 weeks. The volume of GHG shares traded was at 0.03% of its capitalization.

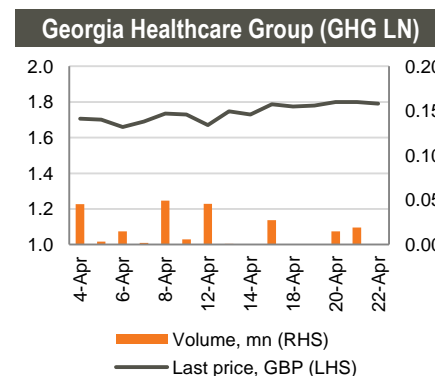
On the Georgian stock exchange: There were no trades. As a result, the G&T remained at 796.75 (unchanged w/w).



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	31.39	1,240	8.7%	27.7%	-2.5%	-3.0%
	TBC	TBC	10.20	499	1.0%	12.8%	16.7%	-19.0%
	Halyk Bank	HSBK	3.90	1,064	-7.6%	-5.0%	-37.2%	-54.1%
	KKB	KKB	1.35	538	35.0%	50.0%	-53.3%	-64.5%
	VTB Bank	VTBR	2.12	13,706	-0.1%	23.0%	-10.0%	-8.0%
	Vozrozhdenie Bank	VZRZ	7.53	179	-3.2%	14.2%	-21.6%	2.1%
	Sberbank	SBER	7.82	42,202	12.5%	57.9%	32.5%	93.1%

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	2.58	330	15.2%	4.5%	nm	nm	nm
Mouwasat	MOUWASAT	33.64	1,682	3.5%	19.1%	6.6%	2.3%	-9.2%
Fortis	FORH	2.70	1,253	0.0%	1.6%	6.4%	54.0%	6.2%
Raffles	RFMD	3.39	1,955	2.5%	23.0%	8.7%	15.5%	14.2%
IHH	IHH	1.72	14,128	4.8%	12.0%	12.2%	24.8%	4.4%
Bangkok Chain	BCH	0.30	754	-2.1%	27.4%	53.7%	25.8%	15.2%
Netcare	NTC	2.49	3,638	7.8%	30.4%	-14.8%	-24.2%	-28.7%

Source: Bloomberg

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

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Galt & Taggart

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

Tel: + (995) 32 2401 111

Email: gt@gt.ge