

# Weekly Market Watch

Weekly Market Watch | Georgia  
February 20, 2017

## Economy

### Exports up 44.7% y/y in January 2017

In January 2017, exports increased 44.7% y/y to US\$ 176.8mn, imports were up 15.5% y/y to US\$ 474.4mn and the trade deficit widened 3.1% y/y to US\$ 297.6mn according to GeoStat's preliminary figures. Detailed foreign trade statistics will be available on February 20, 2017.

### Money transfers up 26.1% y/y in January 2017

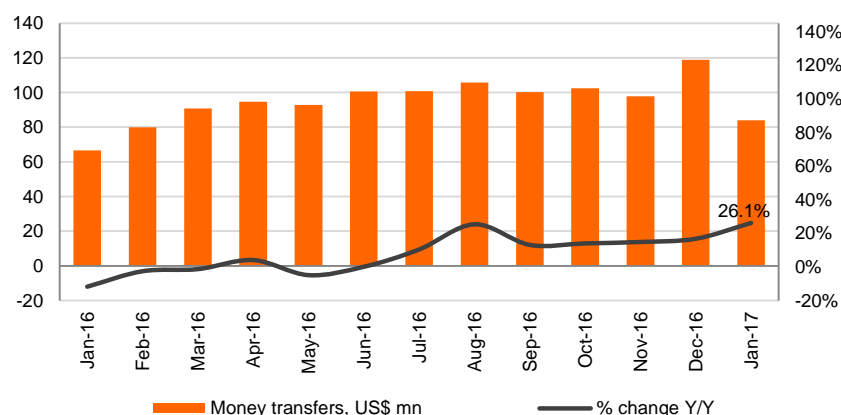
In January 2017, money transfers increased 26.1% y/y to US\$ 83.9mn after growing 16.7% y/y in previous month, according to NBG. Money transfers were up from all major remitting countries: Russia (+33.5% y/y, 31.5% of total), Italy (+12.1% y/y, 11.4% of total), USA (+25.8% y/y, 11.3% of total), Greece (+17.8% y/y, 11.1% of total) and Israel (+99.2% y/y, 7.6% of total).

### Georgia ranks 13th in the 2017 Economic Freedom Index

According to the 2017 Index of Economic Freedom by the Heritage Foundation, Georgia is ranked as 13th freest (from 23rd in 2016) economy out of 186 countries and 5th freest in Europe's 44 countries, falling behind Switzerland, Estonia, Ireland and UK.

Georgia's overall score has increased by 3.4 points to 76 compared to 2016, and the country remains in the "mostly free" category. According to the report, Georgia's government has maintained strong momentum in liberalizing economic activity while taking steps to restore fiscal discipline. Public debt and budget deficits remain under control. Open-market policies, supported by competitively low tax rates and regulatory efficiency, have facilitated flows of trade and investment.

### Money transfers



Source: NBG

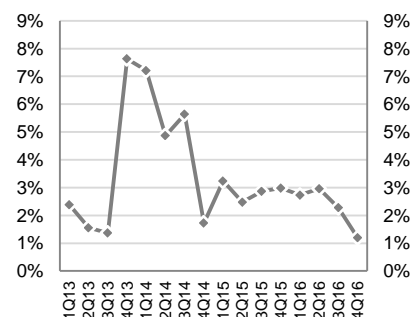
### Key macro indicators

	1M17	2016	2015
GDP (% change)	...	2.2%	2.9%
GDP per capita (ppp)	...	...	9,630
GDP per capita (US\$)	...	...	3,767
Population (mn)	3.7	3.7	3.7
Inflation (eop)	3.9%	1.8%	4.9%
Gross reserves (US\$ bn)	2.8	2.8	2.5
CAD (% of GDP)	...	8.4%(1)	11.9%
Fiscal deficit (% of GDP)	...	4.1%	3.7%
Total public debt (% of GDP)	...	...	41.4%

Source: Official data, IMF, G&T

(1) As of 3Q16

### Real GDP growth, %



Source: GeoStat

Note: rapid estimate for 4Q16

### International ranking, 2016-17




Ease of Doing Business # 16 (Top 20)

Economic Freedom Index # 13 (mostly free)

Global Competitiveness Index # 59 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

### Georgia sovereign credit ratings

 <b>BB-</b> Stable Affirmed Nov-2016	 <b>Ba3</b> Stable Affirmed Mar-2016	 <b>BB-</b> Stable Affirmed Sep-2016
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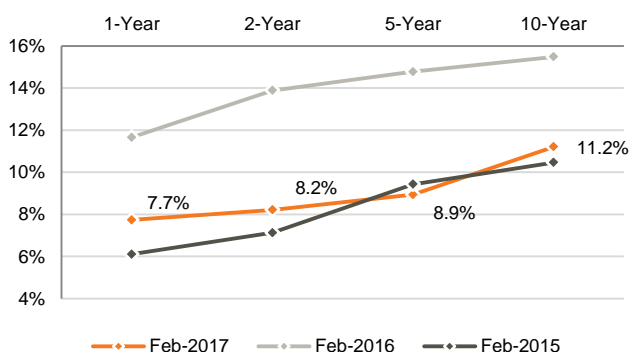
Source: Rating agencies

# Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,200mn (US\$ 453.7mn).

**Ministry of Finance Treasury Notes:** 10-year GEL 20.0mn (US\$ 7.6mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on February 15, 2017. The weighted average yield was fixed at 11.206%. The nearest treasury security auction is scheduled for February 22, 2017, where GEL 20.0mn nominal value 5-year T-Notes will be sold.

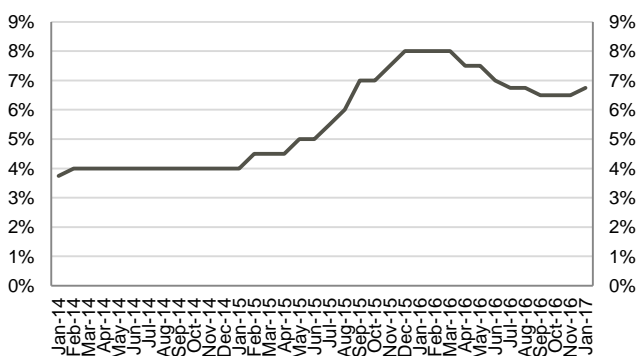
**T-bills / T-notes, yield curve**



Source: NBG

\*Note: As of latest auction.

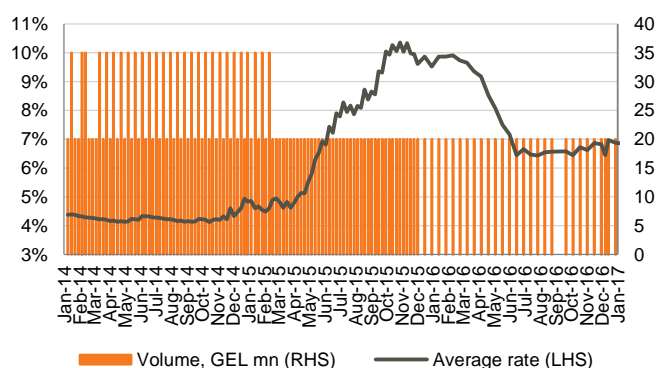
**Monetary policy rate**



Source: NBG

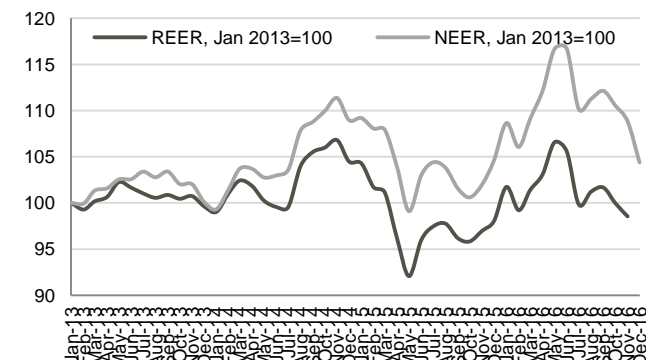
Note: Next revision of a monetary policy rate is scheduled for 7 March 2017

**Certificates of Deposits (weighted average rate)**



Source: NBG

**Nominal Effective Exchange Rate and Real Effective Exchange Rate**



Source: NBG

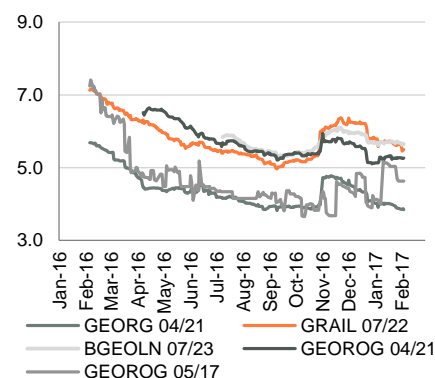
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

# Fixed income

**Corporate Eurobonds:** Bank of Georgia Eurobond (BGEOLN) closed at 5.7% yield, trading at 101.8 (+0.2% w/w). GOGC Eurobonds - GEOROG 05/17 traded at 100.6 (-0.1% w/w), yielding 3.8% and GEOROG 04/21 traded at 105.5 (+0.1% w/w), yielding 5.3%. Georgian Railway Eurobond (GRAIL) traded at a premium at 110.4 (+0.5 % w/w), yielding 5.5%.

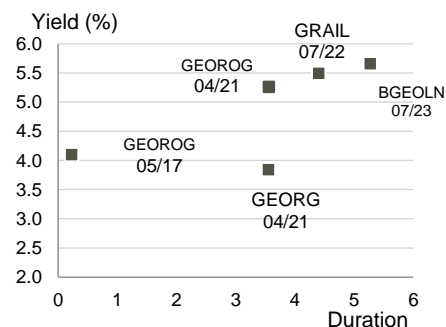
**Georgian Sovereign Eurobond (GEORG)** closed at 111.5 (+0.2% w/w) at 3.8% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

	Local bonds					Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	EVEX 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25	5	15	10	250	53.5	350	500	500
Issue date	12/16	10/16	03/16	05/15	09/14	04/16	05/12	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	05/17	09/17	04/21	05/17	07/23	04/21	07/22
Coupon, %	3.50**	7.500	11.00	9.500	8.750	6.750	6.875	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/I-/	-/-	-/-	-/-	-/-	BB-/B+/-	BB-/B+/-	BB-/B1	BB-/BB-/Ba3	B+/B+/-
Mid price, US\$	n/a	101.8	102.0	101.2	100.7	105.5	100.6	101.8	111.5	110.4
Mid yield, %	n/a	6.75%	9.00%	4.25%	7.50%	5.3	4.1	5.7	3.8	5.5
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	323.7	115.6	345.8	188.0	336.9

Source: Bloomberg

\*GWP 12/21 bonds are in Georgian lari

\*\*Coupon rate 3.5% 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	111.5	3.8	188.0
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	101.5	4.5	227.0
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	120.1	0.4	-235.7
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	108.4	2.2	197.8
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	112.2	3.2	120.0
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	115.1	3.4	137.0
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	107.7	2.5	62.7
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	104.2	4.5	253.2

Source: Bloomberg

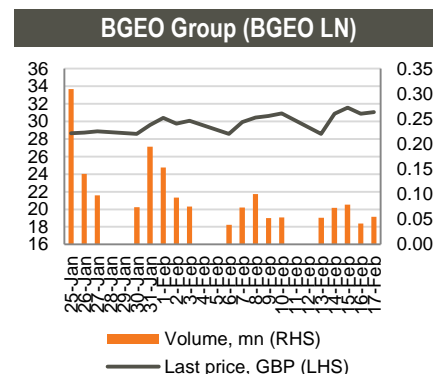
## Equities

**BGEO Group** (BGEO LN) shares closed at GBP 31.06/share (+0.52% w/w and +10.93% m/m). More than 301k shares traded in the range of GBP 30.24 – 31.76/share. Average daily traded volume was 116k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BGEO is a constituent, lost 0.21% w/w and gained 2.39% m/m. The volume of BGEO shares traded was at 0.76% of its capitalization.

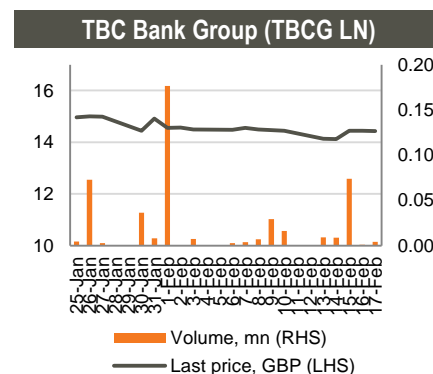
**TBC Bank Group** (TBCG LN) closed the week at GBP 14.43 (-0.14% w/w and -0.14% m/m). More than 96k shares changed hands in the range of GBP 14.12 – 14.70/share. Averaged daily traded volume was 31k in the last 4 weeks.

**Georgia Healthcare Group** (GHG LN) shares closed at GBP 3.79/share (+10.42% w/w and +9.30% m/m). More than 317k shares were traded in the range of GBP 3.45 – 3.85/share. Average daily traded volume was 23k in the last 4 weeks. The volume of GHG shares traded was at 0.24% of its capitalization.

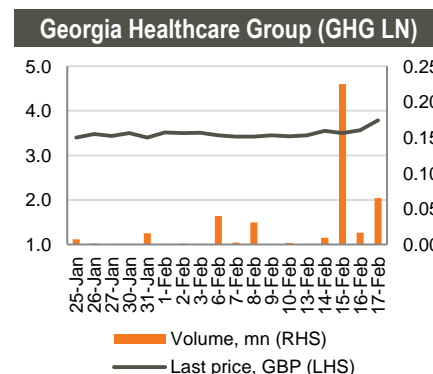
On the Georgian stock exchange, There were no trades. As a result, the G&T Index remained at 1,177.93 (unchanged w/w).



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*	BGEO	38.58	1,524	11.3%	9.8%	8.2%	37.5%	42.1%
TBC*	TBC	17.92	935	0.2%	56.5%	49.4%	77.4%	88.7%
Halyk Bank	HSBK	6.70	1,842	-2.2%	11.7%	17.5%	35.4%	81.1%
KKB	KKB	1.50	598	11.1%	8.7%	-5.7%	22.4%	78.6%
VTB Bank	VTBR	2.31	14,956	0.6%	12.3%	14.3%	9.4%	24.6%
Vozrozhdenie Bank	VZRZ	13.04	310	2.8%	19.5%	29.9%	58.1%	88.5%
Sberbank	SBER	11.55	62,332	2.2%	20.8%	29.6%	96.4%	106.1%

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	4.71	620	9.6%	4.4%	14.8%	106.1%	92.9%
Mouwasat	MOUWASAT	38.02	1,901	5.2%	9.7%	6.2%	17.1%	34.1%
Fortis	FORH	2.91	1,403	5.9%	22.7%	3.9%	7.2%	29.1%
Raffles	RFMD	1.04	1,824	-0.8%	5.3%	-6.9%	6.5%	8.1%
IHH	IHH	1.39	11,456	-2.1%	-3.9%	-16.4%	-9.0%	-10.6%
Bangkok Chain	BCH	0.41	1,012	-4.5%	5.1%	18.3%	61.7%	67.0%
Netcare	NTC	2.48	3,622	1.8%	2.7%	4.1%	13.2%	10.3%

Source: Bloomberg

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

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