

Weekly Market Watch

 Weekly Market Watch | Georgia
 June 11, 2018

Economy

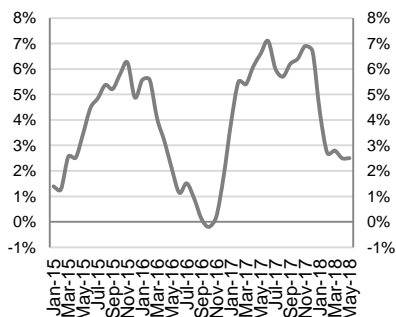
Tourist arrivals up 16.1% y/y in May 2018

Total international visitors to Georgia increased 9.0% y/y to 0.54mn visitors in May 2018, according to the Ministry of Internal Affairs. A 16.1% y/y growth in tourist arrivals (0.36mn trips, 66.4% of total) drove the international visitors' growth. Out of top countries by visitors, in May 2018, international visitors continued to increase from Russia (+24.5% y/y), Azerbaijan (+7.4% y/y), and Iran (+46.1% y/y), while visitors were down from Armenia (-8.9% y/y) and Turkey (-2.4% y/y).

Inflation was 2.5% y/y and flat m/m in May 2018

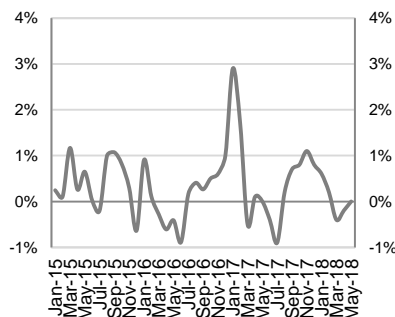
The annual CPI inflation was 2.5% in May 2018, according to GeoStat. Core inflation was 1.8% in May, unchanged from the previous month. Annual price changes were driven by price increases in food and non-alcoholic beverages (+1.8% y/y, +0.56ppts), transport (+3.5% y/y, +0.49ppts) and alcoholic beverages and tobacco (+6.4% y/y, +0.43ppts) categories. On a monthly basis, there was zero inflation in May 2018. Price decrease in food and non-alcoholic beverages (-0.7% m/m, -0.22ppts) and increase in transport (+1.0% m/m, +0.13ppts) categories were the major drivers of monthly price change dynamics.

Annual CPI inflation (% change, y/y)



Source: GeoStat

Monthly CPI inflation (% change, m/m)



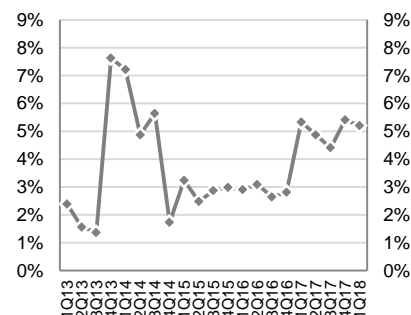
Key macro indicators

| | 5M18 | 2017 | 2016 |
|------------------------------|---------------------|--------|--------|
| GDP (% change) | 5.5% ⁽¹⁾ | 5.0% | 2.8% |
| GDP per capita (ppp) | ... | 10,644 | 10,043 |
| GDP per capita (US\$) | ... | 4,079 | 3,865 |
| Population (mn) | 3.7 | 3.7 | 3.7 |
| Inflation (eop) | 2.5% | 6.7% | 1.8% |
| Gross reserves (US\$ bn) | 3.0 | 3.0 | 2.8 |
| CAD (% of GDP) | ... | 8.7 | 12.8% |
| Fiscal deficit (% of GDP) | ... | 3.9% | 4.1% |
| Total public debt (% of GDP) | ... | 44.7% | 44.4% |

Source: Official data, IMF

1) As of 4M18

Real GDP growth, %



Source: GeoStat

International ranking, 2017-18

Ease of Doing Business # 9 (Top 10)

Economic Freedom Index # 16 (mostly free)

Global Competitiveness Index # 67

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

| | | |
|--|---|---|
| STANDARD & POOR'S BB- Stable Affirmed May-2017 | Moody's INVESTORS SERVICE Ba2 Stable Upgraded Sep-2017 | FitchRatings BB- Positive Affirmed Mar-2018 |
|--|---|---|

Source: Rating agencies



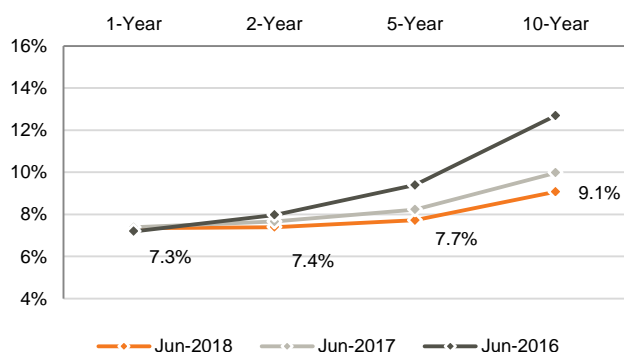
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,000mn (US\$ 408.8mn).

Ministry of Finance Treasury Bills:

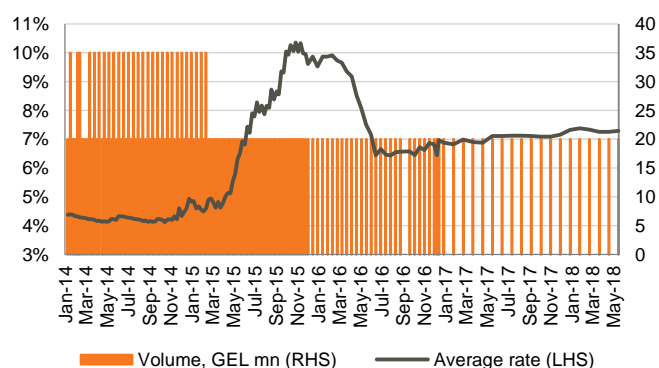
1-year GEL 40.0mn (US\$ 16.3mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on June 6, 2018. The weighted average yield was fixed at 7.346%. The nearest treasury security auction is scheduled for June 13, 2018, where GEL 40.0mn nominal value 2-year T-Notes and GEL 20.0mn nominal value 182-days T-Bills will be sold.

T-bills / T-notes, yield curve



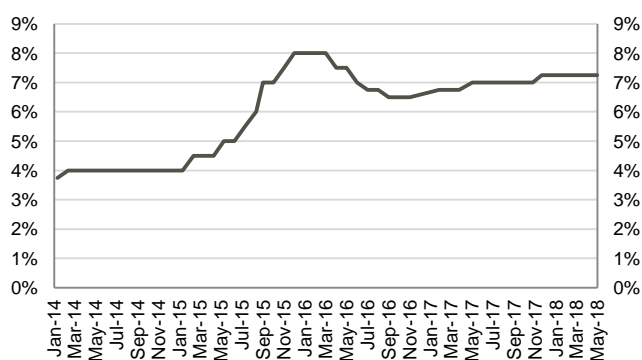
Source: NBG

Certificates of Deposits (weighted average rate)



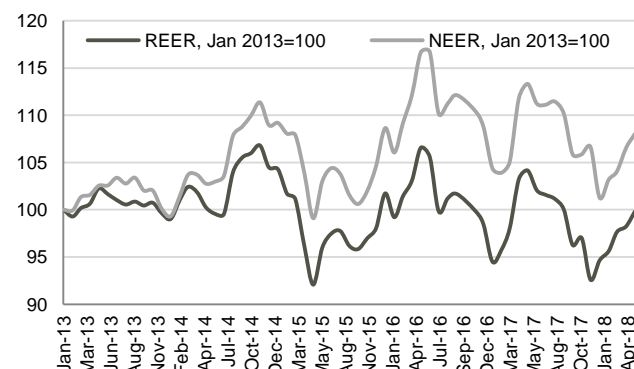
Source: NBG

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

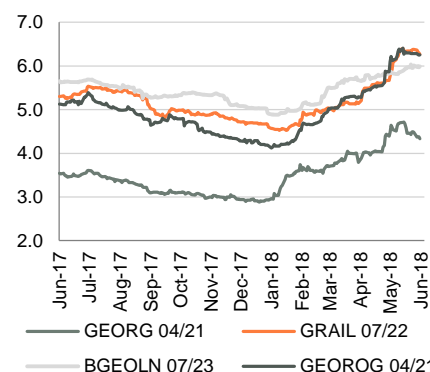
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (BGEOLN) closed at 6.0% yield, trading at 100.0 (+0.1% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.7%. Georgia Capital Eurobonds (GEOCAP) were trading at 94.8 (+0.1% w/w), yielding 7.3%.

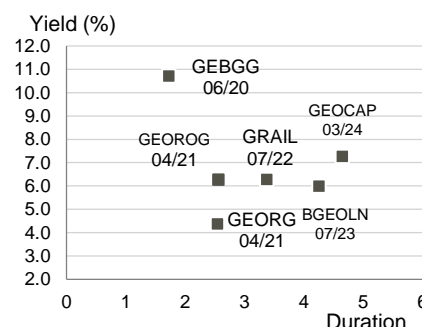
GOGC Eurobonds (GEOROG) were trading at 101.2 (unchanged w/w), yielding 6.3%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 105.2 (+0.6% w/w), yielding 6.3%.

Georgian Sovereign Eurobonds (GEORG) closed at 106.6 (+0.2% w/w) at 4.4% yield to maturity.

Georgia Eurobonds, YTM (%)



Georgian Eurobond universe



| | Local bonds | | | | Eurobonds | | | | | |
|-------------------|--------------|---------------|-----------------|--------------|-----------------|----------------|-----------------|-----------------|----------------|----------------|
| | GWP 12/21 | M2RE 10/19 | Nikora 06/19 | GLC 08/20 | GEOCAP 03/24 | GEBGG 06/20 | GEOROG 04/21 | BGEOLN 07/23 | GEORG 04/21 | GRAIL 07/22 |
| Amount, US\$ mn | 30* | 25.0 | 10.0 | 10.0 | 300 | 500* | 250 | 350 | 500 | 500 |
| Issue date | 12/16 | 10/16 | 08/17 | 8/17 | 03-18 | 06-17 | 04/16 | 07/16 | 04/11 | 07/12 |
| Maturity date | 12/21 | 10/19 | 06/19 | 8/20 | 03-24 | 06-20 | 04/21 | 07/23 | 04/21 | 07/22 |
| Coupon, % | 10.50** | 7.5 | 9.0 | 7.00 | 6.125% | 11.0 | 6.750 | 6.000 | 6.875 | 7.750 |
| Fitch/S&P/Moody's | BB-/B2 | -/- | -/- | n/a | -B+/B2 | B-/B2 | BB-/B2 | BB-/B2 | BB-/B2 | B+/B2 |
| Mid price, US\$ | n/a | 102.5 | 101.3 | 102.05 | 94.8 | 100.5 | 101.2 | 100.0 | 106.6 | 105.2 |
| Mid yield, % | n/a | 5.5% | 3.8% | 6.00% | 7.3 | 10.7 | 6.3 | 6.0 | 4.4 | 6.3 |
| Z-spread, bps | n/a | n/a | n/a | n/a | 434.0 | 346.1 | 343.8 | 308.3 | 152.9 | 339.5 |

Source: Bloomberg

*GWP 12/21 bonds and GEBGG 06/20 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-/Ba2 | 106.6 | 4.4 | 152.9 |
| Azerbaijan | 1,250 | 4.750% | 18/03/2024 | BB+/BB+/Ba2 | 98.9 | 5.0 | 204.7 |
| Bulgaria | 323 | 5.000% | 19/07/2021 | BBB-/BB+/Baa2 | 115.3 | 0.1 | -29.7 |
| Croatia | 1,250 | 3.875% | 30/05/2022 | BB/BB/Ba2 | 110.7 | 1.1 | 91.7 |
| Hungary | 3,000 | 6.375% | 29/03/2021 | BBB-/BBB-/Baa3 | 107.1 | 3.7 | 86.5 |
| Romania | 2,250 | 6.750% | 07/02/2022 | BBB-/BBB-/Baa3 | 109.0 | 4.1 | 120.5 |
| Russia | 3,500 | 5.000% | 29/04/2020 | BBB-/BBB-/Ba1 | 102.2 | 3.8 | 102.5 |
| Turkey | 2,000 | 5.625% | 30/03/2021 | BB+/BB-/Ba2 | 100.0 | 5.6 | 280.4 |

Source: Bloomberg

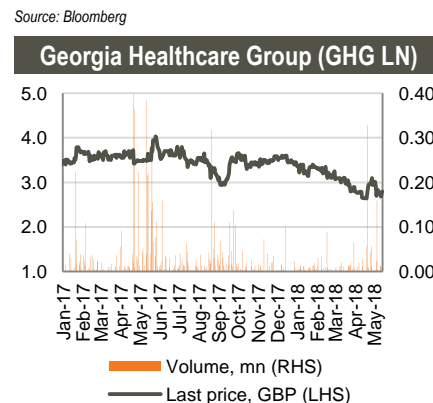
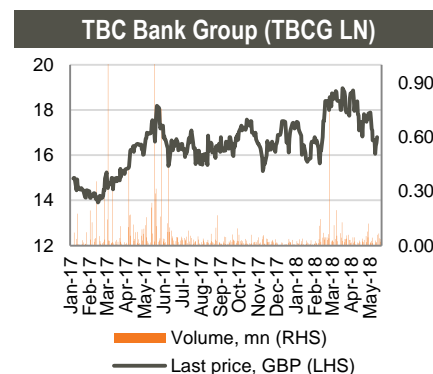
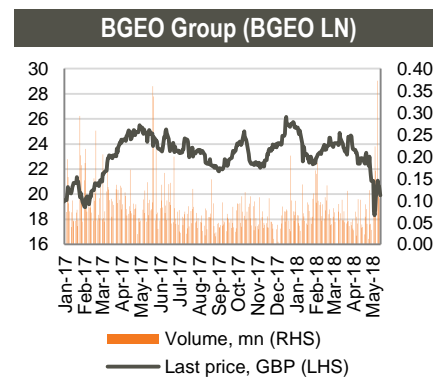
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 19.91/share (+0.96% w/w and -12.97% m/m). More than 808k shares traded in the range of GBP 19.75 – 21.11/share. Average daily traded volume was 102k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.84% w/w and gained 2.75% m/m. The volume of BGEO shares traded was at 2.05% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 11.12/share (+4.4% w/w). More than 4,211k shares traded in the range of GBP 10.71 – 11.21/share.

TBC Bank Group (TBCG LN) closed the week at GBP 17.04 (+1.43% w/w and +1.31% m/m). More than 211k shares changed hands in the range of GBP 16.72 – 17.52 share. Averaged daily traded volume was 40k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 2.80/share (-1.23% w/w and +5.46% m/m). More than 37k shares were traded in the range of GBP 2.68 – 2.80/share. Average daily traded volume was 41k in the last 4 weeks. The volume of GHG shares traded was at 0.03% of its capitalization.



Eastern European Banks

| | Tick er | Share price, US\$ | MCap US\$ mn | 1M, chg | 3M, chg | 6M, chg | YTD, chg | 1Y, chg |
|----------------------|------------|-------------------------|--------------------|------------|------------|------------|-------------|------------|
| BGEO | BGEO | 19.91* | 1,312 | -13.0% | -15.2% | -12.3% | -17.3% | -20.0% |
| TBC | TBC | 17.04* | 1,238 | 1.3% | -4.8% | 4.6% | -2.6% | -4.3% |
| Halyk Bank | HSBK | 11.80 | 3,244 | -6.3% | -16.6% | 22.9% | 19.4% | 53.2% |
| KKB | KKB | 0.68 | 712 | 0.0% | 0.0% | 0.0% | 0.0% | 4.6% |
| VTB Bank | VTBR | 1.44 | 9,306 | -21.4% | -31.2% | -20.8% | -21.5% | -34.9% |
| Vozrozhdenie Bank | VZRZ | 6.35 | 151 | 20.8% | -22.5% | -36.1% | -27.0% | -51.2% |
| Sberbank | SBER | 13.93 | 75,177 | -4.3% | -29.1% | -13.6% | -17.7% | 27.6% |

Source: Bloomberg

*BGEO and TBC share prices traded and shown in GBP

Healthcare Sector Peers

| | Ticker | Share price, US\$ | MCap, US\$ mn | 1M, chg | 3M, chg | 6M, chg | YTD, chg | 1Y, chg |
|------------------|----------|----------------------|------------------|---------|---------|---------|----------|---------|
| GHG | GHG | 2.8* | 494 | 5.5% | -12.5% | -20.0% | -21.1% | -23.2% |
| Mouwasat | MOUWASAT | 25.33 | 2,533 | 5.4% | 9.1% | 19.5% | 25.5% | 27.9% |
| Fortis | FORH | 2.17 | 1,123 | -5.0% | -4.8% | -4.9% | -13.8% | -27.9% |
| Raffles | RFMD | 0.79 | 1,406 | -5.9% | -9.8% | 0.3% | -5.3% | -20.5% |
| IHH | IHH | 1.52 | 12,506 | 0.1% | -1.5% | 10.2% | 5.2% | 6.4% |
| Bangkok Chain | BCH | 0.50 | 1,237 | -5.7% | -5.7% | 1.8% | -0.3% | 22.4% |
| Netcare | NTC | 2.28 | 3,357 | -5.1% | 6.0% | 38.3% | 12.4% | 18.9% |

Source: Bloomberg

*GHG share price traded and shown in GBP

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