

Weekly Market Watch

 Weekly Market Watch | Georgia
 April 20, 2015

Economy

Producer price index up 1.0% m/m and 7.2% y/y in March 2015

PPI for industrial products increased 1.0% m/m in March 2015 according to GeoStat. Monthly index was mainly impacted by 0.8% increase in manufacturing prices (mostly for foods, beverages, tobacco, manufacture of paper, and publishing), contributing 0.69ppts to overall index change. The prices fell 4.3% m/m for manufacture of chemical products and 1.2% m/m for manufacture of basic metals.

Annual PPI increased 7.2% in March 2015 with manufacturing prices increasing 9.3% y/y (mostly for food, beverages, tobacco, manufacture of paper, publishing, and manufacture of basic metals), contributing 7.61ppts to overall index change. In this category prices dropped for manufacture of chemical products (-19.9% y/y). The prices also decreased 3.4% y/y (-0.44ppts) in the electricity, gas, and water supply category.

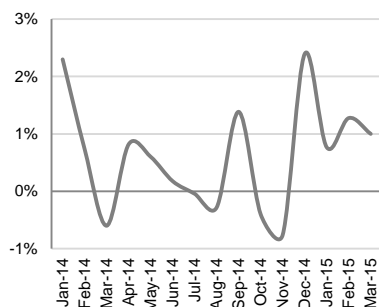
Money transfers down 23.5% y/y in March 2015

Money transfers decreased 23.5% y/y to US\$ 92.2mn in March 2015 according to NBG. The 42.4% y/y drop in transfers from Russia, accounting for 37.2% of total transfers, had a major negative impact. Remittances significantly increased from USA +33.5% y/y (9.2% of total), Turkey +21.3% y/y (7.2%), and Israel +43.9% y/y (2.8%) in March.

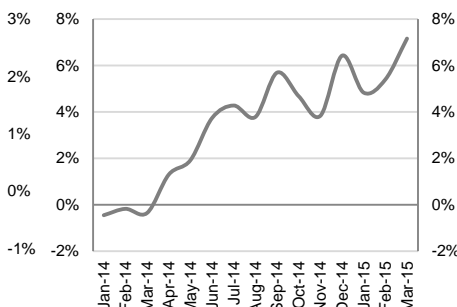
Trade deficit increased 9.4% y/y in March 2015

According to GeoStat's preliminary figures, the trade deficit increased 9.4% y/y as exports fell 30.1% y/y to US\$ 179mn, while imports were down 5.0% y/y to US\$ 666mn in March 2015.

PPI (% change m/m)



PPI (% change y/y)



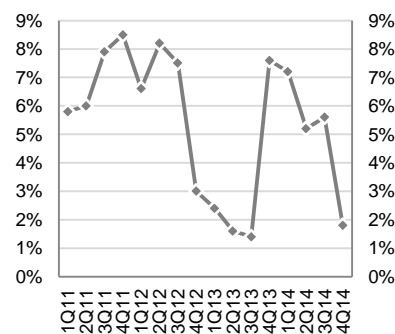
Source: NBG

Key macro indicators

	2014E	2013
GDP (% change)	4.8%	3.3%
GDP per capita (ppp)	7,666	7,156
GDP per capita (US\$)	3,681	3,560
Population (mn)	4.5	4.5
Inflation (eop)	2.0%	2.4%
Gross reserves (US\$ bn)	2.7	2.8
CAD (% of GDP)	9.7%	5.9%
Fiscal deficit (% of GDP)	3.0%	2.6%
Total public debt (% of GDP)	35.5%	34.7%

Source: Official data, G&T Research

Real GDP growth, %



Source: GeoStat.

International ranking of Georgia, 2015

Ease of doing business # 15 (regional leader)
 Economic freedom index # 22 (mostly free)
 Global competitiveness index # 69 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POOR'S BB- Stable Affirmed Nov-2014	Moody's INVESTORS SERVICE Ba3 Positive Affirmed Aug-2014	FitchRatings BB- Stable Affirmed Apr-2015
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Source: Rating agencies

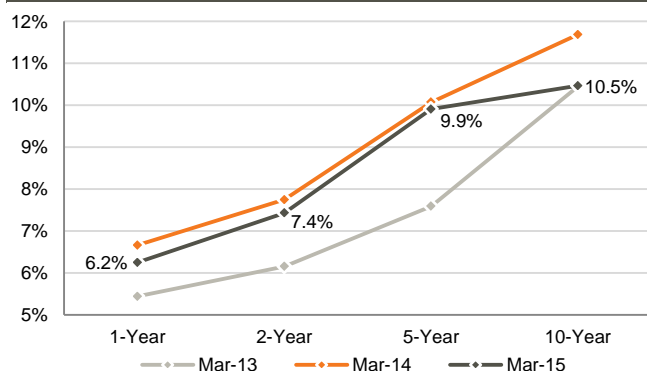
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 311mn) with an average yield of 4.50% (unchanged w/w).

Certificates of deposit: NBG sold 182-day, GEL 20mn (US\$ 6.68mn) certificates of deposit, with an average yield of 5.14% (up by 35bps from previous issue).

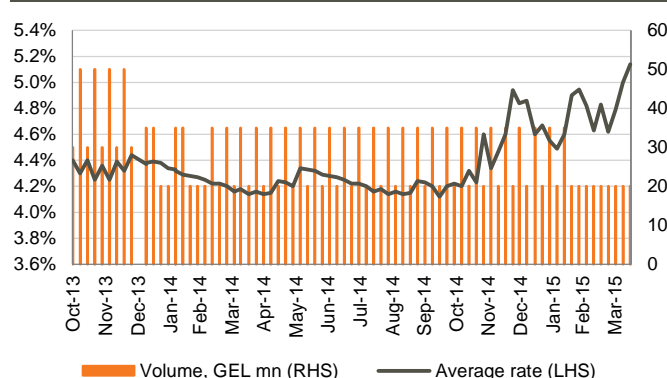
Ministry of Finance Treasury Notes: 5-year, GEL 15mn (US\$ 8.91mn) T-Notes of Ministry of Finance were sold at the auction held at NBG. Minimum yield was 9.950%, maximum yield was 10.450% and the weighted average yield was fixed at 10.263%. The coupon rate was 10.250%. Coupons will be paid semi-annually.

T-bills / T-notes, yield curve



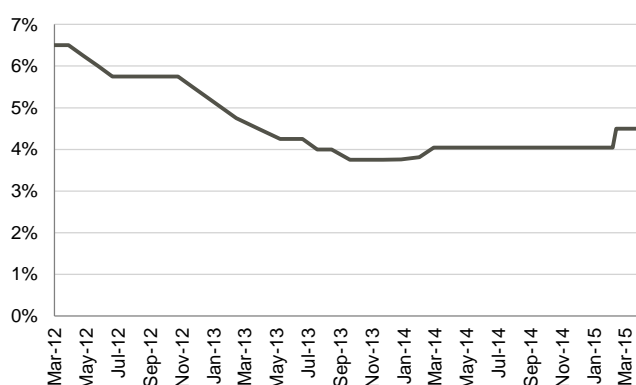
Source: NBG

Certificates of Deposits (weighted average rate)



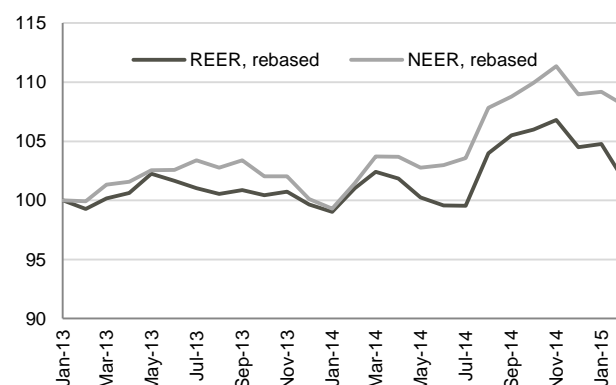
Source: NBG

Monetary policy rate



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG

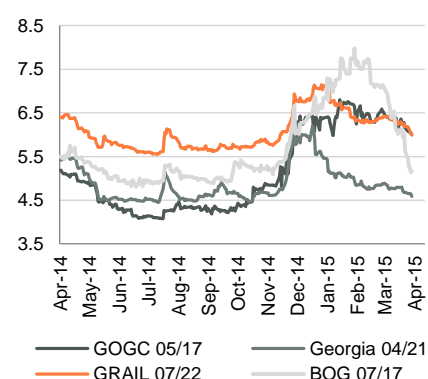
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG; US\$ 400mn; coupon: 7.75%; maturity: 07/17) closed at 5.2% yield, trading at 105.3 (up 0.8% w/w). GOGC Eurobonds (GEOROG; US\$ 250mn; coupon: 6.875%; maturity: 05/17) were trading at 101.8 (up 0.4% w/w), yielding 6.0%. Georgian Railway Eurobonds (GRAIL; US\$ 500mn; coupon: 7.75%; maturity: 07/22) also traded at a premium at 109.8 (up 1.2% w/w) yielding 6.1%.

Georgian Sovereign Eurobonds (GEORG; US\$ 500mn; coupon: 6.875% maturity: 04/21) went up to 111.8 (up 0.5% w/w), closing at 4.6% yield to maturity.

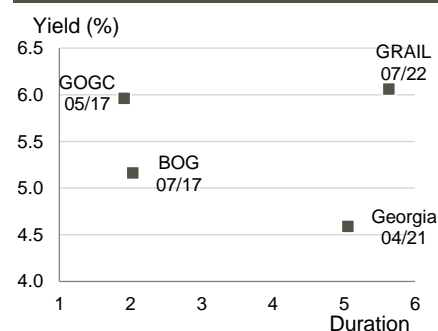
Georgia Eurobonds, YTM (%)



	Local bonds				Eurobonds			
	M ² 04/15	M ² 06/15	GLC 09/17	M ² RE 03/17	GOGC 05/17	Georgia 04/21	GR 07/22	BOG 07/17
Amount, US\$ mn	5	10	10	20	250	500	500	400
Issue date	04/14	06/14	09/14	03/15	05/12	04/11	07/12	07/12
Maturity date	04/15	06/15	09/17	03/17	05/17	04/21	07/22	07/17
Coupon, %	9.500	8.420	8.750	9.500	6.875	6.875	7.750	7.750
Fitch/S&P/Moody's	-/-	-/-	-/-	-/-	BB-/B+/-	BB-/BB-/Ba3	BB-/BB-/	BB-/BB-/Ba3
Mid price, US\$	100.0	99.5	98.0	100.0	101.8	111.8	109.8	105.3
Mid yield, %	8.7	9.9	9.7	9.5	6.0	4.6	6.1	5.2
Z-spread, bps	n/a	n/a	n/a	n/a	455.5	292.3	445	425.4

Source: Bloomberg

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	111.8	4.6	292.3
Azerbaijan	1,250	4.750	18/03/2024	BBB-/Baa3	103.3	4.3	237.2
Bulgaria	323	5.000	19/07/2021	BBB-/	122.0	1.3	-164
Croatia	1,250	3.875	30/05/2022	BB/BB/Baa1	105.2	3.1	272.3
Hungary	3,000	6.375	29/03/2021	BB+/BB/Baa1	116.6	3.3	166.7
Romania	2,250	6.750	07/02/2022	BBB-/BBB-/Baa3	121.4	3.2	150.7
Russia	3,500	5.000	29/04/2020	BBB-/BB+/Baa3	103.4	4.2	269.9
Turkey	2,000	5.625	30/03/2021	BBB-/Baa3	109.3	3.9	221.2
Ukraine	1,500	7.950	23/02/2021	CCC/CCC-/Caa3	44.1	27.9	2580.7

Source: Bloomberg

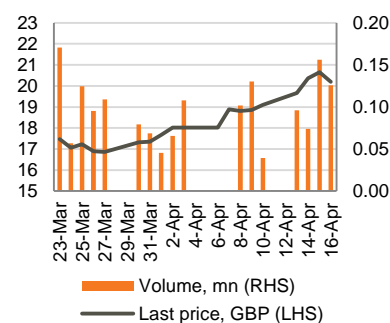
Equities

Bank of Georgia Holdings (BGEO LN) shares closed at GBP 20.40/share (+6.81% w/w and +10.93% m/m). More than 720k shares traded in the range of GBP 19.07 – 21.22 /share. Average daily traded volume was 102k in the last 4 weeks, more than in the previous month. FTSE 250 index, of which BOGH is a constituent, has lost 1.67% w/w and gained 2.17% m/m. The volume of BOGH shares traded was at 2.00% of its capitalization.

TBC Bank (TBCB LI) closed the week at US\$ 11.80 (-3.67% w/w and -1.67% m/m). More than 175k GDRs changed hands in the range of US\$ 11.50 – 12.95/GDR. Average daily traded volume was 58k in the last 4 weeks, less than in the previous month. The price has decreased 9.23% since the start of trading on June 5, 2014.

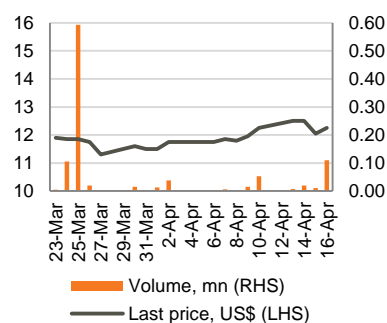
On the Georgian stock exchange, Bank of Georgia shares were traded at GEL 35.00 (unchanged w/w), Liberty Consumer shares were traded at GEL 0.10 (unchanged w/w) and Teliani Valley shares were traded at GEL 0.20 (-20% w/w). As a result, the G&T Index decreased to the level of 797.92 (-0.12% w/w).

Bank of Georgia (BGEO LN)



Source: Bloomberg

TBC Bank (TBCL LI)



Source: Bloomberg

Eastern European banks

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
BGEO*	BGEO	30.48	1,204	12.3%	1.6%	-16.8%	-5.8%	-31.3%
TBC	TBC	11.80	577	-1.7%	-4.8%	-21.3%	-6.3%	N/A
Halyk Bank	HSBK	7.60	2,114	31.0%	5.7%	-23.6%	-10.6%	-15.6%
KKB	KKB	3.22	1,078	-6.7%	-8.0%	-8.1%	-15.3%	49.8%
VTB Bank	VTBR	2.18	14,153	11.9%	8.6%	9.0%	-5.0%	4.2%
Vozrozhdenie Bank	VZRZ	11.35	N/A	0.0%	0.0%	0.0%	0.0%	0.0%
Sberbank	SBER	2.74	N/A	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Bloomberg

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



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