

Weekly Market Watch

Weekly Market Watch | Georgia
April 14, 2015

Economy

Gross international reserves stood at US\$ 2.5bn end-March 2015

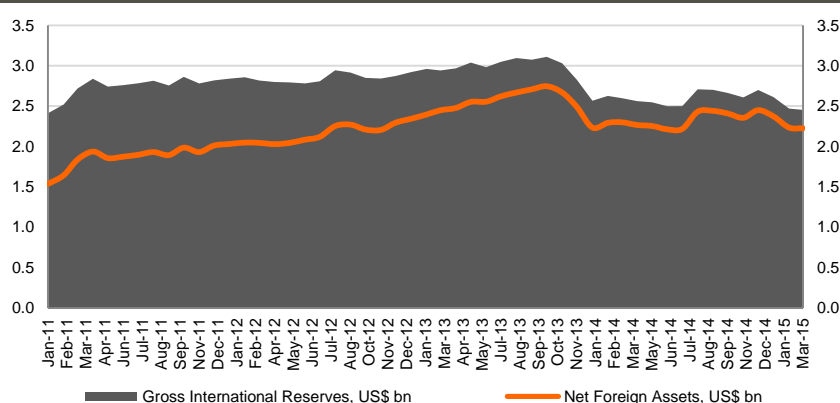
Gross international reserves stood at US\$ 2.5bn (-0.7% m/m) and net foreign assets of NBG stood at US\$ 2.2bn (-0.4% m/m) as of end-March 2015, according to NBG. The decrease in reserves was attributed to FX interventions as NBG sold US\$ 40mn (1.6% of total) on 19 March, 2015. However, gross reserves decreased by just US\$ 16.6mn due to a surplus from government FX operations (partly offsetting the decrease due to interventions).

Property registration and company registration up 8.1% m/m in March 2015

Property registration (commercial and residential real estate) increased 8.1% m/m and 10.9% y/y, reaching 49,025 units in March 2015, according to the National Agency of Public Registry (NAPR). Registration increased for both primary (+19.1% y/y, 18.1% of total) and secondary (+9.2% y/y, 81.9% of total) real estate.

Company registration increased 8.1% m/m and fell 5.5% y/y to 4,465 units in March 2015. Out of newly registered companies, 96.2% were business legal entities while 3.8% comprised non-entrepreneurial (non-commercial) legal entities.

International reserves of NBG



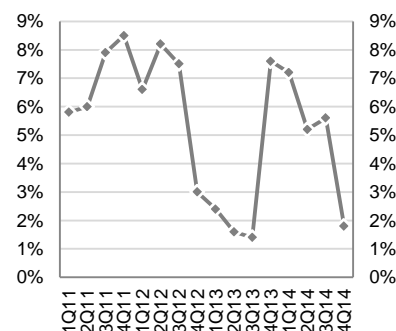
Source: NBG

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 & POORS BB- Stable Affirmed Nov-2014	Moody's INVESTORS SERVICE Ba3 Positive Affirmed Aug-2014	FitchRatings BB- Positive Affirmed Oct-2014
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Source: Rating agencies



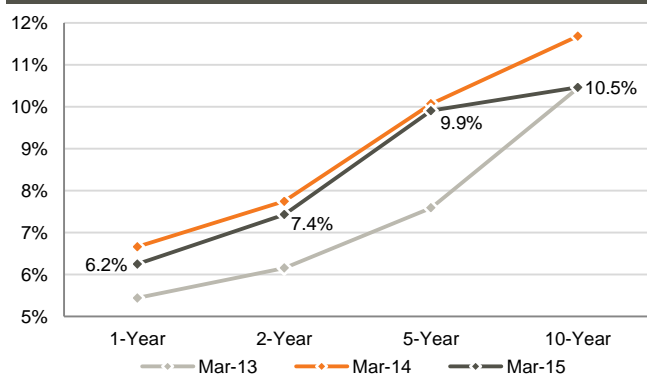
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 8-day refinancing loans of GEL 700mn (US\$ 311mn) with an average yield of 4.50% (unchanged w/w).

Certificates of deposit: NBG sold 92-day, GEL 20mn (US\$ 8.89mn) certificates of deposit, with an average yield of 5.00% (up by 38bps from previous issue).

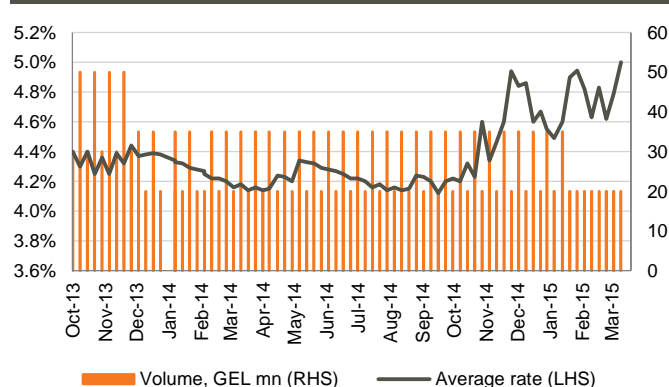
Ministry of Finance Treasury Notes: 2-year, GEL 20mn (US\$ 8.86mn) T-Notes of Ministry of Finance were sold at the auction held at NBG. The weighted average yield was fixed at 7.559%. The coupon rate was 7.500%. The nearest treasury securities auction is scheduled for April 15, 2015, where GEL 15mn nominal value 5-year T-Notes will be sold.

T-bills / T-notes, yield curve



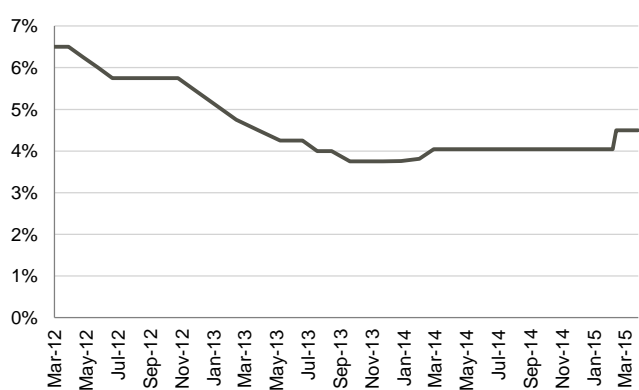
Source: NBG

Certificates of Deposits (weighted average rate)



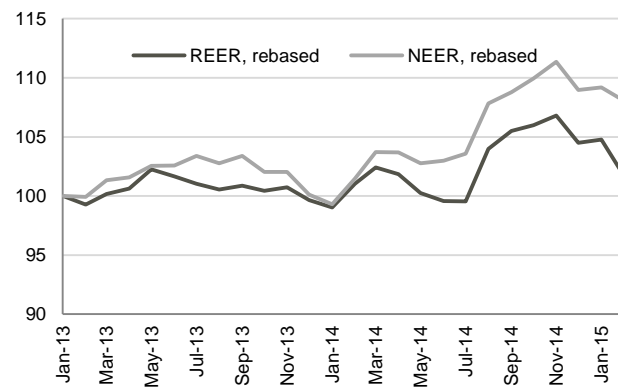
Source: NBG

Monetary policy rate



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG

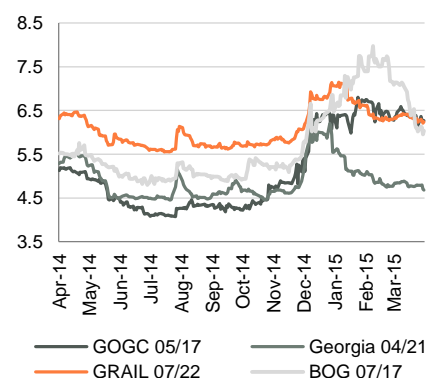


Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG; US\$ 400mn; coupon: 7.75%; maturity: 07/17) closed at 5.6% yield, trading at 104.5 (up 0.9% w/w). GOGC Eurobonds (GEOROG; US\$ 250mn; coupon: 6.875%; maturity: 05/17) were trading at 101.4 (up 0.1% w/w), yielding 6.1%. Georgian Railway Eurobonds (GRAIL; US\$ 500mn; coupon: 7.75%; maturity: 07/22) also traded at a premium at 108.6 (up 0.3% w/w) yielding 6.3%.

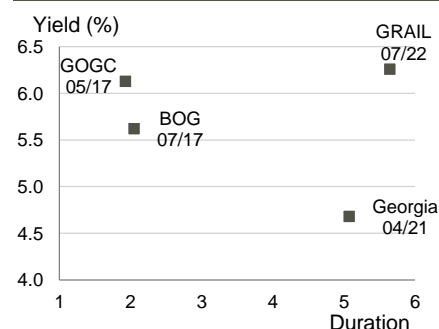
Georgian Sovereign Eurobonds (GEORG; US\$ 500mn; coupon: 6.875% maturity: 04/21) went up to 111.3 (up 0.5% w/w), closing at 4.7% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

	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	101.4	111.3	108.6	104.5
Mid yield, %	8.7	9.9	9.7	9.5	6.1	4.7	6.3	5.6
Z-spread, bps	n/a	n/a	n/a	n/a	488.2	296.8	452.2	540.5

Source: Bloomberg

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	111.4	4.7	296.8
Azerbaijan	1,250	4.750	18/03/2024	BBB-/Baa3	102.4	4.4	243.8
Bulgaria	323	5.000	19/07/2021	BBB-/	120.7	1.5	-149.2
Croatia	1,250	3.875	30/05/2022	BB/BB/Ba1	105.7	3.0	258.2
Hungary	3,000	6.375	29/03/2021	BB+/BB/Baa1	116.9	3.2	156.8
Romania	2,250	6.750	07/02/2022	BBB-/BBB-/Baa3	121.4	3.2	128.1
Russia	3,500	5.000	29/04/2020	BBB-/BB+/Baa3	103.9	4.1	252.9
Turkey	2,000	5.625	30/03/2021	BBB-/Baa3	110.2	3.7	199.6
Ukraine	1,500	7.950	23/02/2021	CCC/CCC-/Caa3	44.0	27.8	2898.9

Source: Bloomberg

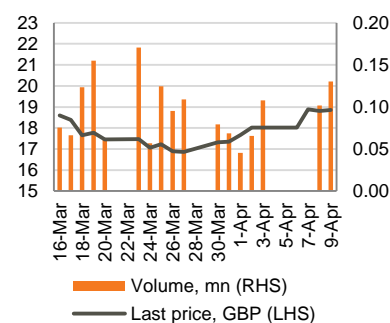
Equities

Bank of Georgia Holdings (BGEO LN) shares closed at GBP 19.10/share (+5.99% w/w and +3.58% m/m). More than 360k shares traded in the range of GBP 17.98 – 19.17 /share. Average daily traded volume was 94k in the last 4 weeks, same as in the previous month. FTSE 250 index, of which BOGH is a constituent, has gained 3.51% w/w and 5.63% m/m. The volume of BOGH shares traded was at 1.00% of its capitalization.

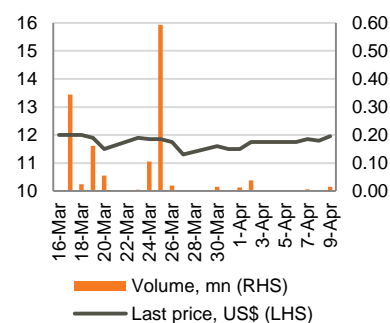
TBC Bank closed the week at US\$ 12.25 (+4.26% w/w and +2.08% m/m). More than 77k GDRs changed hands in the range of US\$ 10.95 – 12.25/GDR. Average daily traded volume was 80k in the last 4 weeks, less than in the previous month. The price has decreased 5.77% since the start of trading on June 5, 2014.

On the Georgian stock exchange, Liberty Bank shares were traded in the range of GEL 0.01 – 0.0101 closing at GEL 0.0101 (unchanged w/w). As a result, the G&T Index remained at the same level of 798.91 (+0.001% w/w).

Bank of Georgia (BGEO LN)



TBC Bank (TBCL LI)



Eastern European banks

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
	BGEO*	27.98	1,105	0.5%	-12.4%	-24.4%	-29.5%	-35.8%
	TBC	12.25	600	2.1%	-1.2%	N/A	N/A	N/A
	Halyk Bank	7.80	2,170	22.8%	3.9%	-25.7%	-23.9%	-13.3%
	KKB	3.22	1,078	-6.7%	-8.0%	-8.0%	78.9%	19.3%
	VTB Bank	2.20	14,257	9.7%	4.2%	12.8%	-26.5%	2.8%
	Vozrozhdenie Bank	11.35	N/A	0.0%	0.0%	0.0%	0.0%	0.0%
	Sberbank	2.74	N/A	0.0%	0.0%	0.0%	-12.7%	0.0%

Source: Bloomberg

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

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