

Weekly Market Watch

Weekly Market Watch | Georgia
March 16, 2015

Economy

FDI up 53.9% in 4Q14 and up 35.1% in 2014

Georgia's 4Q14 FDI increased 53.9% y/y to US\$ 349.2mn, according to GeoStat's preliminary figures. The transports and communications sector was the largest FDI recipient with 26% of total, followed by the construction sector (25%), and the financial sector (22%). Azerbaijan topped the list of investors with US\$ 83.6mn (24% of total), with Netherlands coming in second at US\$ 66.8mn (19%), followed by UK at US\$ 65.8 (19%).

FDI in 2014 increased 35.1% y/y to US\$ 1.27bn. The transport and communications sector was the largest FDI recipient at US\$ 343.4mn accounting for 27% of total, followed by the construction sector at US\$ 294.9mn (23%), and manufacturing at US\$ 174.0mn (14%). Netherlands topped the list of investors with US\$ 331.2mn (26% of total), followed by Azerbaijan at US\$ 302.1mn (24%), and China at US\$ 195mn (15%).

Exports down 22.7% y/y and imports down 3.5% y/y in February 2015

Exports decreased 22.7% y/y to US\$ 167mn, while imports were down 3.5% y/y at US\$ 571mn in February 2015, according to GeoStat's preliminary figures. As a result, the trade deficit reached US\$ 404mn, up 7.5% y/y in February 2015.

International cooperation continues

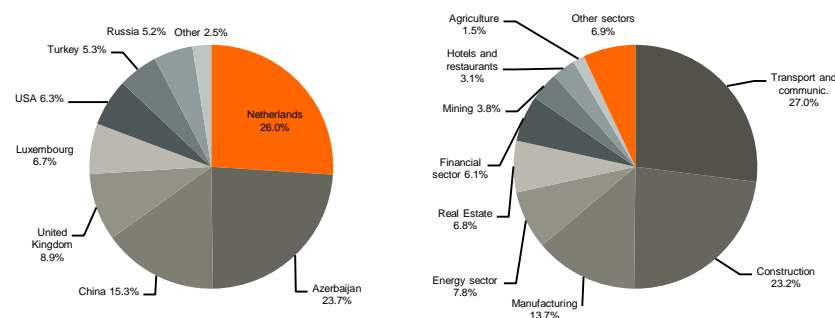
An agreement on co-operation for the development of the "New Silk Road Economic Belt" was signed between China and Georgia in Beijing on March 9th. The agreement is meant to foster a new type of co-operation between contracting countries, directed at optimization of bilateral trade, collaboration in the field of infrastructure development, and strengthening of investment co-operation.

On March 11, 2015 Moody's released a credit opinion on Georgia's Ba3 sovereign credit rating with positive outlook (affirmed in August 2014). According to the credit rating agency, Georgia's key rating strengths are the low and concessionally priced public debt of Georgia and the EU DCFTA, a supporting factor for attracting additional foreign direct investments (FDI) and boosting export potential.

Foreign direct investments



FDI by countries and by sectors 2014



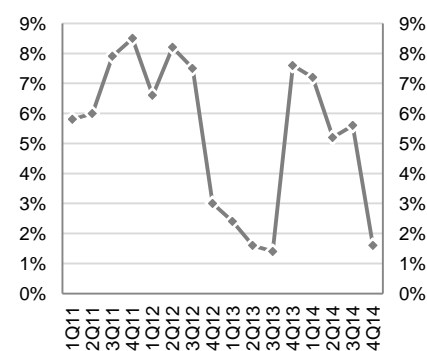
Source: GeoStat

Key macro indicators

	2014E	2013
GDP (% change)	4.7%	3.3%
GDP per capita (ppp)	7,666	7,156
GDP per capita (US\$)	3,700	3,597
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)	35.0%	34.7%

Source: Official data, G&T Research

Real GDP growth, %



Source: GeoStat, 4Q14 data preliminary

International ranking of Georgia, 2014

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 May-2014	Moody's INVESTORS SERVICE Ba3 Positive Affirmed Aug-2014	FitchRatings BB- Positive Affirmed Oct-2014
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Source: Rating agencies



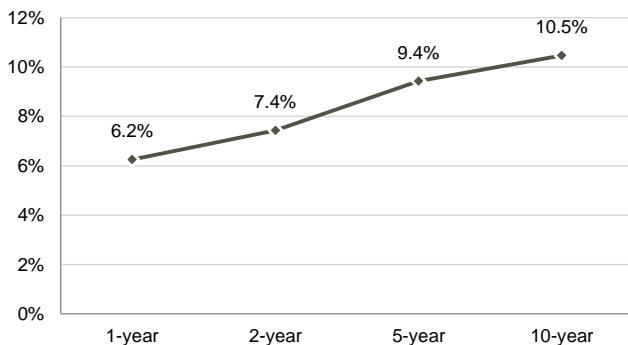
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 320mn) with an average yield of 4.50% (unchanged w/w).

Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 9.15mn) certificates of deposit, with an average yield of 4.63% (down by 32bps from previous issue).

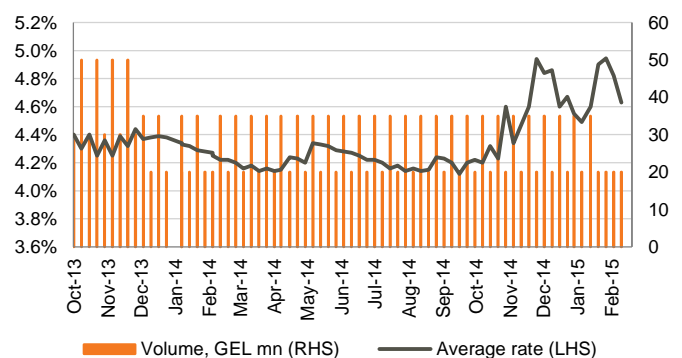
Ministry of Finance Treasury Notes: 2-year, GEL 25mn (US\$ 11.45mn) T-Notes of Ministry of Finance were sold at the auction held at NBG. Minimum yield was 7.070%, maximum yield was 7.480% and the weighted average yield was fixed at 7.429%. The coupon rate was 7.124%. Coupons will be paid semi-annually. The nearest treasury securities auction is scheduled for March 18, 2015, where GEL 15mn nominal value 5-year T-Notes will be sold.

T-bills / T-notes, yield curve



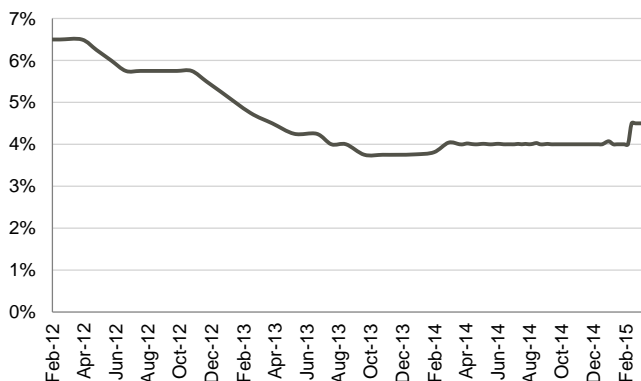
Source: NBG

Certificates of Deposit (weighted average rate)



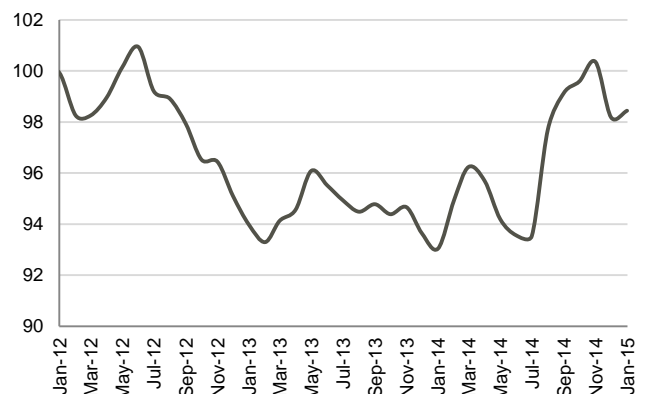
Source: NBG

Monetary policy rate



Source: NBG

Real Effective Exchange Rate



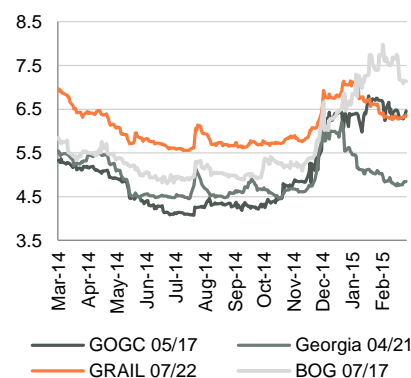
Source: NBG

Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG; US\$ 400mn; coupon: 7.75%; maturity: 07/17) closed at 7.1% yield, trading at 101.3 (up 0.7% w/w). GOGC Eurobonds (GEOROG; US\$ 250mn; coupon: 6.875%; maturity: 05/17) were trading at 100.9 (down 0.4% w/w) yielding 6.4%. Georgian Railway Eurobonds (GRAIL; US\$ 500mn; coupon: 7.75%; maturity: 07/22) also traded at a premium at 108.0 (down 0.4% w/w) yielding 6.4%.

Georgian Sovereign Eurobonds (GEORG; US\$ 500mn; coupon: 6.875%; maturity: 04/21) went up to 110.5 (down 0.5% w/w) closing at 4.8% YTM.

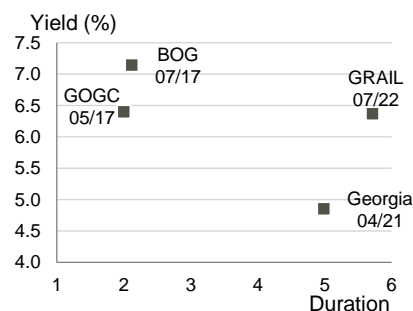
Georgia Eurobonds, YTM (%)



	Local bonds			Eurobonds			
	M ² 04/15	M ² 06/15	GLC 09/17	GOGC 05/17	Georgia 04/21	GR 07/22	BOG 07/17
Amount, US\$ mn	5	10	10	250	500	500	250
Issue date	04/14	06/14	09/14	05/12	04/11	07/12	07/12
Maturity date	04/15	06/15	09/17	05/17	04/21	07/22	07/17
Coupon	9.500%	8.420%	8.750%	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\$	102.2	102.8	100.0	100.9	110.5	108.0	101.3
Mid yield, %	9.00%	8.00%	8.75%	6.4	4.9	6.4	7.1
Z-spread, bps	n/a	n/a	n/a	568.8	289	438.6	583.2

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	110.5	4.9	289
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	99.8	4.8	254.3
Bulgaria	323	5.000%	19/07/2021	BBB-/	122.9	1.2	-169.7
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa1	106.1	2.9	244.2
Hungary	3,000	6.375%	29/03/2021	BB+/BB/Baa1	114.6	3.7	168.7
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	120.6	3.4	142.4
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Baa3	97.5	5.6	377.3
Turkey	2,000	5.625%	30/03/2021	BBB-/Baa3	108.1	4.1	220.8
Ukraine	1,500	7.950%	23/02/2021	CCC/CCC-/Caa3	43.0	28.3	2475.2

Source: Bloomberg

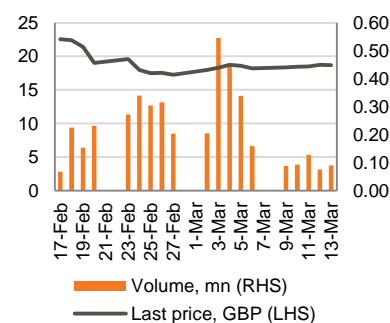
Equities

Bank of Georgia Holdings (BGEO LN) shares closed at GBP 18.70/share (+2.58% w/w and -17.07% m/m). More than 460k shares traded in the range of GBP 18.12 – 19.01 /share. Average daily traded volume was 217k in the last 4 weeks, lower than in the previous month. FTSE 250 index, of which BOGH is a constituent, has lost 0.94% w/w and gained 1.55% m/m. The volume of BOGH shares traded was at 1.17% of its capitalization.

TBC Bank closed the week at US\$ 12.00 (-1.23% w/w and -12.41% m/m). More than 250k GDRs changed hands in the range of US\$ 11.50 – 12.35/GDR. Average daily traded volume was 70k in the last 4 weeks, lower than in the previous month. The price has decreased 7.69% since the start of trading on June 5, 2014.

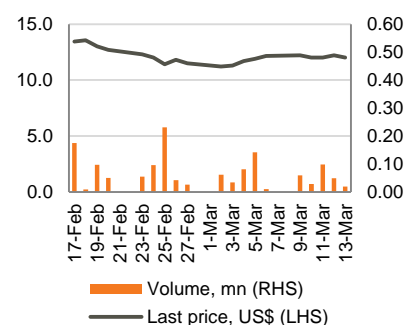
On the Georgian stock exchange, Bank of Georgia shares were traded at GEL 35.00 (unchanged w/w), Caucasus Energy & Infrastructure shares were traded at GEL 0.85 (unchanged w/w), and Liberty Bank shares were traded in the range of GEL 0.01 – 0.0134, closing at GEL 0.0134 (-0.75% w/w). As a result, the G&T Index decreased to the level of 799.12 (-0.001% 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*	27.54	1,592	-20.7%	-9.4%	-29.5%	-30.6%	-30.0%
	TBC	12.00	587	-12.41%	-4.0%	N/A	N/A	N/A
	Halyk Bank	5.80	1,614	-10.8%	-18.9%	-49.5%	-43.4%	-28.4%
	KKB	3.45	1,155	7.1%	-2.1%	-15.9%	91.7%	72.5%
	VTB Bank	2.02	13,090	-8.1%	1.0%	-4.4%	-32.6%	21.7%
	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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Galt & Taggart

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

Tel: + (995) 32 2401 111

Email: st@gt.ge