

# Weekly Market Watch

Weekly Market Watch | Georgia  
February 23, 2015

## Economy

### Producer price index up 0.8% m/m and 4.8% y/y in January 2015

Monthly PPI for industrial products increased 0.8% in January 2015 mainly impacted by 1.2% increase in manufacturing prices (mostly for foods, beverages and tobacco) contributing 1.02ppts to overall index. The prices fell 14.3% m/m for manufacture of chemical products. Annual PPI increased 4.8% in January 2015 with manufacturing prices increasing by 7.8% y/y and contributing 6.38ppts to overall index change. The prices decreased 6.4% y/y (-0.89ppts) in the category of electricity, gas and water supply.

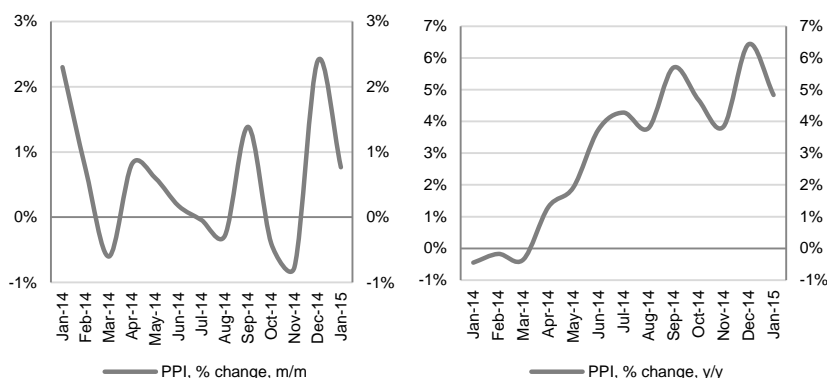
### Money transfers down 23.3% y/y in January 2015

Money transfers decreased 23.3% y/y in January 2015 as transfers from Russia decreased by 44.7% y/y accounting for 34.3% of total. Remittances significantly increased from Turkey (+42.0%), Israel (+35.2%), Germany (+21.4%) and USA (+20.4%).

### NBG sold US\$ 40mn

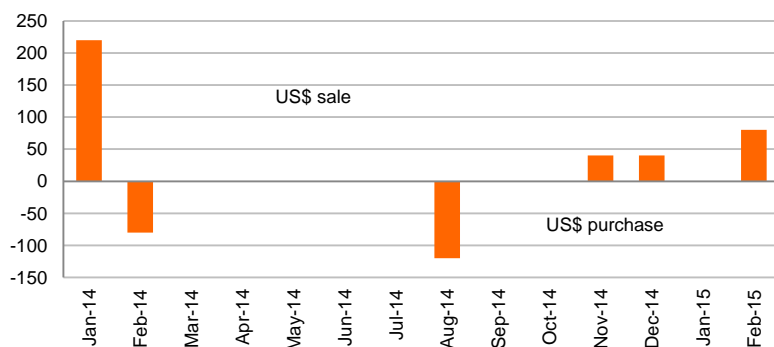
NBG intervened the FX market on 19 February 2015 and sold US\$ 40mn. However, lari weakened by 3.0% d/d against dollar.

### Producer price index



Source: GeoStat

### NBG FX net monthly interventions (US\$ mn)



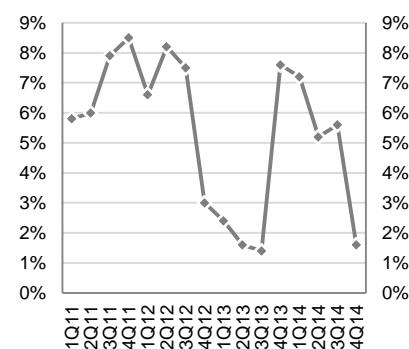
Source: NBG

### Key macro indicators

	2014E	2013
GDP (% change)	4.7%	3.3%
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 rank # 69 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

### Georgia sovereign credit ratings

<b>STANDARD &amp; POOR'S</b>  <b>BB-</b> Stable Affirmed May-2014	<b>Moody's</b> INVESTORS SERVICE  <b>Ba3</b> Positive Affirmed Sep-2014	<b>FitchRatings</b>  <b>BB-</b> Positive Affirmed Oct-2014
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Source: Rating agencies



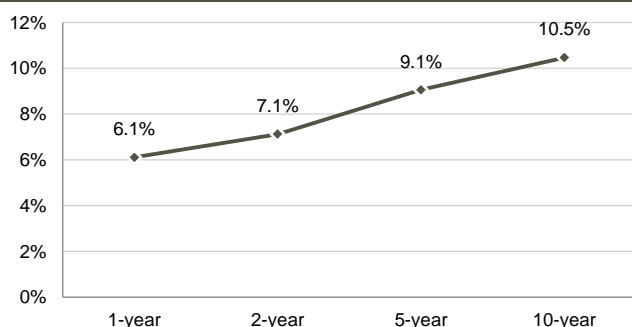
## Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 337.8mn) with an average yield of 4.50% (unchanged w/w).

**Certificates of deposit:** NBG sold 192-day, GEL 20mn (US\$ 9.7mn) certificates of deposits, with an average yield of 4.90% (up by 41bps from previous issue).

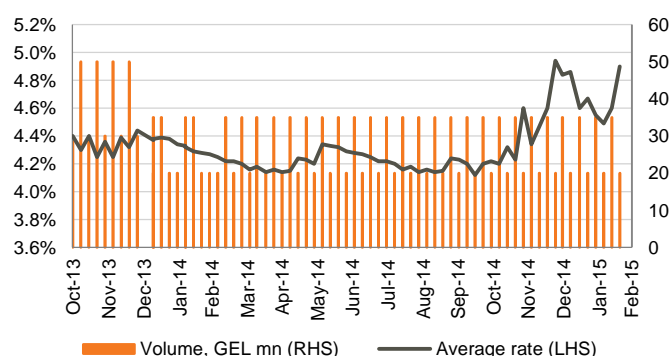
**Ministry of Finance Treasury Notes:** 364-day, GEL 50mn (US\$ 24mn) T-Bills of Ministry of Finance were sold at the auction held at NBG. Minimum yield was 6.010%, maximum yield was 6.180% and the weighted average yield was fixed at 6.105. The nearest treasury securities auction is scheduled for February 25, 2015, where GEL 15mn nominal value 5-year 9.054% coupon rate T-Notes will be sold.

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



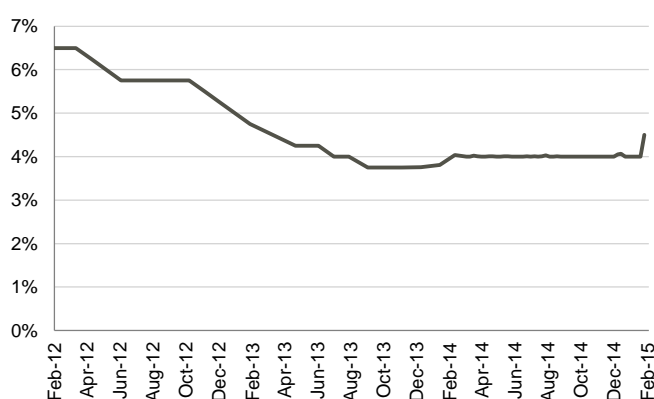
Source: NBG

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



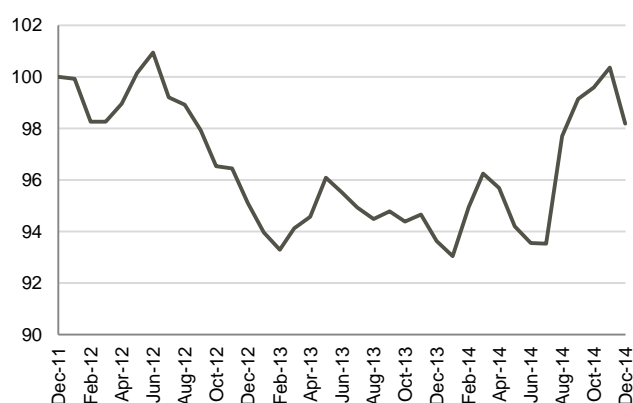
Source: NBG

**Monetary policy rate**



Source: NBG

**Real Effective Exchange Rate**



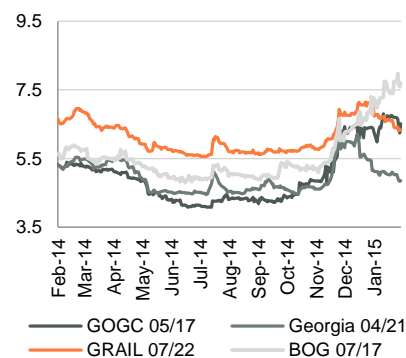
Source: NBG

## Fixed income

**Corporate Eurobonds:** Bank of Georgia Eurobonds (GEBGG; US\$ 400mn coupon: 7.75%; maturity 07/17) closed at 7.7% yield, trading at 100.1 (up 0.1% w/w). GOGC Eurobonds (GEOROG; US\$ 250mn, coupon: 6.875%; maturity: 05/17) were trading at a premium, at 101.3 (up 1% w/w) yielding 6.2%. Georgian Railway Eurobonds (GRAIL; US\$ 500mn, coupon: 7.75% maturity: 07/22), also traded at a premium at 108.2 (up 0.4% w/w) yielding 6.4%.

**Georgian Sovereign Eurobonds** (GEORG; US\$ 500mn, coupon: 6.875% maturity: 04/21) went up to 110.6 (up 0.9% w/w) closing at 4.9% YTM.

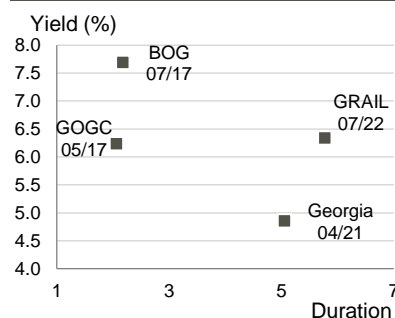
**Georgia Eurobonds, YTM (%)**



	Local bonds			Eurobonds			
	M <sup>2</sup> 04/15	M <sup>2</sup> 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	101.3	110.6	108.2	100.1
Mid yield, %	9.00%	8.00%	8.75%	6.2	4.9	6.3	7.7
Z-spread, bps	n/a	n/a	n/a	606.6	290.7	449.1	718.1

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	110.6	4.9	290.7
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	100.6	4.7	247.4
Bulgaria	323	5.000%	19/07/2021	BBB-/	122.1	1.4	-156.1
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba1	104.6	3.2	261
Hungary	3,000	6.375%	29/03/2021	BB+/BB/Ba1	116.7	3.3	144.6
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	120.9	3.4	133.3
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Baa3	96.0	5.9	426.9
Turkey	2,000	5.625%	30/03/2021	BBB-/Baa3	110.3	3.7	179.7
Ukraine	1,500	7.950%	23/02/2021	CCC/CCC-/Caa3	42.4	28.6	2425.3

Source: Bloomberg

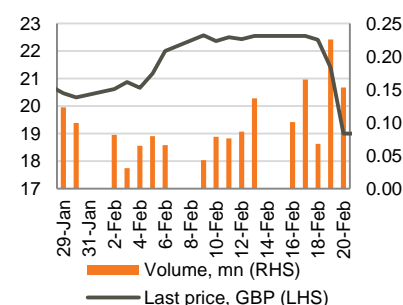
## Equities

**Bank of Georgia Holdings (BGEO LN)** shares closed at GBP 19.00/share (-15.74% w/w and -1.45% m/m). More than 910K shares traded in a range of GBP 19.00 – 22.75/share. Average daily traded volume was 109k in the last 4 weeks, more than in previous month. FTSE 250 index, of which BOGH is the constituent, has gained 3.01% w/w and 11.11% m/m. The volume of BOGH shares traded was at 2.30% of its capitalization.

**TBC Bank** closed the week at US\$ 12.70 (-7.30% w/w and +2.42% m/m), more than 370k GDRs changed hands in the range of US\$ 12.60 – 14.45/GDR. Average daily traded volume was 73k in the last 4 weeks, more than in previous month. The price has decreased 2.31% since the start of the trading on June 5, 2014.

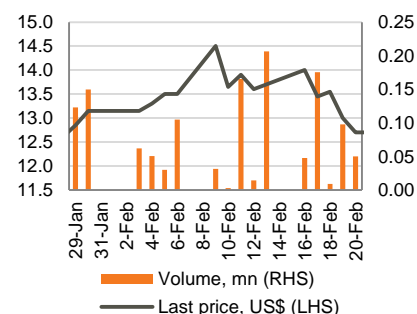
**On the Georgian stock exchange**, Caucasus Energy & Infrastructure shares were traded at GEL 0.85 (unchanged w/w) and Liberty Bank shares were traded at GEL 0.135 (unchanged w/w) as a result G&T Index remained at the same level of 799.13 (unchanged w/w).

**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	29.26	1,592	0.2%	-16.4%	-30.1%	-26.2%	-27.0%
TBC	TBC	12.70	622	2.42%	-13.3%	N/A	N/A	N/A
Halyk Bank	HSBK	6.50	1,808	-11.4%	-25.3%	-34.8%	-36.6%	-30.3%
KKB	KKB	3.45	1,155	-1.4%	3.6%	-27.4%	91.7%	97.1%
VTB Bank	VTBR	2.15	13,362	12.7%	13.1%	-0.5%	-28.2%	-12.7%
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%	-12.7%	0.0%

Source: Bloomberg

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

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