

Weekly Market Watch

Weekly Market Watch | Georgia
February 16, 2015

Economy

NBG increased policy rate by 50 basis points to 4.5%

NBG's monetary policy committee (on 11 Feb 2015) increased policy rate by 50 basis points to 4.5% to curb inflation expectations due to external shocks. Despite this increase, the monetary policy is still accommodative as policy rate remains below the neutral value (which is 6-7%, neither stimulating nor restraining economic growth). Annual inflation in January was 1.4% and NEER strengthened by 10% y/y, however lari depreciation against dollar affected inflation expectations. As per NBG's current forecast annual inflation will reach NBG's inflation target of 5.0% by the end of the year, while policy rate will be around 5.0% unless other shocks affecting the economy will not occur.

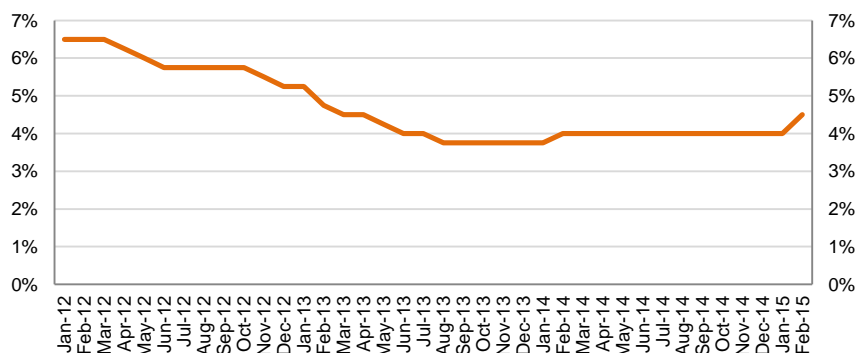
NBG sold US\$ 40mn

NBG intervened the FX market on 11 February 2015 and sold US\$ 40mn. As a result, lari strengthened against US dollar by 0.9% d/d on February 12.

Exports down 30.3% y/y and imports down 0.7% y/y in January 2015

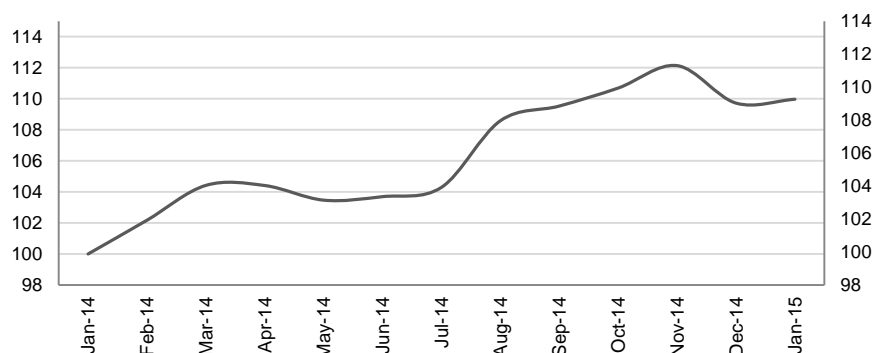
Exports decreased 30.3% y/y at US\$ 156mn, while imports were down 0.7% y/y at US\$ 538mn in January 2015, according to GeoStat preliminary figures. As a result, trade deficit reached US\$ 382mn, up by 20.1% in January 2015.

Monetary policy rate



Source: NBG

Nominal effective exchange rate (NEER)



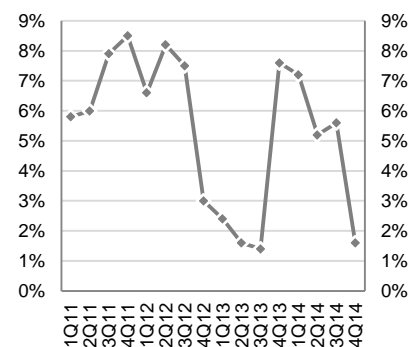
Source: NBG; Jan-14=100. Note: index growth means lari NEER appreciation

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, preliminary data for 4Q14a

International ranking of Georgia, 2015

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

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

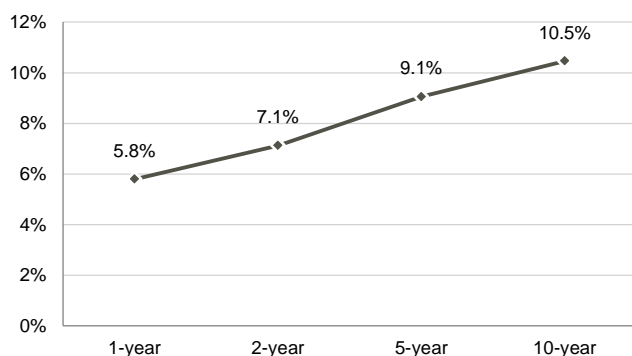
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 345.7mn) with an average yield of 4.50% (+12.5% w/w).

Certificates of deposit: NBG sold 91-day, GEL 35mn (US\$ 17mn) certificates of deposits, with an average yield of 4.60% (up by 5bps from previous issue).

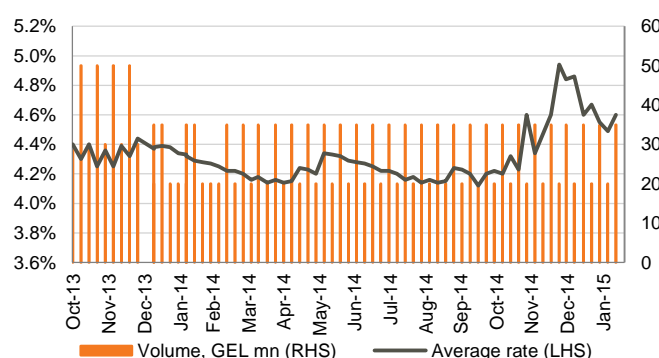
Ministry of Finance Treasury Notes: 2-year, GEL 25mn (US\$ 12mn) T-Notes of Ministry of Finance were sold at the auction held at NBG. Minimum yield was 6.670%, maximum yield was 7.250% and the weighted average yield was fixed at 7.124%. The coupon rate was 7.124%. Coupons will be paid semi-annually. The nearest treasury securities auction is scheduled for February 18, 2015, where GEL 50mn nominal value 1-year, T-Bills will be sold.

T-bills / T-notes, yield curve



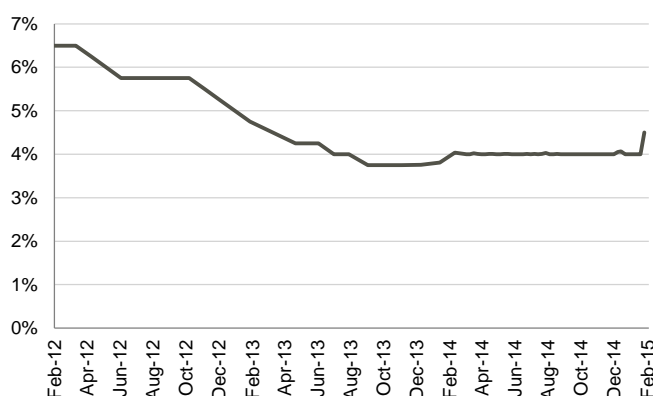
Source: NBG

Certificates of Deposits (weighted average rate)



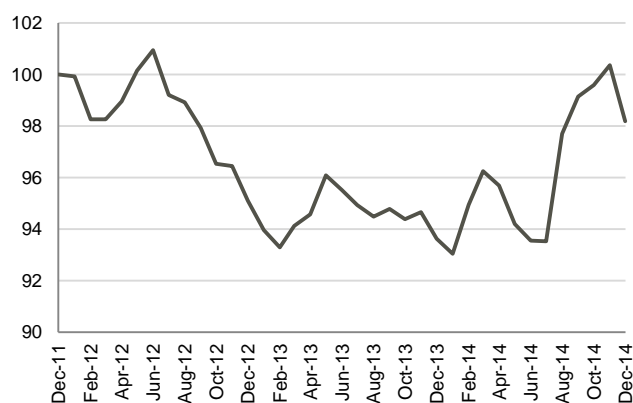
Source: NBG

Monetary policy rate



Source: NBG

Real Effective Exchange Rate



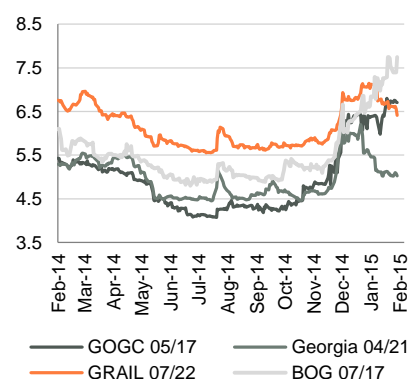
Source: NBG

Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG; US\$ 400mn coupon: 7.75%; maturity 07/17) closed at 7.7% yield, trading at 100.0 (down 0.4% w/w). GOGC Eurobonds (GEOROG; US\$ 250mn, coupon: 6.875%; maturity: 05/17) were trading at a premium, at 100.3 (unchanged w/w) yielding 6.7%. Georgian Railway Eurobonds (GRAIL; US\$ 500mn, coupon: 7.75% maturity: 07/22), also traded at a premium at 107.8 (up 1.2% w/w) yielding 6.4%.

Georgian Sovereign Eurobonds (GEORG; US\$ 500mn, coupon: 6.875% maturity: 04/21) went up to 109.7 (up 0.1% w/w) closing at 5.0% YTM.

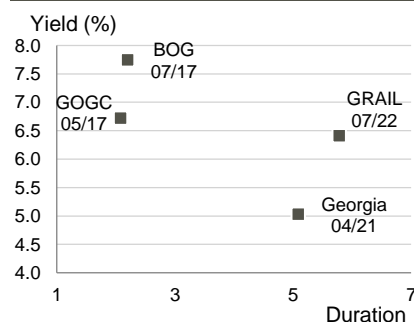
Georgia Eurobonds, YTM (%)



	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	100.3	109.7	107.8	100.0
Mid yield, %	9.00%	8.00%	8.75%	6.7	5.0	6.4	7.7
Z-spread, bps	n/a	n/a	n/a	607.8	307.9	478.2	719.5

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	109.7	5.0	307.9
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	100.8	4.6	253.3
Bulgaria	323	5.000%	19/07/2021	BBB-/	122.4	1.3	-132.8
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba1	104.2	3.2	268.1
Hungary	3,000	6.375%	29/03/2021	BB+/BB/Ba1	117.0	3.3	147.2
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	121.1	3.3	139.5
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Baa3	95.2	6.1	418.7
Turkey	2,000	5.625%	30/03/2021	BBB-/Baa3	110.1	3.8	188.2
Ukraine	1,500	7.950%	23/02/2021	CCC/CCC-/Caa3	53.1	22.6	1997.1

Source: Bloomberg

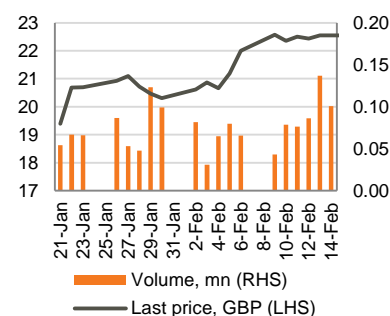
Equities

Bank of Georgia Holdings (BGEO LN) shares closed at GBP 22.55/share +2.5% w/w and +12.69% m/m). More than 560K shares traded in a range of GBP 21.56 – 23.45/share. Average daily traded volume was 80k in the last 4 weeks, more than in previous month. FTSE 250 index, of which BOGH is the constituent, has gained 2.33% w/w and 5.75% m/m. The volume of BOGH shares traded was at 1.57% of its capitalization.

TBC Bank closed the week at US\$ 13.70 (+1.48% w/w and +10.48% m/m), more than 420k GDRs changed hands in the range of US\$ 13.50 – 14.50/GDR. Average daily traded volume was 70k in the last 4 weeks, less than in previous month. The price has increased 5.38% since the start of the trading on June 5, 2014.

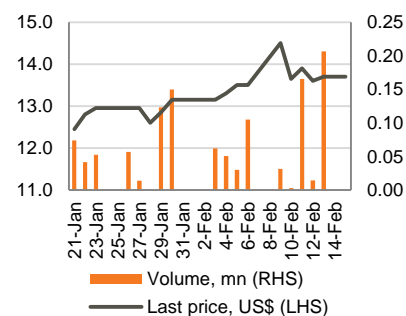
On the Georgian stock exchange, Bank of Georgia shares were traded at GEL 35.00 (unchanged w/w) and Caucasus Energy & Infrastructure shares were traded at GEL 0.85 (unchanged w/w) as a result G&T Index remained at the same level of 799.13 (unchanged w/w).

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	33.53	1,592	0.9%	-8.0%	-19.4%	-15.5%	-10.0%
TBC	TBC	13.50	665	5.5%	-7.5%	N/A	N/A	N/A
Halyk Bank	HSBK	6.50	1,808	-23.5%	-22.2%	-35.6%	-36.6%	-35.4%
KKB	KKB	3.21	1,075	-8.3%	-14.4%	-21.7%	78.3%	88.8%
VTB Bank	VTBR	2.04	13,881	-2.5%	16.1%	-4.9%	-31.9%	-22.2%
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%	-12.7%	0.0%

Source: Bloomberg

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

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