



Weekly Market Watch

Weekly Market Watch | Georgia
February 9, 2015

Economy

Inflation was 1.4% y/y and 0.2% m/m in January 2015

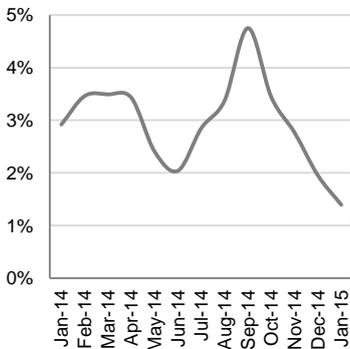
The annual inflation (CPI) rate in Georgia was recorded at 1.4% in January 2015, according to GeoStat. Overall price changes were driven by the price increases on food (+1.7% y/y, 0.53ppts), healthcare (+7.3% y/y, 0.75ppts) and alcohol and tobacco (+6.6% y/y, 0.34ppts), while prices in transport group decreased (-5.9% y/y, -0.71ppts), as prices were down on fuels and lubricants (-12.3% y/y) within this category).

January monthly inflation rate was 0.2%, with price increases on alcohol and tobacco (+4.5% m/m, 0.23ppts) and food and non-alcoholic beverages (+1.2% m/m, 0.38ppts) being the major drivers. Prices in transport group decreased (-3.7% m/m, -0.44ppts), as fuels and lubricants prices dropped by 7.3% m/m within this category).

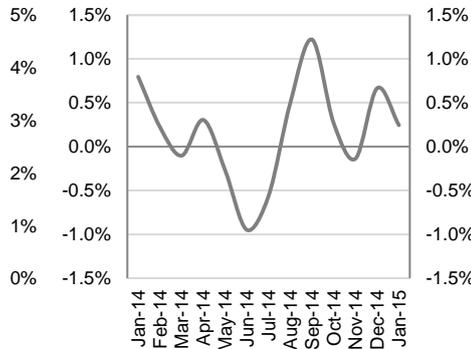
Gross international reserves stood at US\$ 2.6bn end-January 2015

Gross international reserves stood at US\$ 2.6bn (-3.3% m/m) as of end-January 2015 according to NBG. In the same period net foreign assets of NBG reached US\$ 2.4bn (-3.2% m/m).

Annual inflation (CPI)

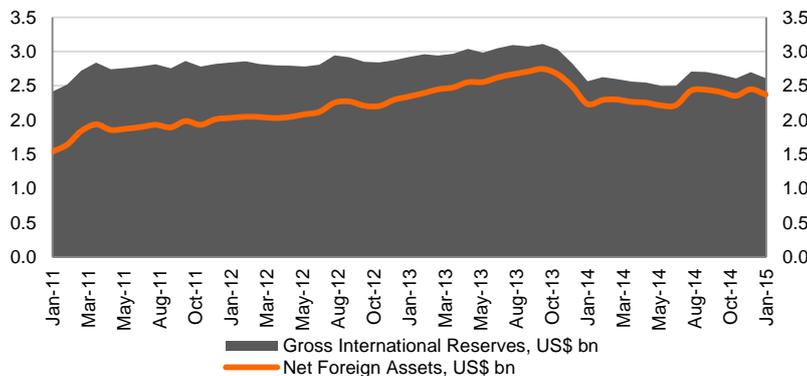


Monthly inflation (CPI)



Source: GeoStat

International Reserves of NBG



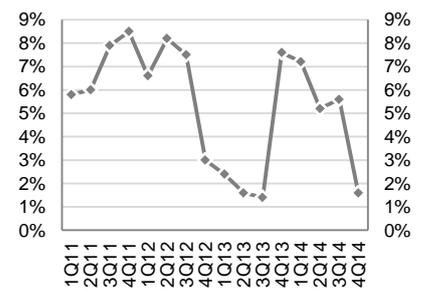
Source: NBG

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

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

 BB- Stable Affirmed May-2014	 Ba3 Positive Affirmed Sep-2014	 BB- Positive Affirmed Oct-2014
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Source: Rating agencies

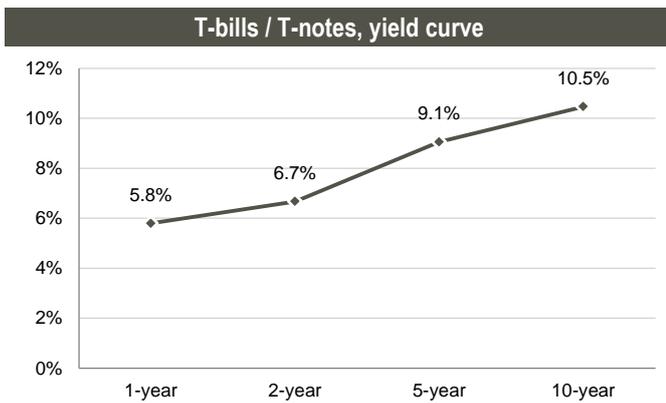


Money market

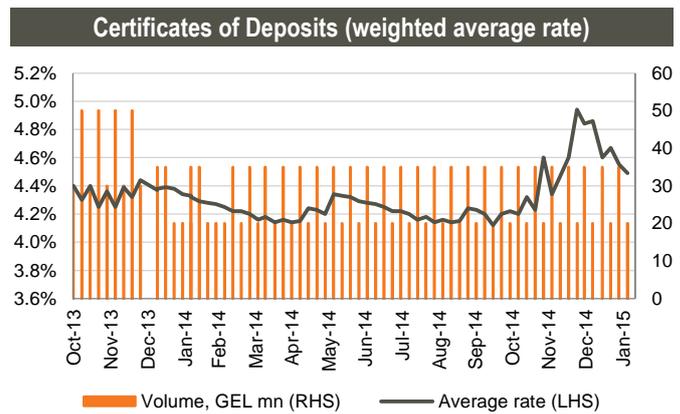
Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 351mn) with an average yield of 4.00% (unchanged w/w).

Certificates of deposit: NBG sold 182-day, GEL 20mn (US\$ 10mn) certificates of deposits, with an average yield of 4.49% (down by 18bps from previous issue).

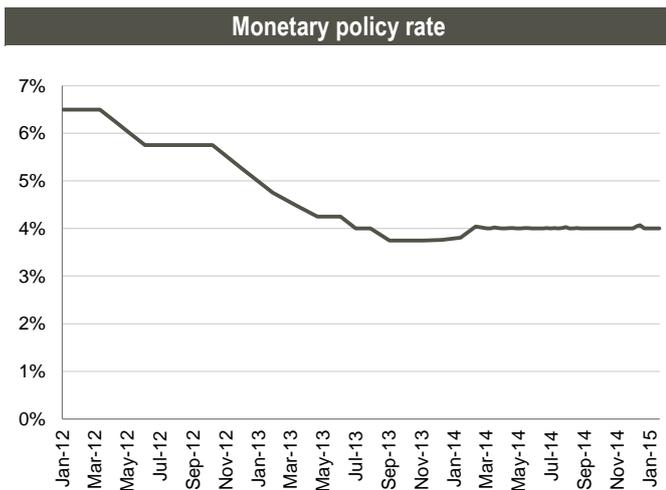
Ministry of Finance Treasury Notes: 10-year, GEL 10mn (US\$ 5mn) T-Notes of Ministry of Finance were sold at the auction held at NBG. Minimum yield was 10.380%, maximum yield was 10.550% and the weighted average yield was fixed at 10.464%. The coupon rate was 10.5%. Coupons will be paid semi-annually. The nearest treasury securities auction is scheduled for February 12, 2015, where GEL 25mn nominal value 2-year, T-Notes will be sold.



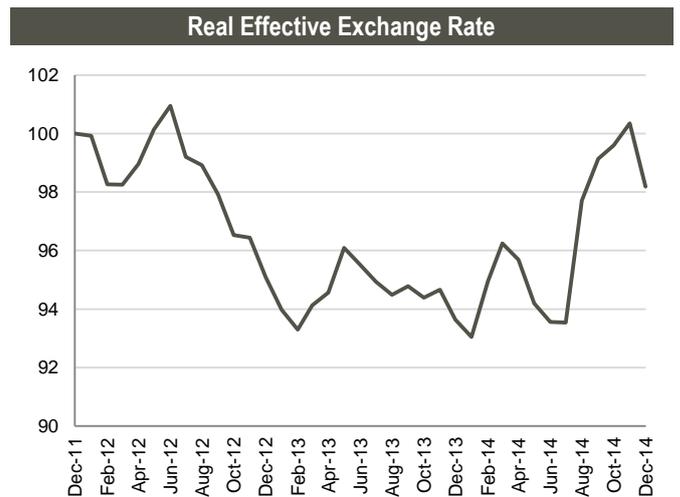
Source: NBG



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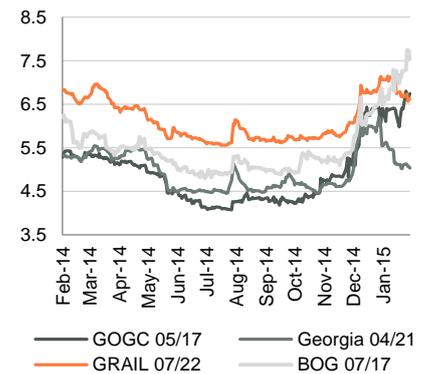


Source: NBG

Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG; US\$ 400mn coupon: 7.75%; maturity 07/17) closed at 7.5% yield, trading at a premium, at 100.4 (down 0.7% w/w). GOGC Eurobonds (GEOROG; US\$ 250mn, coupon: 6.875%; maturity: 05/17) were trading at a premium, at 100.3 (down 0.7% w/w) yielding 6.7%. Georgian Railway Eurobonds (GRAIL; US\$ 500mn, coupon: 7.75% maturity: 07/22), also traded at a premium at 106.5 (up 0.4% w/w) yielding 6.6%.

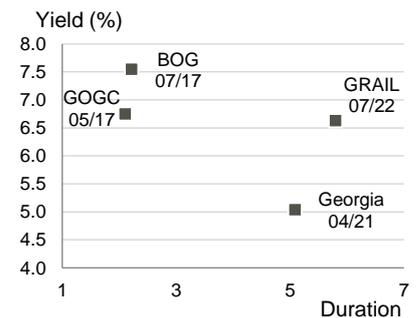
Georgian Sovereign Eurobonds (GEORG; US\$ 500mn, coupon: 6.875% maturity: 04/21) went up to 109.6 (up 0.4% w/w) closing at 5.0% YTM.

Georgia Eurobonds, YTM (%)


Source: Bloomberg

	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	109.6	106.5	100.4
Mid yield, %	9.00%	8.00%	8.75%	6.7	5.0	6.6	7.5
Z-spread, bps	n/a	n/a	n/a	609.7	321.9	488.9	674.8

Source: Bloomberg

Georgian Eurobond universe


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	109.6	5.0	321.9
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	100.0	4.8	273.3
Bulgaria	323	5.000%	19/07/2021	BBB-/	122.1	1.4	-130
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba1	104.1	3.2	270.1
Hungary	3,000	6.375%	29/03/2021	BB+/BB/Ba1	117.1	3.3	153.3
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	122.3	3.2	133
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Baa3	92.5	6.7	500.1
Turkey	2,000	5.625%	30/03/2021	BBB-/Baa3	110.7	3.7	187.2
Ukraine	1,500	7.950%	23/02/2021	CCC/CCC-/Caa3	53.3	22.4	2013.6

Source: Bloomberg

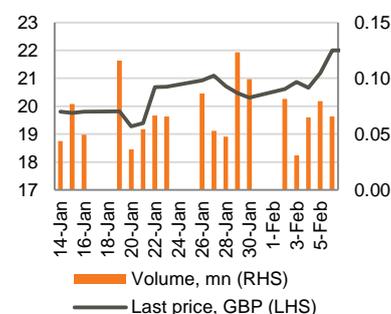
Equities

Bank of Georgia Holdings (BGEO LN) shares closed at GBP 22.00/share +8.32% w/w and +0.41% m/m). More than 330K shares traded in a range of GBP 20.24 – 22.22/share. Average daily traded volume was 68k in the last 4 weeks, less 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 0.84% of its capitalization.

TBC Bank closed the week at US\$ 13.50 (+2.66% w/w and +5.47% m/m), more than 240k GDRs changed hands in the range of US\$ 13.15 – 13.55/GDR. Average daily traded volume was 75k in the last 4 weeks, less than in previous month. The price has increased 3.85% since the start of the trading on June 5, 2014.

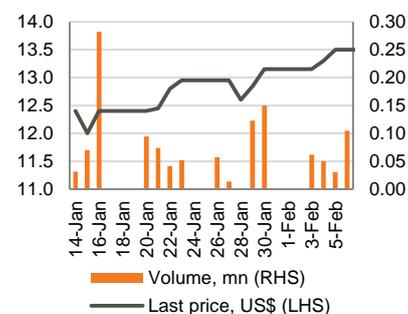
On the Georgian stock exchange, Caucasus Energy & Infrastructure shares were traded at GEL 0.85 (+6.25 w/w) as a result G&T Index increased to the level of 799.13 (+0.05% w/w).

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