

# Weekly Market Watch

Weekly Market Watch | Georgia  
January 26, 2014

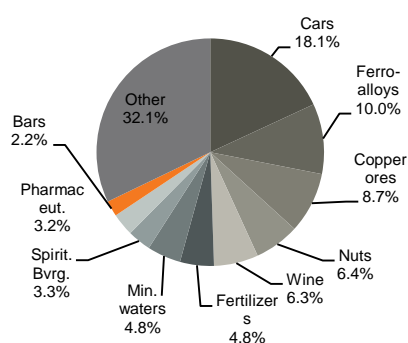
## Economy

### Exports down 1.6% y/y; imports up 7.1% y/y in 2014

Exports decreased 1.6% y/y at US\$ 2.9bn, while imports were up 7.1% y/y at US\$ 8.6bn in 2014, according to foreign trade data released by GeoStat. As a result, trade deficit was US\$ 5.7bn with 50% share in total trade turnover. In 2014, despite strong export growth to China (+166.9%), USA (+52.2%), Russia (+44.2% driven by 1H14 robust growth), and Turkey (+30.9%), reduction in trade flows to Azerbaijan, Armenia, Ukraine and other CIS countries negatively weighed on exports. Cars remained top export commodity (18.1%), followed by ferro-alloys (10.0%), copper (8.7%), nuts (6.4%) and wine (6.3%). In 2014, 22% of exports were directed to EU, 51% to CIS and 27% to other countries. In other countries Turkey (8.4%) and USA (7.3%) were the largest trading partners.

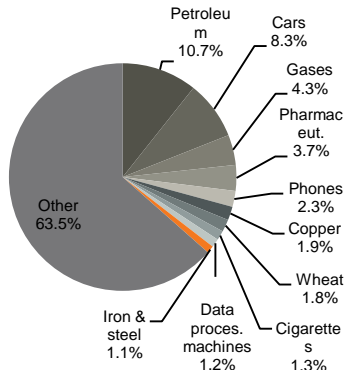
In 2014 petroleum (10.7%), cars (8.3%), gas (4.3%), pharmaceuticals (3.7%) and phones (2.3%) represented top 5 imported commodities. Last year, 28% of imports were originated from EU, 25% from CIS and 47% from other countries. In other countries Turkey (20.1%) and China (8.5%) were the largest trading partners.

2014 export structure



Source: GeoStat

2014 import structure



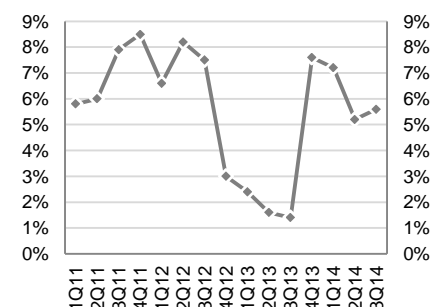
### Key macro indicators

	11M14	2014F	2013
GDP (% change)	5.0%	5.0%	3.3%
GDP per capita (US\$)	na	3,720	3,597
Population (mn)	4.5	4.5	4.5
Inflation	2.0%*	4.0%	2.4%
Gross reserves (US\$ bn)	2.7*	2.8	2.8
CAD (% of GDP)	na	8.0%	5.9%
Fiscal deficit (% of GDP)	3.0%*	3.0%	2.6%
Total public debt (% of GDP)	32.9%	35.0%	34.7%

\* as of 10M14

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

<b>STANDARD &amp; POORS</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

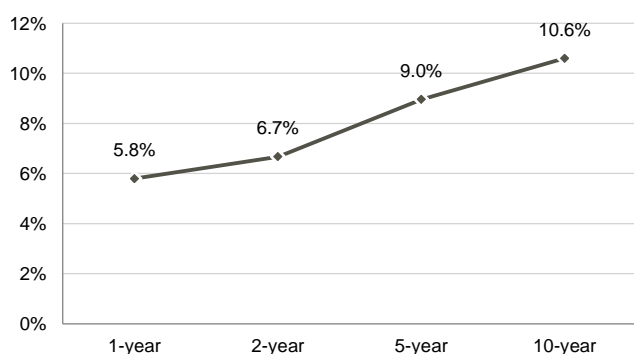
# Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 560mn (US\$ 360mn) with an average yield of 4.00% (unchanged w/w).

**Certificates of deposit:** NBG sold 182-day, GEL 20mn (US\$ 10.3mn) certificates of deposits, with an average yield of 4.67% (down by 19bps from previous issue).

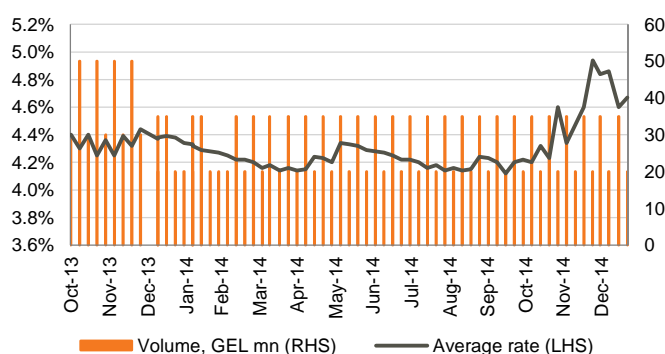
**Ministry of Finance Treasury Notes:** 350-day, GEL 40mn (US\$ 20.6mn) T-Bills of Ministry of Finance were sold at the auction held at NBG. Minimum yield was 5.740%, maximum yield was 5.900% and the weighted average yield was fixed at 5.797. The nearest treasury securities auction is scheduled for January 28, 2015, where GEL 60mn nominal value 5-year, T-Notes will be sold.

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



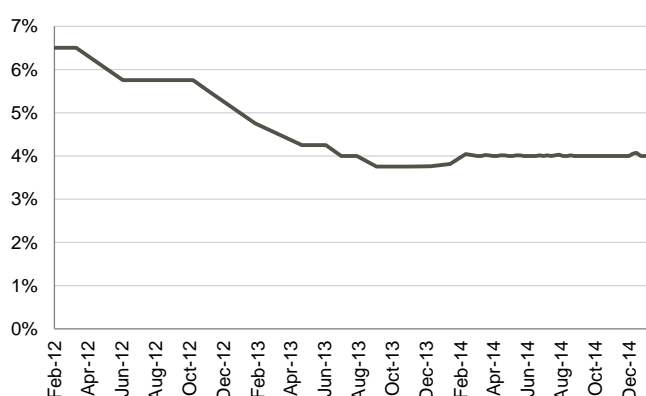
Source: NBG

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



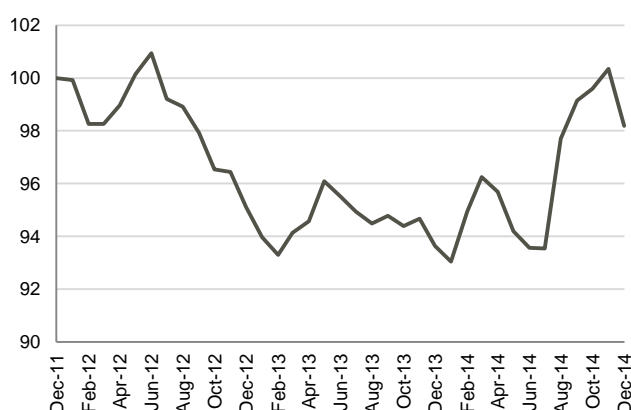
Source: NBG

**Monetary policy rate**



Source: NBG

**Real Effective Exchange Rate**



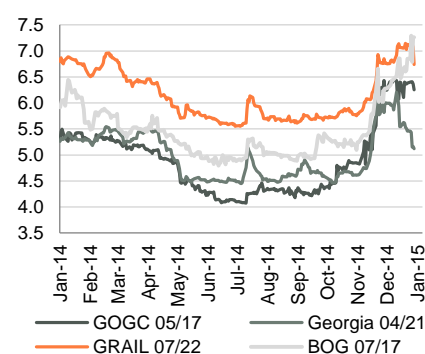
Source: NBG

## Fixed income

**Corporate Eurobonds:** Bank of Georgia Eurobonds (GEBGG; US\$ 400mn coupon: 7.75%; maturity 07/17) closed at 7.3% yield, trading at a premium, at 101.1 (down 0.9% w/w). GOGC Eurobonds (GEOROG; US\$ 250mn, coupon: 6.875%; maturity: 05/17) were trading at a premium, at 101.3 (down 0.1% w/w) yielding 6.2%. Georgian Railway Eurobonds (GRAIL; US\$ 500mn, coupon: 7.75% maturity: 07/22), also traded at a premium at 105.8 (up 2.1% w/w) yielding 6.7%.

**Georgian Sovereign Eurobonds** (GEORG; US\$ 500mn, coupon: 6.875% maturity: 04/21) went up to 109.2 (+1.7% w/w) closing at 5.1% YTM.

**Georgia Eurobonds, YTM (%)**

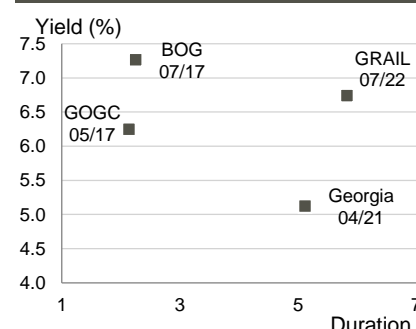


Source: Bloomberg

	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	109.2	105.8	101.1
Mid yield, %	9.00%	8.00%	8.75%	6.2	5.1	6.7	7.3
Z-spread, bps	n/a	n/a	n/a	508.3	342.4	507.2	640.6

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	109.2	5.1	342.4
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	98.3	5.0	303
Bulgaria	323	5.000%	19/07/2021	BBB-/	118.7	1.9	-118.1
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba1	106.0	2.9	247
Hungary	3,000	6.375%	29/03/2021	BB+/BB/Ba1	117.0	3.3	136.7
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	122.6	3.1	136.8
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Baa3	91.9	6.9	541.8
Turkey	2,000	5.625%	30/03/2021	BBB-/Baa3	111.5	3.5	186.8
Ukraine	1,500	7.950%	23/02/2021	CCC/CCC-/Caa3	57.0	20.7	1791.6

Source: Bloomberg

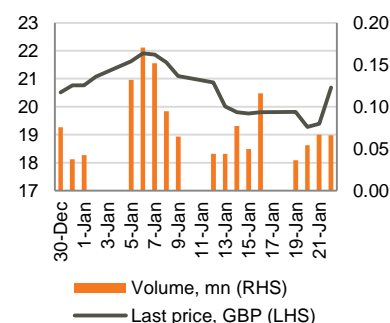
## Equities

**Bank of Georgia Holdings (BGEO LN)** shares closed at GBP 20.70/share (+4.55% w/w and +1.62% m/m). More than 300K shares traded in a range of GBP 18.60 – 20.93/share. Average daily traded volume was 76k in the last 4 weeks, less than in previous month. FTSE 250 index, of which BOGH is the constituent, has gained 3.37% w/w and 2.27% m/m. The volume of BOGH shares traded was at 0.3% of its capitalization.

**TBC Bank** closed the week at US\$ 12.95 (+4.44% w/w and +1.97% m/m), more than 260k GDRs changed hands in the range of US\$ 12.40 – 12.950/GDR. Average daily traded volume was 65k in the last 4 weeks, more than in previous month. The price has decreased 0.38% since the start of the trading on June 5, 2014.

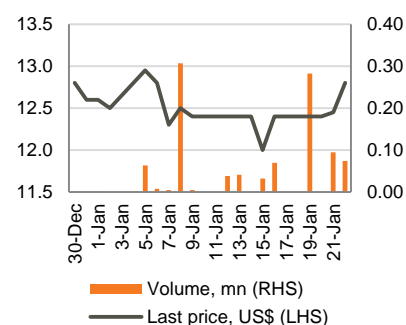
**On the Georgian stock exchange**, Bank of Georgia shares were traded at GEL 35.00 (-5.4 w/w) as a result G&T Index decreased to the level of 798.78 (-5.30% w/w).

**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	31.09	1,592	-1.6%	-23.4%	-28.2%	-21.6%	-20.6%
TBC	TBC	12.95	640	2.0%	-10.1%	N/A	N/A	N/A
Halyk Bank	HSBK	7.15	1,989	2.1%	-26.3%	-30.6%	-30.2%	-33.2%
KKB	KKB	2.81	939	-9.5%	-29.9%	-40.3%	55.8%	51.6%
VTB Bank	VTBR	2.00	12,248	-5.9%	7.3%	-14.5%	-33.4%	-27.1%
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%	-8.5%

Source: Bloomberg

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

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