

Weekly Market Watch

Weekly Market Watch | Georgia
January 20, 2015

Economy

Money transfers down 2.5% y/y in 2014

Money transfers decreased 2.5% y/y in 2014, with Russia accounting for 49.2% of total, followed by Greece (14.2%), Italy (8.4%), USA (5.7%) and Turkey (4.5%). In 2014 remittances significantly increased from Turkey (+54.2%), Germany (+36%), Israel (+19.7%) and Spain (+10.5%). Money transfers decreased 24.9% y/y in December. Remittances from Russia accounting for 40.4% of total in December experiencing the biggest decline 43.2% this year. In December, money transfers strongly grew from Turkey (+58.5%), Israel (+47.2%), Germany (+30.7%), USA (+19.7%) and Azerbaijan (+16.1%).

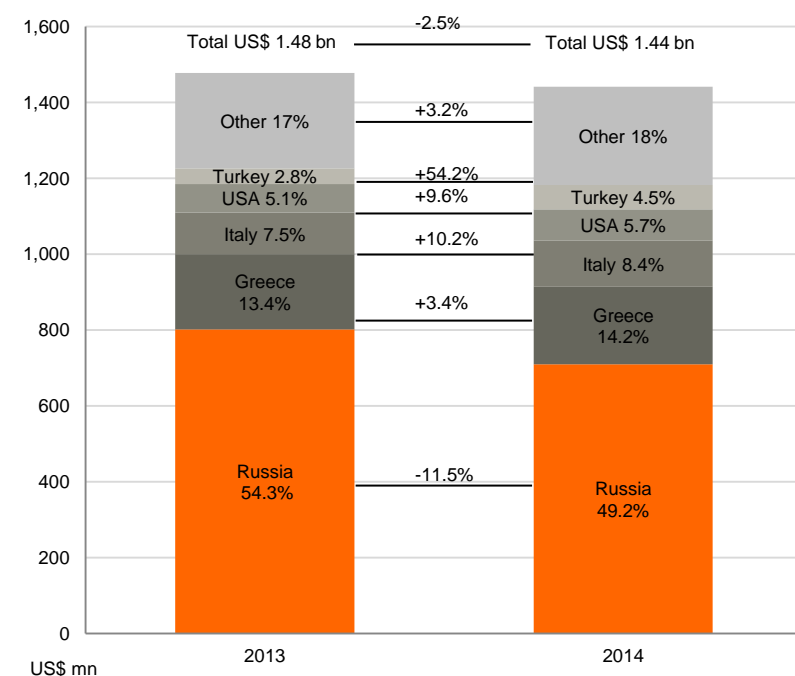
Exports down 2% y/y; imports up 7% y/y in 2014

Exports decreased 2% y/y at US\$ 2.9bn, while imports were up 7% y/y at US\$ 8.6bn in 2014, according to GeoStat preliminary figures. While in December exports decreased by 19.5% y/y and imports increased by 5.2% y/y. As a result, trade deficit reached US\$ 5.7bn, up by 12% in 2014.

International cooperation to support Georgia continues, €44.5mn EU programme

On January 15, Georgia and EU signed a financing agreement for the amount of €44.5mn to help Georgia implement DCFTA and promote the private sector development.

Remittances



Source: NBG

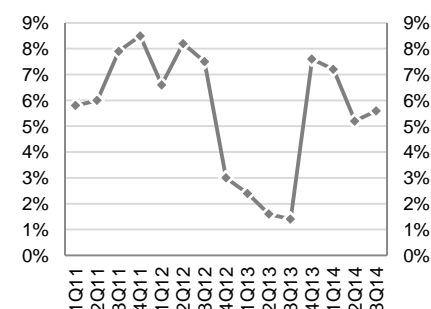
Key macro indicators

	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 2014

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

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

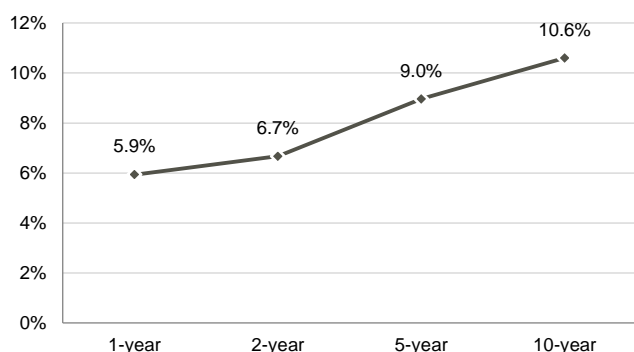
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 560mn (US\$ 348mn) with an average yield of 4.00% (unchanged w/w).

Certificates of deposit: NBG sold 91-day, GEL 35mn (US\$ 18.2mn) certificates of deposits, with an average yield of 4.60% (down by 24bps from previous issue).

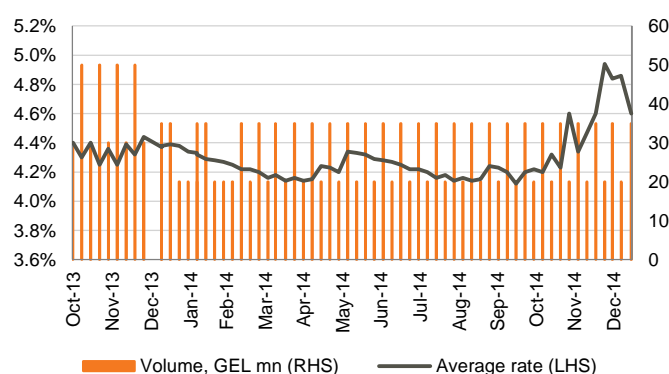
Ministry of Finance Treasury Notes: 2-year, GEL 25mn (US\$ 13mn) T-Notes of Ministry of Finance were sold at the auction held at NBG. Minimum yield was 6.590%, maximum yield was 6.900% and the weighted average yield was fixed at 6.674%. The nearest treasury securities auction is scheduled for January 21, 2015, where GEL 40mn nominal value 350-day, T-Bills will be sold.

T-bills / T-notes, yield curve



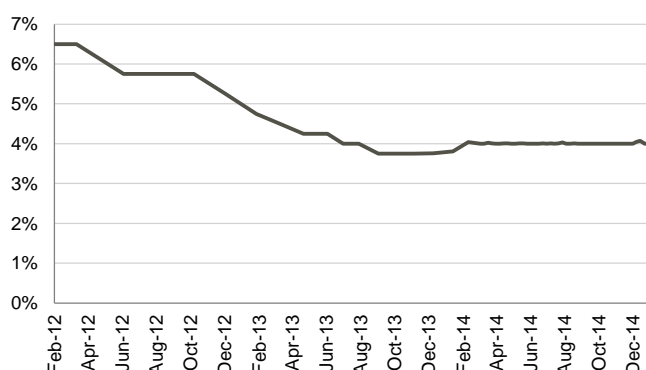
Source: NBG

Certificates of Deposits (weighted average rate)



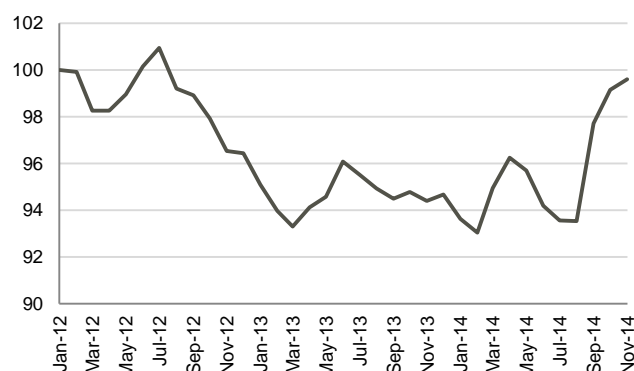
Source: NBG

Monetary policy rate



Source: NBG

Real Effective Exchange Rate



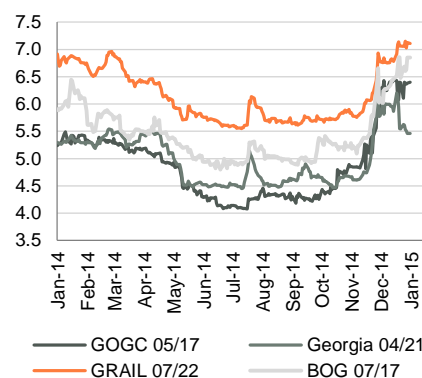
Source: NBG

Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG; US\$ 400mn coupon: 7.75%; maturity 07/17) closed at 6.8% yield, trading at a premium, at 102.0 (down 0.9% w/w). GOGC Eurobonds (GEOROG; US\$ 250mn, coupon: 6.875%; maturity: 05/17) were trading at a premium, at 101.4 (up 0.9% w/w) yielding 6.2%. Georgian Railway Eurobonds (GRAIL; US\$ 500mn, coupon: 7.75% maturity: 07/22), also traded at a premium at 103.6 (down 0.3% w/w) yielding 7.1%.

Georgian Sovereign Eurobonds (GEORG; US\$ 500mn, coupon: 6.875% maturity: 04/21) went up to 107.4 (+0.5% w/w) closing at 5.5% YTM.

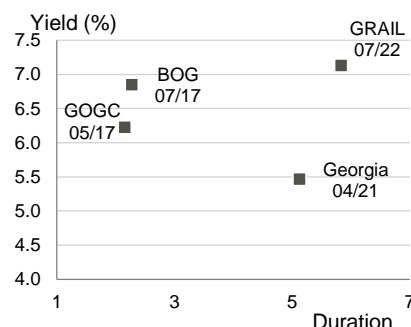
Georgia Eurobonds, YTM (%)



	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	101.4	107.4	103.6	102.0
Mid yield, %	9.00%	8.00%	8.75%	6.2	5.5	7.1	6.8
Z-spread	n/a	n/a	n/a	512	373.7	534.3	594

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
Georgia	500	6.875%	12/04/2021	BB-/BB-/Ba3	107.4	5.5	373.7
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	96.8	5.2	322.7
Bulgaria	323	5.000%	19/07/2021	BBB-/	117.7	2.1	-142.1
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa1	104.1	3.2	268.6
Hungary	3,000	6.375%	29/03/2021	BB+/BB/Baa1	116.1	3.5	189.7
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	122.4	3.2	138.4
Russia	3,500	5.000%	29/04/2020	BBB/BBB-/Baa3	92.9	6.6	515.8
Turkey	2,000	5.625%	30/03/2021	BBB-/Baa3	111.3	3.6	195.9
Ukraine	1,500	7.950%	23/02/2021	CCC/CCC/Caa3	57.8	20.3	1752.2

Source: Bloomberg

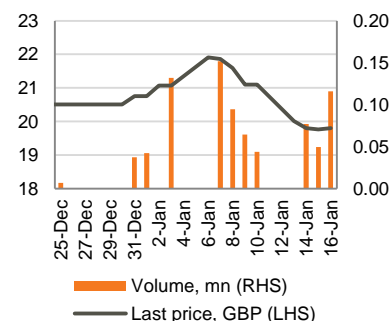
Equities

Bank of Georgia Holdings (BGEO LN) shares closed at GBP 19.80/share (-6.16% w/w and +7.73% m/m). More than 300K shares traded in a range of GBP 19.50 – 21.21/share. Average daily traded volume was 82k in the last 4 weeks, less than in previous month. FTSE 250 index, of which BOGH is the constituent, has lost 0.55% w/w and gained 3.21% m/m. The volume of BOGH shares traded was at 0.3% of its capitalization.

TBC Bank closed the week at US\$ 12.40 (unchanged w/w and +5.1% m/m), more than 400k GDRs changed hands in the range of US\$ 12.00 – 12.50/GDR. Average daily traded volume was 57k in the last 4 weeks, less than in previous month. The price has decreased 4.62% since the start of the trading on June 5, 2014.

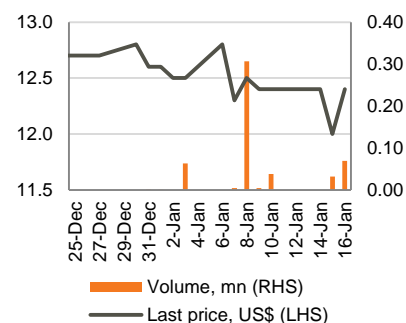
On the Georgian stock exchange, Liberty Bank shares were traded at GEL 0.0139 (unchanged w/w) as a result G&T Index remained at the same level of 843.50 (unchanged w/w).

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	29.99	1,592	3.6%	-13.9%	-30.4%	-24.4%	-24.5%
TBC	TBC	12.40	611	5.1%	-17.3%	N/A	N/A	N/A
Halyk Bank	HSBK	7.19	2,045	15.0%	-24.9%	-30.9%	-29.9%	-32.9%
KKB	KKB	3.50	1,172	25.0%	2.9%	29.6%	94.4%	76.8%
VTB Bank	VTBR	2.01	12,384	25.3%	4.6%	-16.0%	-32.9%	-29.6%
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%	-8.8%

Source: Bloomberg

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



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