

Weekly Market Watch

Weekly Market Watch | Georgia
January 12, 2015

Economy

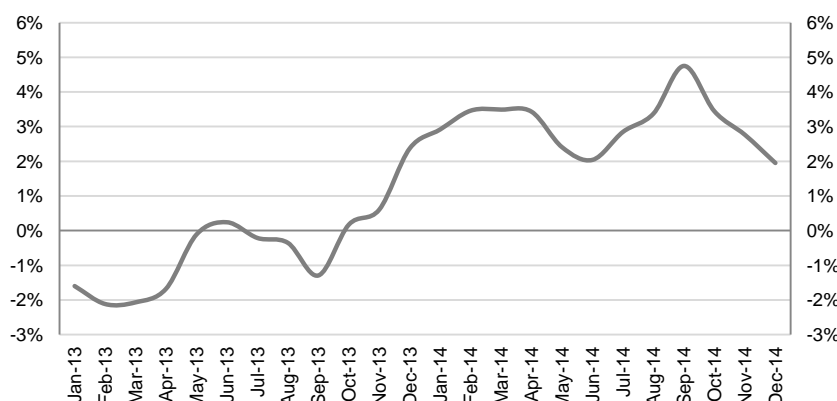
Annual inflation up 2.0% in December 2014

Annual inflation (CPI) rate in Georgia was recorded at 2.0% in December 2014, according to GeoStat, driven by the price increases on food and non-alcoholic beverages (+2.5% y/y, 0.78ppts), healthcare (+6.7% y/y, 0.70ppts) and furnishing and household equipment (+4.0% y/y, 0.23ppts). December monthly inflation rate was 0.7%, with price increases on food and non-alcoholic beverages (+1.2% m/m) and furnishing and household equipment (+2.6% m/m) being the major drivers.

Gross international reserves stood at US\$ 2.7bn end-December 2014

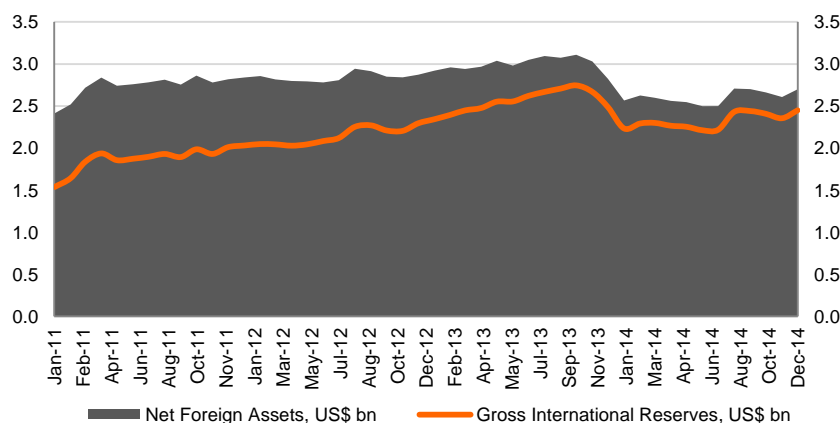
Gross international reserves stood at US\$ 2.7bn (+3.5% m/m) as of end-December 2014 according to NBG. In the same period net foreign assets of NBG reached US\$ 2.4bn (+5.5% m/m).

Annual inflation (CPI) in Georgia



Source: GeoStat

International reserves of NBG



Source: NBG

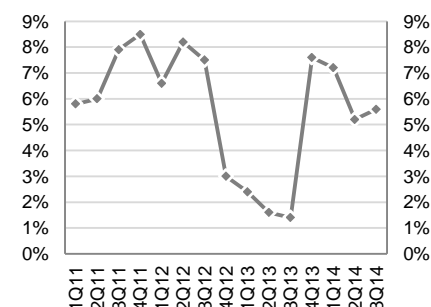
Key macro indicators

	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)	2.1%	3.0%	2.6%
Total public debt (% of GDP)	32.9%	35.0%	34.7%

* as of 12M14

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



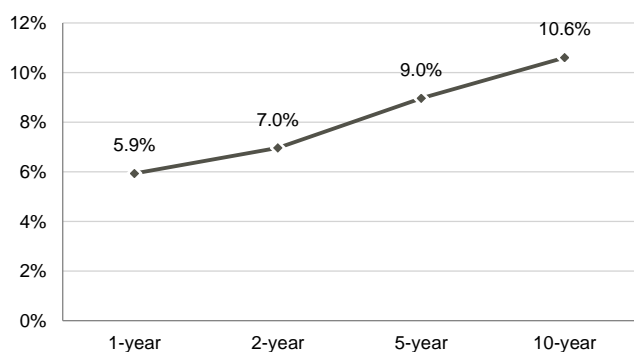
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 8-day refinancing loans of GEL 650mn (US\$ 348mn) with an average yield of 4.07% (+0.49% w/w).

Certificates of deposit: NBG sold 92-day, GEL 35mn (US\$ 18.7mn) certificates of deposits, with an average yield of 4.84% (up by 24bps from previous issue).

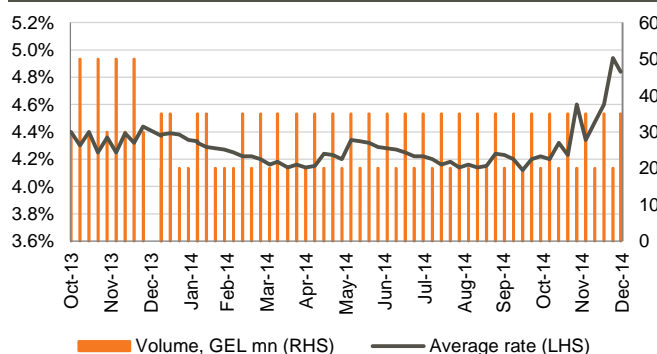
Ministry of Finance Treasury Notes: 1-year, GEL 50mn (US\$ 26.6mn) T-Bills of Ministry of Finance were sold at the auction held at NBG. Minimum yield was 5.900%, maximum yield was 5.990% and the weighted average yield was fixed at 5.935%. The nearest treasury securities auction is scheduled for January 14, 2015, where GEL 25mn nominal value 2-year, coupon rate 6.625% T-Notes will be sold.

T-bills / T-notes, yield curve



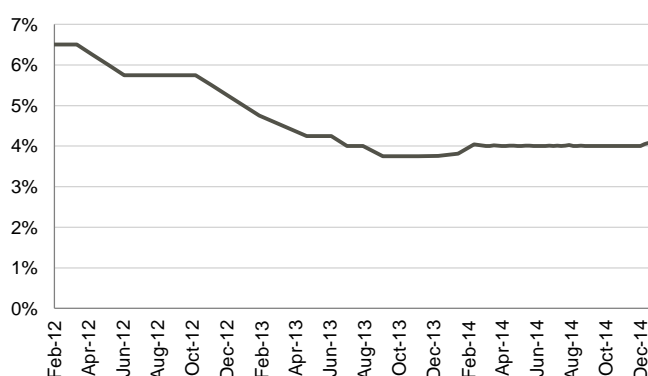
Source: NBG

Certificates of Deposits (weighted average rate)



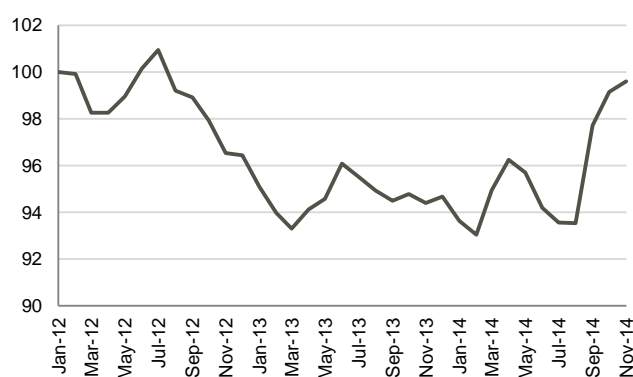
Source: NBG

Monetary policy rate



Source: NBG

Real Effective Exchange Rate



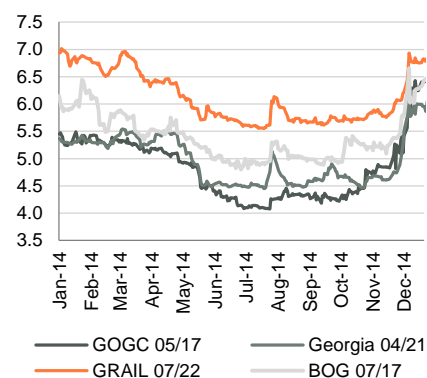
Source: NBG

Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG; US\$ 400mn coupon: 7.75%; maturity 07/17) closed at 6.5% yield, trading at a premium, at 102.9 (down 0.5% w/w). GOGC Eurobonds (GEOROG; US\$ 250mn, coupon: 6.875%; maturity: 05/17) were trading at a premium, at 100.5 (down 0.9% w/w) yielding 6.6%. Georgian Railway Eurobonds (GRAIL; US\$ 500mn, coupon: 7.75% maturity: 07/22), also traded at a premium at 103.9 (down 1.7% w/w) yielding 7.1%.

Georgian Sovereign Eurobonds (GEORG; US\$ 500mn, coupon: 6.875% maturity: 04/21) went up to 106.9 (+2.3% w/w) closing at 5.5% YTM.

Georgia Eurobonds, YTM (%)

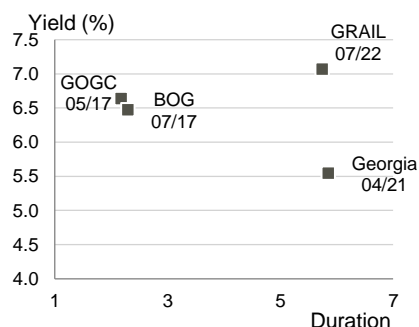


Source: Bloomberg

	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-/Baa3	BB-/BB-/	BB-/BB-/Baa3
Mid price, US\$	102.2	102.8	100.0	100.5	106.9	103.9	102.9
Mid yield, %	9.00%	8.00%	8.75%	6.6	5.5	7.1	6.5
Z-spread	n/a	n/a	n/a	461.6	377	535.3	586.3

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
Georgia	500	6.875%	12/04/2021	BB-/BB-/Baa3	106.9	5.5	377
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/BBB-/Baa3	95.8	5.3	325.9
Bulgaria	323	5.000%	19/07/2021	BBB-/	116.7	2.2	-115.7
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa1	103.4	3.3	274.8
Hungary	3,000	6.375%	29/03/2021	BB+/BB/Baa1	114.8	3.7	180.5
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	120.9	3.4	183.2
Russia	3,500	5.000%	29/04/2020	BBB/BBB-/Baa2	90.9	7.1	552.8
Turkey	2,000	5.625%	30/03/2021	BBB-/Baa3	110.2	3.8	200.2
Ukraine	1,500	7.950%	23/02/2021	CCC/CCC/Caa3	61.6	18.8	1796.2

Source: Bloomberg

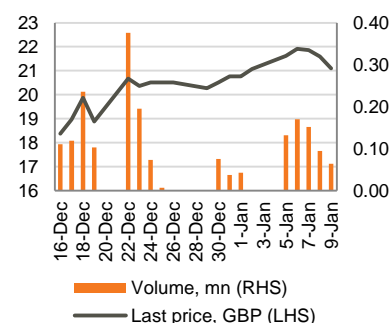
Equities

Bank of Georgia Holdings (BGEO LN) shares closed at GBP 21.10/share (+0.14% w/w and +2.03% m/m). More than 500K shares traded in a range of GBP 20.82 – 22.23/share. Average daily traded volume was 119k in the last 4 weeks, less than in previous month. FTSE 250 index, of which BOGH is the constituent, has lost 0.26% w/w and gained 1.89% m/m. The volume of BOGH shares traded was at 1.3% of its capitalization.

TBC Bank closed the week at US\$ 12.40 (-0.8 w/w and -4.62% m/m), more than 360k GDRs changed hands in the range of US\$ 12.25 – 13.00/GDR. Average daily traded volume was 62k in the last 4 weeks, more than in previous month. The price has decreased 4.62% since the start of the trading on June 5, 2014.

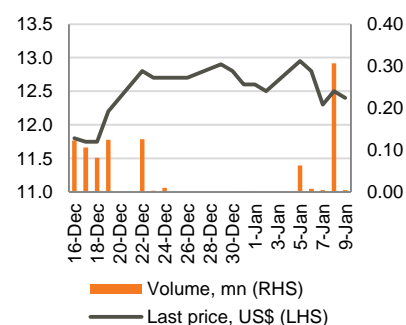
On the Georgian stock exchange, there were no trades as a result G&T Index remained at the same level of 843.50 (unchanged w/w).

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	31.95	1,592	-1.5%	-14.9%	-24.2%	-19.5%	-23.2%
TBC	TBC	12.40	611	-4.6%	-20.8%	N/A	N/A	N/A
Halyk Bank	HSBK	7.51	2,337	1.2%	-30.5%	-29.2%	-26.7%	-30.0%
KKB	KKB	3.50	1,174	-0.7%	6.0%	40.0%	94.4%	79.5%
VTB Bank	VTBR	2.11	13,349	7.2%	7.4%	-15.8%	-29.5%	-25.1%
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%	-7.2%

Source: Bloomberg

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

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Galt & Taggart

Address: 79 D. Agmashenebeli Avenue, Tbilisi 0102, Georgia

Tel: + (995) 32 2401 111

Email: st@gt.ge