

# Weekly Market Watch

Weekly Market Watch | Georgia  
December 22, 2014

## Economy

### Real GDP up 5.6% y/y in 3Q14

Real GDP increased 5.6% y/y in 3Q14 according to GeoStat. Construction was the fastest growing sector at 17.8% y/y, followed by financial intermediation (+12.8%) and mining (+11.4%). GDP base was diversified with manufacturing accounting for the largest share (18.3%), followed by trade (17.6%) and transport and communications (10.6%). GDP deflator was 4.5% in 3Q14.

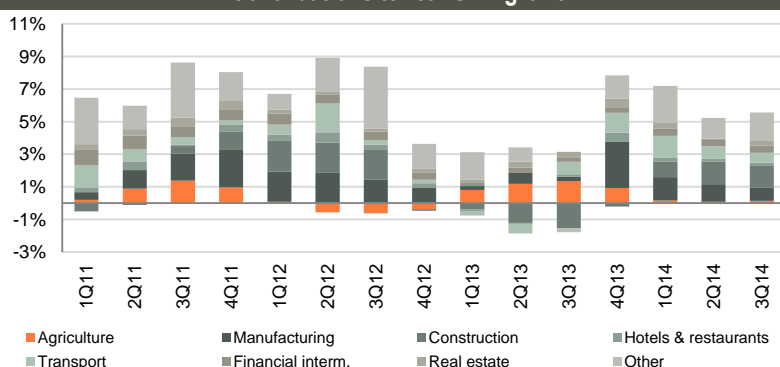
### Exports up 0.5% y/y; imports up 9.0% y/y in 11M14

Exports increased 0.5% y/y at US\$2.6bn, while imports were up 9.0% y/y at US\$7.7bn in 11M14, according to GeoStat preliminary figures. While in November exports decreased by 34.9% y/y and imports fell by 7.1% y/y. As a result, trade deficit reached US\$5.1bn, up by 14.5% y/y in 11M14.

### International cooperation continues

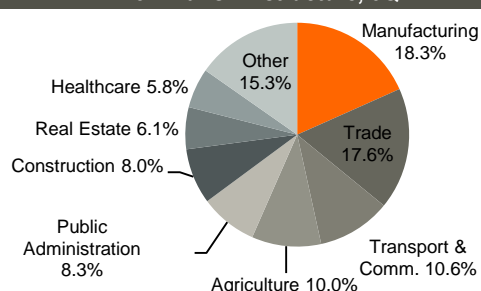
Georgian and Chinese governments signed a grant agreement for the amount of US\$ 4.6mn under an economic and technical cooperation program. Government of Japan allocated grant in the amount of US\$ 850,000 for purchasing equipment for Georgia's environmental needs.

### Contributions to real GDP growth



Source: GeoStat

### Nominal GDP structure, 3Q14



Source: GeoStat

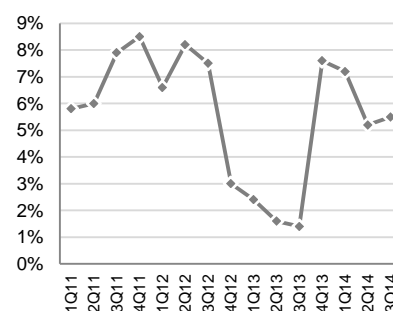
### Key macro indicators

	10M14	2014F	2013
GDP (% change)	5.6%*	5.0%	3.3%
GDP per capita (US\$)	na	3,720	3,597
Population (mn)	4.5	4.5	4.5
Inflation	2.8%	4.5%	2.4%
Gross reserves (US\$ bn)	2.6	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 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; POOR'S</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



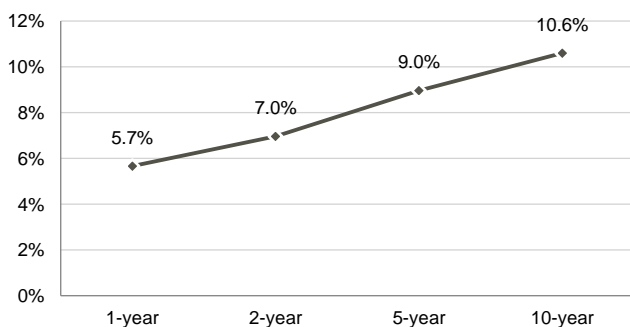
## Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 510 mn (US\$ 266mn) with an average yield of 4.00% (unchanged w/w).

**Certificates of deposit:** NBG sold 91-day, GEL 35mn (US\$ 18.8mn) certificates of deposits, with an average yield of 4.60% (up by 26bps from previous issue).

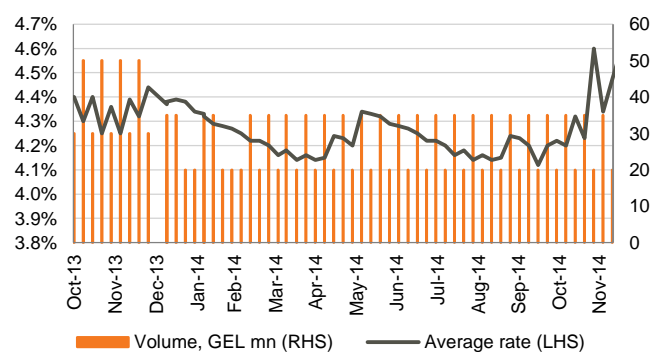
**Ministry of Finance Treasury Notes:** 2-year, GEL 20mn (US\$ 10.7mn) T-Notes of Ministry of Finance were sold at the auction held at NBG. Minimum yield was 6.900%, maximum yield was 7.300% and the weighted average yield was fixed at 6.963%. The nearest treasury securities auction is scheduled for December 24, 2014, where GEL 20mn nominal value 1-year T-Bills will be sold.

T-bills / T-notes, yield curve



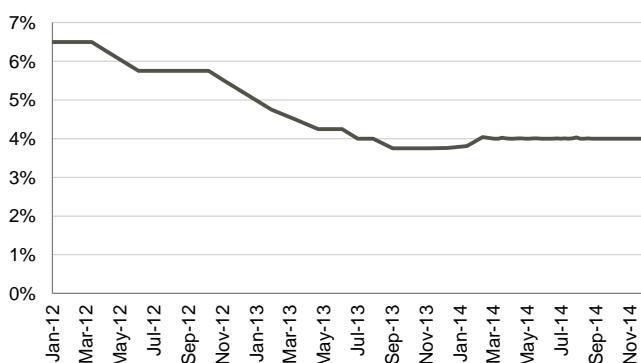
Source: NBG

Certificates of Deposits (weighted average rate)



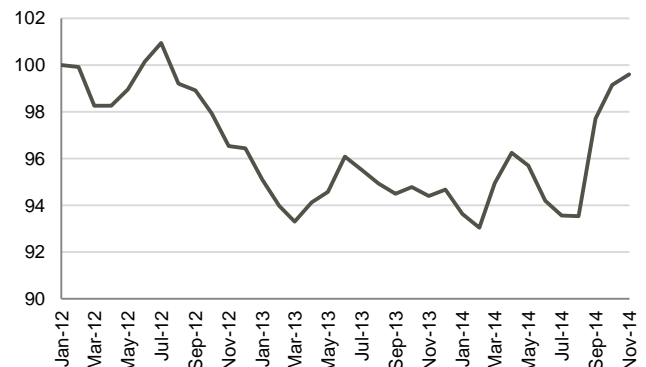
Source: NBG

Monetary policy rate



Source: NBG

Real Effective Exchange Rate



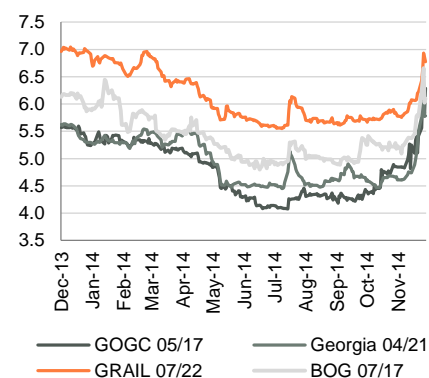
Source: NBG

## Fixed income

**Corporate Eurobonds:** Bank of Georgia Eurobonds (GEBGG; US\$ 400mn coupon: 7.75%; maturity 07/17) closed at 6.1% yield, trading at a premium, at 103.8 (down 0.8% w/w). GOGC Eurobonds (GEOROG; US\$ 250mn, coupon: 6.875%; maturity: 05/17) were trading at a premium, at 101.3 (down 1.9% w/w) yielding 6.3%. Georgian Railway Eurobonds (GRAIL; US\$ 500mn, coupon: 7.75% maturity: 07/22), also traded at a premium at 105.7 (down 3.1% w/w) yielding 6.8%.

**Georgian Sovereign Eurobonds** (GEORG; US\$ 500mn, coupon: 6.875% maturity: 04/21) went down to 105.7 (-1.4% w/w) closing at 5.8% YTM.

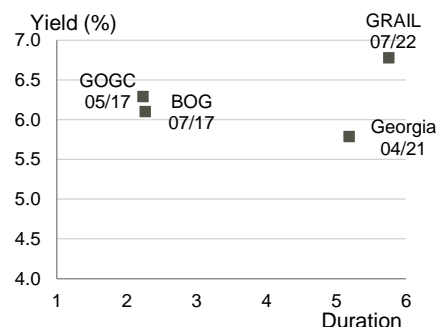
**Georgia Eurobonds, YTM (%)**



	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	105.7	105.7	103.8
Mid yield, %	9.00%	8.00%	8.75%	6.3	5.8	6.8	6.1
Z-spread	n/a	n/a	n/a	451.8	393.3	414.4	558.1

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	105.7	5.8	393.3
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/BBB-/Baa3	98.8	4.9	260.1
Bulgaria	323	5.000%	19/07/2021	BBB-/	116.5	2.3	-104.5
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa1	102.5	3.5	281.3
Hungary	3,000	6.375%	29/03/2021	BB+/BB/Baa1	114.2	3.8	185.8
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	120.2	3.5	139.5
Russia	3,500	5.000%	29/04/2020	BBB/BBB-/Baa2	95.2	6.1	400.7
Turkey	2,000	5.625%	30/03/2021	BBB-/Baa3	109.6	3.9	186.4
Ukraine	1,500	7.950%	23/02/2021	CCC/CCC/Caa3	66.0	17.1	1422.6

Source: Bloomberg

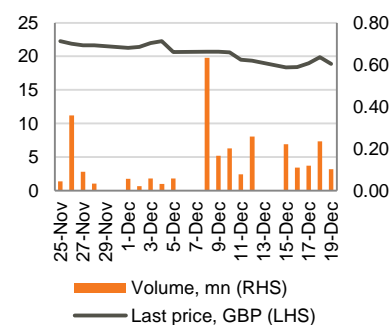
## Equities

**Bank of Georgia Holdings (BGEO LN)** shares closed at GBP 18.89/share (-2.38% w/w and -16.49% m/m). More than 940K shares traded in a range of GBP 17.74 – 20.63/share. Average daily traded volume was 162k in the last 4 weeks, more than in previous month. FTSE 250 index, of which BOGH is the constituent, has gained 3.33% w/w and 1.84% m/m. The volume of BOGH shares traded was at 2.38% of its capitalization.

**TBC Bank** closed the week at US\$ 12.20 (-2.40 w/w and -17.3% m/m), more than 500k GDRs changed hands in the range of US\$ 11.50 – 12.60/GDR. Average daily traded volume was 42k in the last 4 weeks, more than in previous month. The price has decreased 6.15% since the start of the trading on June 5, 2014.

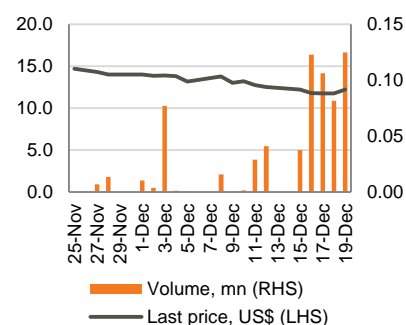
**On the Georgian stock exchange.** Liberty Bank shares were traded at GEL 0.0139 (unchanged w/w), as a result G&T Index remained at the same level of 910.57 (unchanged w/w).

**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	29.51	1,592	-16.8%	-26.2%	-25.7%	-25.6%	-21.6%
TBC	TBC	12.20	630	-17.3%	-23.5%	N/A	N/A	N/A
Halyk Bank	HSBK	7.00	1,947	-20.5%	-37.8%	-31.4%	-31.7%	-25.9%
KKB	KKB	3.01	1,006	-9.8%	-30.1%	50.3%	66.9%	92.6%
VTB Bank	VTBR	1.84	12,993	-2.2%	-12.5%	-30.6%	-38.6%	-35.1%
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%	-11.5%
BSPB	BSBP	29.51	1,592	-16.8%	-26.2%	-25.7%	-25.6%	-21.6%

Source: Bloomberg

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

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