

# Weekly Market Watch

Weekly Market Watch | Georgia  
December 8, 2014

## Economy

### CPI inflation was 2.8% in November

Annual CPI inflation reached 2.8% in November according to GeoStat. The drivers of inflation were food and healthcare prices. The price of food and non-alcoholic beverages increased by 6.2%, contributing 1.9ppts to the overall annual inflation rate. Within this category, the main increases came from: vegetables (27.7%) and fruits and grapes (12.2%). Healthcare prices increased by 4.8% contributed to an increase in overall price levels by 0.58ppts.

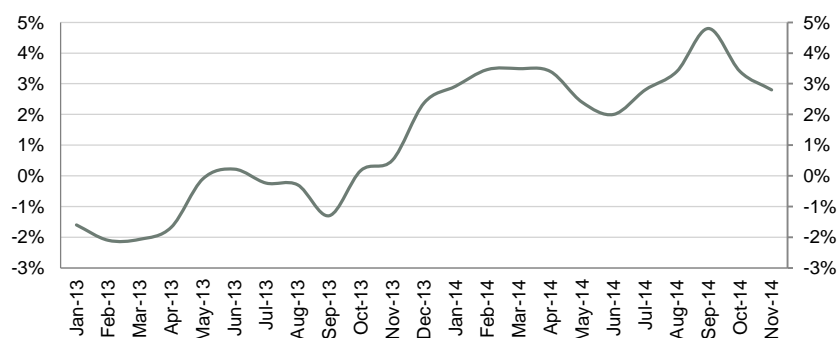
### Real GDP grew 5.6% y/y in 10M14

Real GDP grew by 5.6% in 10M14 according to GeoStat's rapid estimates. October 2014 economic growth was recorded at 3.5% y/y. Monthly rapid estimations are based on VAT turnover, fiscal and monetary statistics.

### Gross international reserves stood at US\$ 2.6bn end-November 2014

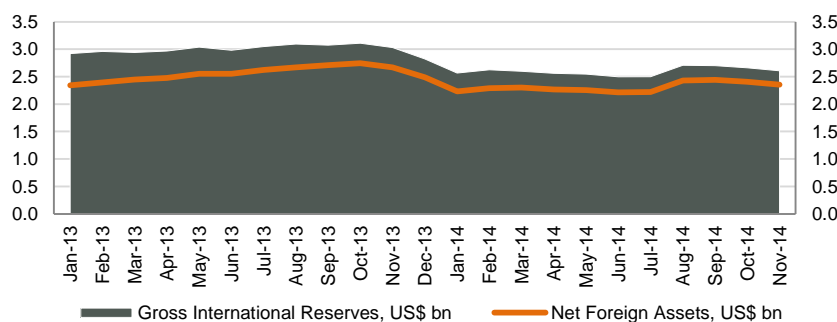
Gross international reserves stood at US\$ 2.6bn (-2.0% m/m) as of end-November 2014 according to NBG. In the same period net foreign assets of NBG reached US\$ 2.4bn (-2.2% m/m).

Annual CPI inflation



Source: GeoStat

Official foreign reserves



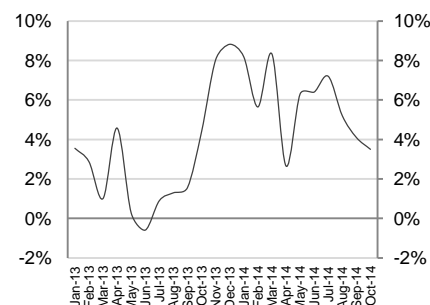
Source: NBG

Key macro indicators

	10M14	2014F	2013
GDP (% change)	5.6%	5.0%	3.3%
GDP per capita (US\$)	na	3,720	3,600
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)	1.6%	3.0%	2.6%
Total public debt (% of GDP)	33.1%*	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

<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



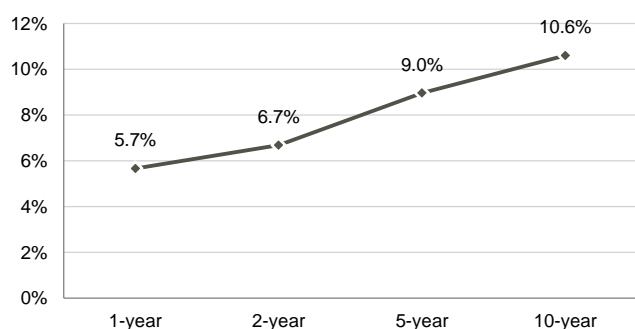
## Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 450 mn (US\$ 241mn) 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 4.34% (up by 11bps from previous issue).

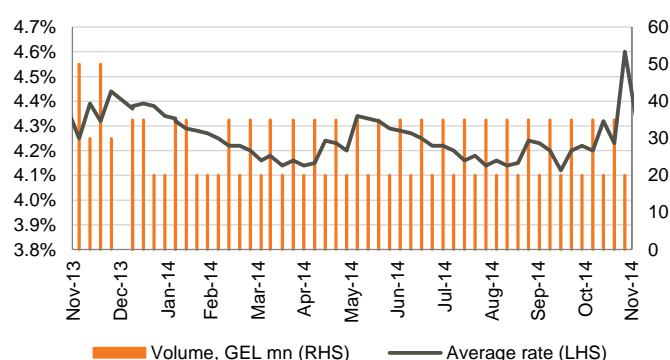
**Treasury Notes of Ministry of Finance:** 5-year, GEL 10mn (US\$ 5.4mn) T-Notes of Ministry of Finance were sold at the auction held at NBG. Minimum yield was 8.950%, maximum yield was 9.000% and the weighted average yield was fixed at 8.963%. The coupon rate was 9.514%. Coupons will be paid semi-annually.

T-bills / T-notes, yield curve



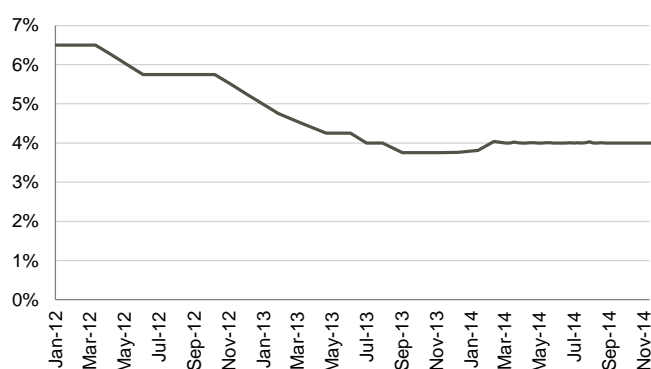
Source: NBG

Certificates of Deposits (weighted average rate)



Source: NBG

Monetary policy rate



Source: NBG

Real Effective Exchange Rate



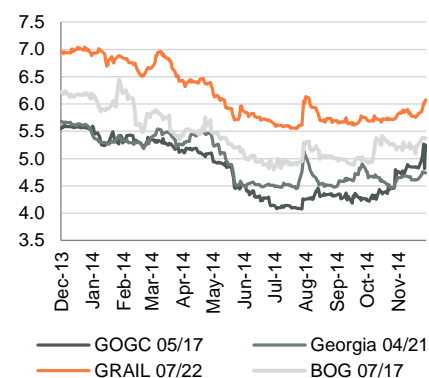
Source: NBG

# Fixed income

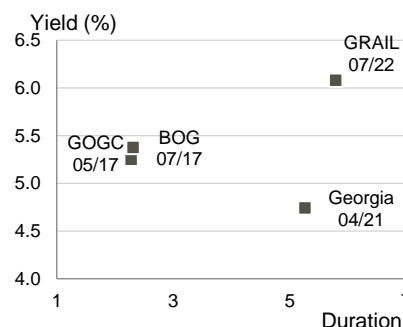
**Corporate Eurobonds:** Bank of Georgia Eurobonds (GEBGG; US\$ 400mn coupon: 7.75%; maturity 07/17) closed at 5.4% yield, trading at a premium, at 105.6 (down 0.3% w/w). GOGC Eurobonds (GEOROG; US\$ 250mn, coupon: 6.875%; maturity: 05/17) were trading at a premium, at 103.7 (down 1.0% w/w) yielding 5.3%. Georgian Railway Eurobonds (GRAIL; US\$ 500mn, coupon: 7.75% maturity: 07/22), also traded at a premium at 110.0 (down 1.7% w/w) yielding 6.1%.

**Georgian Sovereign Eurobonds** (GEORG; US\$ 500mn, coupon: 6.875% maturity: 04/21) went down to 111.6 (-0.7% w/w) closing at 4.7% YTM.

**Georgia Eurobonds, YTM (%)**



**Georgian Eurobond universe**



	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	400
Issue date	04/14	06/14	09/14	12-May	11-Apr	12-Jul	12-Jul
Maturity date	04/15	06/15	09/17	17-May	21-Apr	22-Jul	17-Jul
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	103.7	111.6	110.0	105.6
Mid yield, %	9.00%	8.00%	8.75%	5.3	4.7	6.1	5.4
Z-spread	n/a	n/a	n/a	315	264.9	402.8	427.2

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-/Ba3	111.6	4.7	264.9
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/BBB-/Baa3	100.0	4.7	234.2
Bulgaria	323	5.000%	19/07/2021	BBB-/	116.5	2.3	-47.7
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba1	104.0	3.3	252.5
Hungary	3,000	6.375%	29/03/2021	BB+/BB/Ba1	115.8	3.6	163.2
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	121.0	3.4	122.4
Russia	3,500	5.000%	29/04/2020	BBB/BBB-/Baa2	97.0	5.7	364.6
Turkey	2,000	5.625%	30/03/2021	BBB-/Baa3	111.3	3.6	155.8
Ukraine	1,500	7.950%	23/02/2021	CCC/CCC/Caa3	73.2	14.7	1259.4

Source: Bloomberg

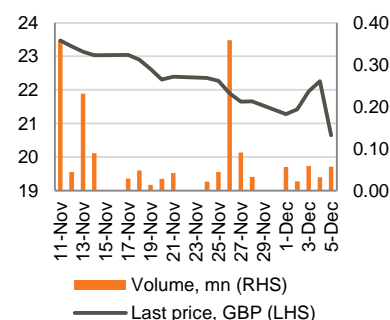
## Equities

**Bank of Georgia Holdings (BGEO LN)** shares closed at GBP 20.65/share (-4.66% w/w and -16.77% m/m). More than 800K shares traded in a range of GBP 20.10 – 22.46/share. Average daily traded volume was 114k in the last 4 weeks, more than in previous month. FTSE 250 index, of which BOGH is the constituent, has gained 0.95% w/w and 3.07% m/m with BOGH shares underperforming the index. The volume of BOGH shares traded was at 2.23% of its capitalization.

**TBC Bank** closed the week at US\$ 13.15 (-6.07 w/w and -11.15% m/m), more than 16k GDRs changed hands in the range of US\$ 12.95 – 14.10/GDR. Average daily traded volume was 97k in the last 4 weeks, lower than in previous month. The price has added 1.15% since the start of the trading on June 5, 2014.

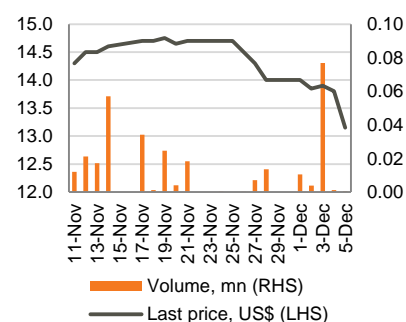
**On the Georgian stock exchange** Liberty Bank shares were traded in the range of GEL 0.013 – 0.0139 closing at GEL 0.0139 (-0.71% w/w), as a result G&T Index decreased to the level of 800.97(-0.001% w/w).

### 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	32.19	1,447	-18.8%	-23.6%	-19.0%	-18.9%	-9.4%
TBC	TBC	13.15	648	-11.1%	-17.9%	N/A	N/A	N/A
Halyk Bank	HSBK	7.97	2,217	-11.5%	-30.7%	-21.9%	-22.2%	-16.1%
KKB	KKB	3.75	1,256	0.0%	-11.6%	78.6%	108.3%	127.5%
VTB Bank	VTBR	2.00	13,032	10.0%	-11.4%	-27.7%	-33.2%	-26.8%
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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