

# Weekly Market Watch

 Weekly Market Watch | Georgia  
 December 1, 2014

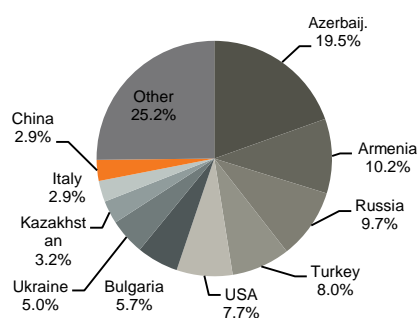
## Economy

### 10M14 exports up 5.2% y/y; imports up 11.4% y/y

10M14 exports increased 5.2% y/y at US\$ 2.43bn, while imports were up 11.4% y/y at US\$ 7.01bn, according to foreign trade data released by GeoStat. As a result, trade deficit reached US\$ 4.58bn with 49% share in total trade turnover. During this period, export growth to Russia (+78.6%), USA (+55.5%), Turkey (+27.3%) and Bulgaria (+16.9%) was more than sufficient to outweigh reduction of exports to Azerbaijan (re-export of cars) and Ukraine. Export structure remains diversified with cars (18.8%), ferro-alloys (10.3%), copper (9.0%), wine (6.2%) and nuts (5.7%) representing top 5 export commodities. In 10M14, 22% of exports were directed to EU, 52% to CIS and 26% to other countries. In other countries Turkey (8.0%) and USA (7.7%) were the largest trading partners.

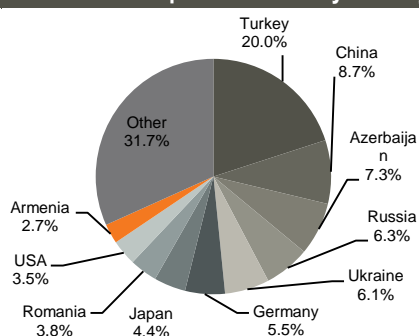
Increased economic activity supported import growth in 10M14, with petroleum (11.0%), cars (8.6%), gas (3.9%), pharmaceuticals (3.7%) and copper (2.2%) representing top 5 imported commodities. In 10M14, 28% of imports were originated from EU, 24% from CIS and 48% from other countries. In other countries Turkey (20.0%) and China (8.7%) were the largest trading partners.

10M14 export structure by country

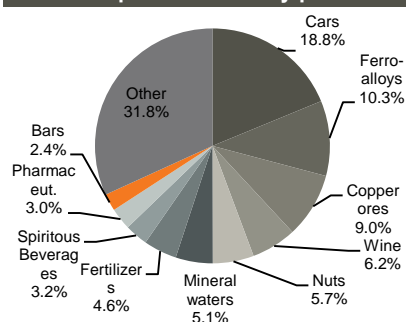


Source: GeoStat

10M14 import structure by country

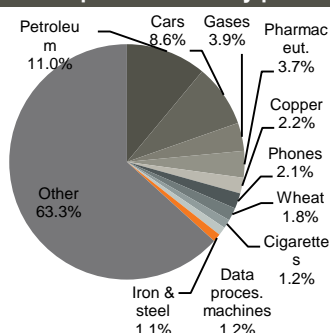


10M14 export structure by product



Source: GeoStat

10M14 import structure by product



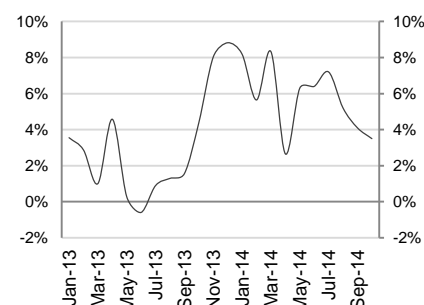
### Key macro indicators

	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	3.4%	4.5%	2.4%
Gross reserves (US\$ bn)	2.7	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%

\* as of 9M14

Source: Official data, G&amp;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

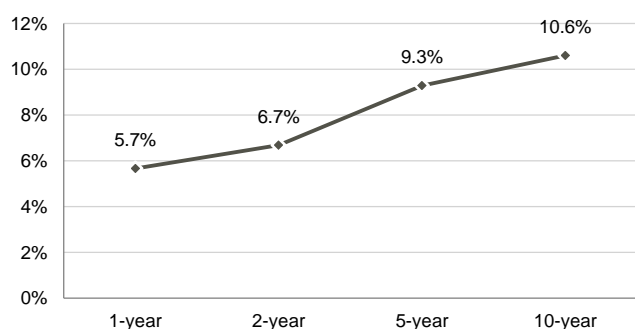
# Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 300mn (US\$ 163mn) with an average yield of 4.00% (unchanged w/w).

**Certificates of deposit:** NBG sold 182-day, GEL 35mn (US\$ 11mn) certificates of deposits, with an average yield of 4.60% (up by 28bps from previous issue).

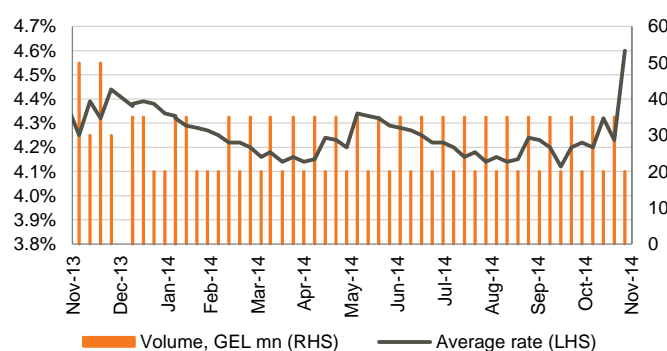
**Treasury Notes of Ministry of Finance:** The nearest Treasury Securities Auction is scheduled for December 3, 2014, where GEL 10mn nominal value 5-year, coupon rate 9.514% T-Notes will be sold.

T-bills / T-notes, yield curve



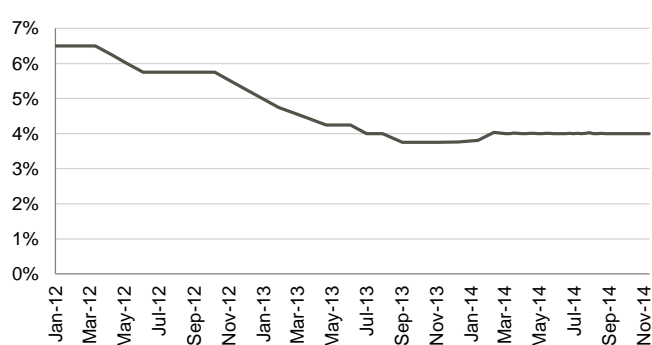
Source: NBG

Certificates of Deposits (weighted average rate)



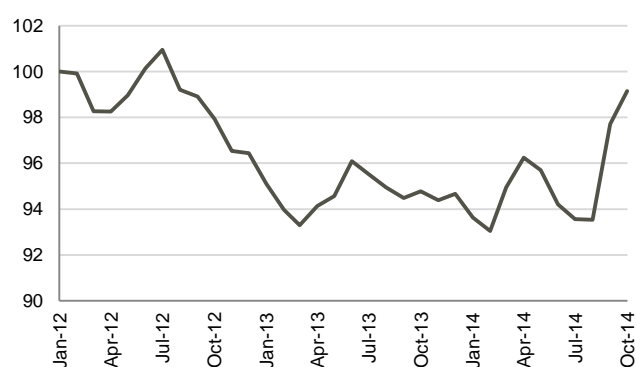
Source: NBG

Monetary policy rate



Source: NBG

Real Effective Exchange Rate



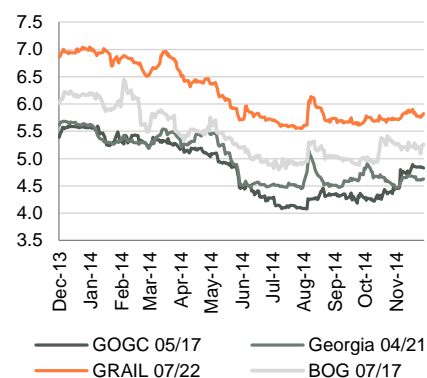
Source: NBG

## Fixed income

**Corporate Eurobonds:** Bank of Georgia Eurobonds (GEBGG; US\$ 400mn coupon: 7.75%; maturity 07/17) closed at 5.3% yield, trading at a premium, at 105.9 (down 0.2% w/w). GOGC Eurobonds (GEOROG; US\$ 250mn, coupon: 6.875%; maturity: 05/17) were trading at a premium, at 104.7 (unchanged w/w) yielding 4.8%. Georgian Railway Eurobonds (GRAIL; US\$ 500mn, coupon: 7.75% maturity: 07/22), also traded at a premium at 111.7 (down 0.3% w/w) yielding 5.8%.

**Georgian Sovereign Eurobonds** (GEORG; US\$ 500mn, coupon: 6.875% maturity: 04/21) went down to 112.3 (-0.1% w/w) closing at 4.6% YTM.

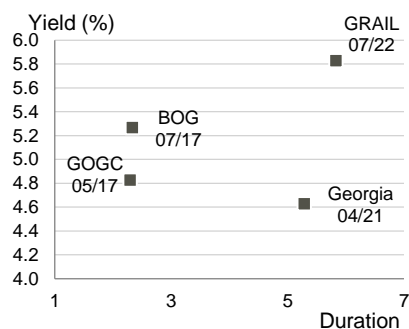
Georgia Eurobonds, YTM (%)



	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	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	104.7	112.3	111.7	105.9
Mid yield, %	9.00%	8.00%	8.75%	4.8	4.6	5.8	5.3
Z-spread	n/a	n/a	n/a	336.6	273.5	393.3	443.9

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	112.3	4.6	273.5
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/BBB-/Baa3	102.2	4.5	222.9
Bulgaria	323	5.000%	19/07/2021	BBB-/	115.0	2.5	-26.8
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba1	104.2	3.2	255.8
Hungary	3,000	6.375%	29/03/2021	BB+/BB/Ba1	115.4	3.6	176.7
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	120.3	3.5	150.4
Russia	3,500	5.000%	29/04/2020	BBB/BBB-/Baa2	100.0	5.0	340.3
Turkey	2,000	5.625%	30/03/2021	BBB-/Baa3	111.2	3.6	173.8
Ukraine	1,500	7.950%	23/02/2021	CCC/CCC/Caa3	77.3	13.4	1158.6

Source: Bloomberg

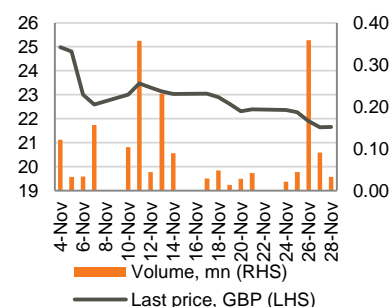
## Equities

**Bank of Georgia Holdings (BGEO LN)** shares closed at GBP 21.66/share (-3.25% w/w and -15.65% m/m). More than 580K shares traded in a range of GBP 21.253 – 22.67/share. Average daily traded volume was 96k in the last 4 weeks, less than in previous month. FTSE 250 index, of which BOGH is the constituent, has gained 1.02% w/w and 4.82% m/m with BOGH shares underperforming the index. The volume of BOGH shares traded was at 1.61% of its capitalization.

**TBC Bank** closed the week at US\$ 14.00 (-4.76 w/w and -1.06% m/m), more than 31k GDRs changed hands in the range of US\$ 13.90 – 14.70/GDR. Average daily traded volume was 12k in the last 4 weeks, lower than in previous month. The price has added 7.69% since the start of the trading on June 5, 2014.

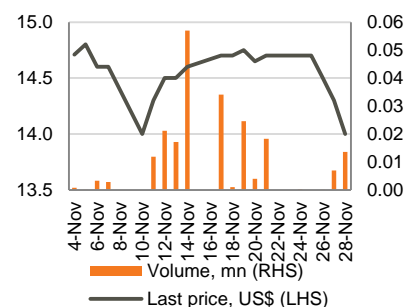
**On the Georgian stock exchange** Liberty Bank shares were traded at GEL 0.014 (unchanged w/w), as a result G&T Index remained at the same level of 800.98 (unchanged w/w).

**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	33.84	1,447	-18.4%	-17.3%	-19.0%	-14.7%	-9.7%
TBC	TBC	14.00	689	-1.1%	-8.8%	N/A	N/A	N/A
Halyk Bank	HSBK	8.59	2,420	-11.9%	-26.9%	-11.4%	-16.2%	-11.9%
KKB	KKB	4.20	1,406	12.0%	-12.5%	101.9%	133.3%	154.5%
VTB Bank	VTBR	1.85	11,522	-1.8%	-12.3%	-30.9%	-38.3%	-34.3%
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%	-11.8%

Source: Bloomberg

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

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