



Weekly Market Watch

Weekly Market Watch | Georgia
October 27, 2014

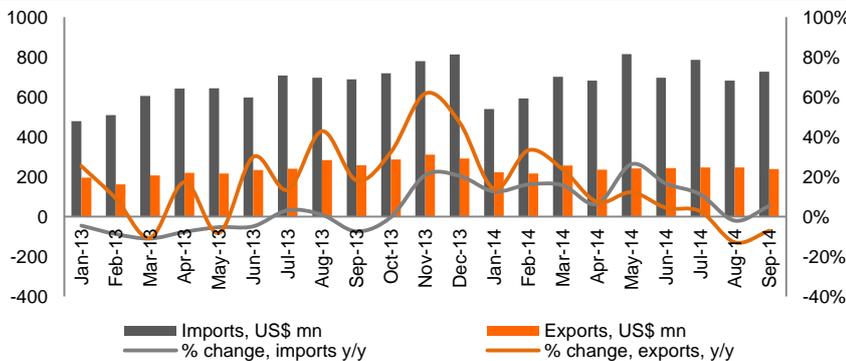
Economy

9M14 exports up 6.7% y/y; imports up 11.7% y/y

9M14 exports increased 6.7% y/y at US\$ 2.2bn, while imports were up 11.7% y/y at US\$ 6.2bn, according to foreign trade data released by GeoStat. As a result, trade deficit was US\$ 4.1bn with 49% share in total trade turnover. During this period, export growth to Russia (+103.8%), USA (+31.9%), Turkey (+27.2%) and Bulgaria (+35.3%) was more than sufficient to outweigh reduction of exports (re-export of cars) to Azerbaijan and Ukraine. Export structure remains diversified with cars (19.0%), ferro-alloys (10.2%), copper (9.3%), wine (6.1%) and mineral waters (5.3%) representing top 5 export commodities. In 9M14, 21% of exports were directed to EU, 52% to CIS and 27% to other countries. In other countries Turkey (8.0%) and USA (7.3%) were the largest trading partners.

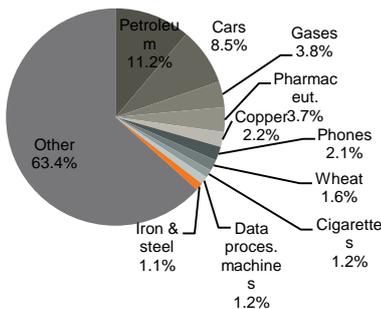
Increased economic activity supported import growth in 9M14, with petroleum (11.2%), cars (8.5%), gas (3.8%), pharmaceuticals (3.7%) and copper (2.2%) representing top 5 imported commodities. Notably, import of investment goods continued growing and was 16.7% higher y/y in September. In 9M14, 28% of imports were originated from EU, 24% from CIS and 28% from other countries. In other countries Turkey (20.2%) and China (8.8%) were the largest trading partners.

Foreign trade



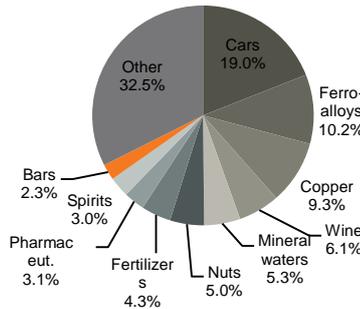
Source: GeoStat, G&T Research

9M14 import structure



Source: GeoStat, G&T Research

9M14 export structure



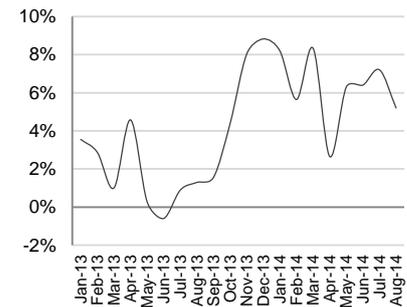
Key macro indicators

	9M14	2014F	2013
GDP (% change)	6.1%*	5.0%	3.2%
GDP per capita (US\$)	na	3,720	3,597
Population (mn)	4.5	4.5	4.5
Inflation	4.8%	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)	1.1%	3.0%	2.6%
Total public debt (% of GDP)	33.1%	35.0%	34.7%

* as of 8M14

Source: Official data, G&T Research

Real GDP growth, %



Source: GeoStat

International ranking of Georgia, 2014

- Ease of doing business # 8 (top ten)
- 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

<p>BB- Stable Affirmed May-2014</p>	<p>Ba3 Positive Affirmed Sep-2014</p>	<p>BB- Positive Affirmed Oct-2014</p>
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Source: Rating agencies

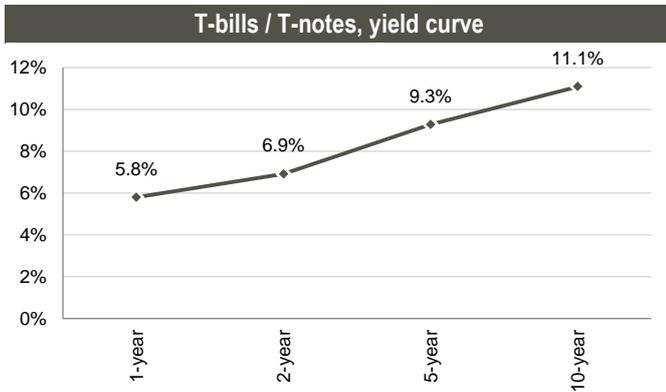


Money market

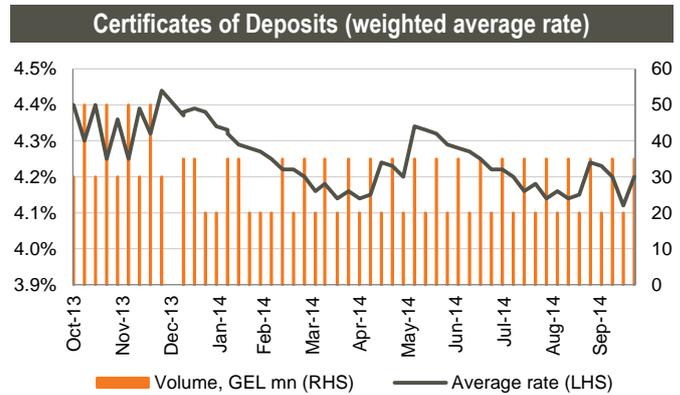
Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 420mn (US\$ 239mn) with an average yield of 4.00% (unchanged w/w).

Certificates of deposit: NBG sold 91-day, GEL 35mn (US\$ 20mn) certificates of deposits, with an average yield of 4.20% (unchanged from previous issue).

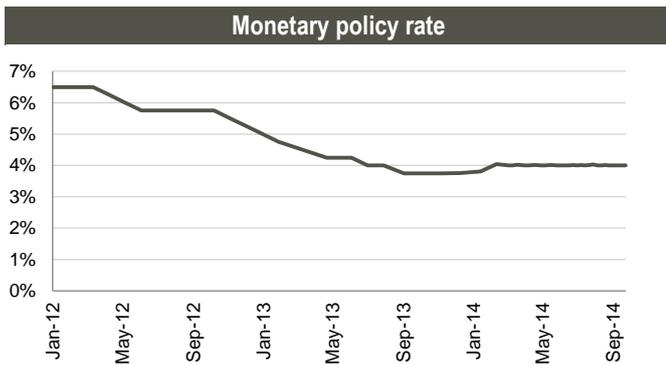
Exchange rate: Nominal effective exchange rate depreciated 0.2% w/w.



Source: NBG



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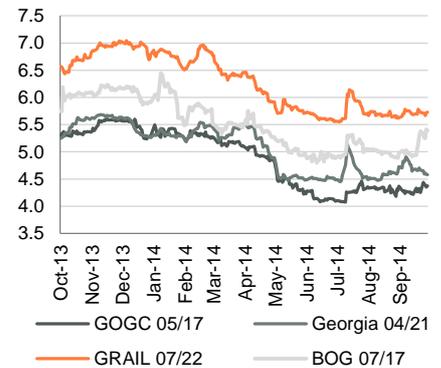


Source: NBG

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 105.8 (down 0.1% w/w). GOGC Eurobonds (GEOROG; US\$ 250mn, coupon: 6.875%; maturity: 05/17) were trading at a premium, at 106.0 (down 0.3% w/w) yielding 4.4%. Georgian Railway Eurobonds (GRAIL; US\$ 500mn, coupon: 7.75% maturity: 07/22), also traded at a premium at 112.4 (down 0.1% w/w) yielding 5.7%.

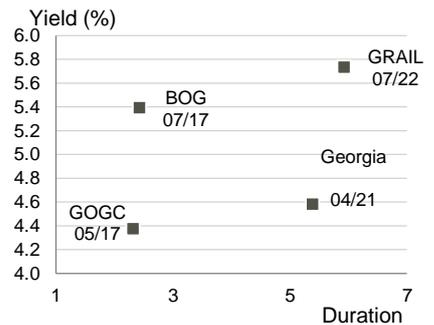
Georgian Sovereign Eurobonds (GEORG; US\$ 500mn, coupon: 6.875% maturity: 04/21) went up to 112.7 (+0.5% w/w) closing at 4.6% YTM. Compared to peer sovereign bonds (please see the list below), Georgian paper offers one of the best yields in the universe, except of Ukraine which resembles the higher political and economic risks.

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-/Ba3	BB-/BB-/	BB-/BB-/Ba3
Mid price, US\$	102.2	102.8	100.0	106.0	112.7	112.4	105.8
Mid yield, %	9.00%	8.00%	8.75%	4.4%	4.6%	5.7%	5.4%
Z-spread	n/a	n/a	n/a	339.4	386.0	291.8	415.9

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-/Ba3	112.7	4.6	386.0
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/BBB-/Baa3	104.4	4.2	189.0
Bulgaria	323	5.000%	19/07/2021	BBB-/	115.3	2.5	-19.2
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba1	101.4	3.7	285.2
Hungary	3,000	6.375%	29/03/2021	BB+/BB/Ba1	114.1	3.9	192.6
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	120.1	3.6	151.8
Russia	3,500	5.000%	29/04/2020	BBB/BBB-/Baa2	102.7	4.5	263.2
Turkey	2,000	5.625%	30/03/2021	BBB-/Baa3	109.4	4.0	199.3
Ukraine	1,500	7.950%	23/02/2021	CCC/CCC/Caa3	87.4	10.7	850.0

Source: Bloomberg



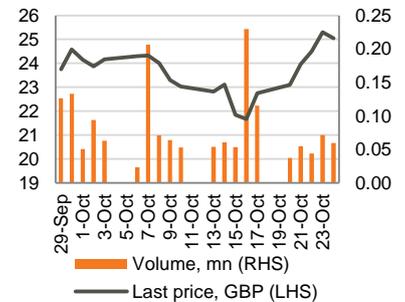
Equities

Bank of Georgia Holdings (BGEO LN) shares closed at GBP 25.05/share (+10.1% w/w and +3.0% m/m). More than 260k shares traded in a range of GBP 22.49 – 25.39/share. Average daily traded volume was 93k in the last 4 weeks, lower than in previous month. FTSE 250 index, of which BOGH is the constituent has been growing second week in a row (2.3% w/w) with BOGH shares outperforming the index. The volume of BOGH shares traded was at 0.72% of its capitalization.

TBC Bank closed the week at US\$ 14.20 (-5.3% w/w and -11.3% m/m), more than 270k GDRs changed hands in the range of US\$ 14.00 – 14.55/GDR. Average daily traded volume was 107k in the last 4 weeks, lower than in previous month. The price has added 9.23% since the start of the trading on June 5, 2014.

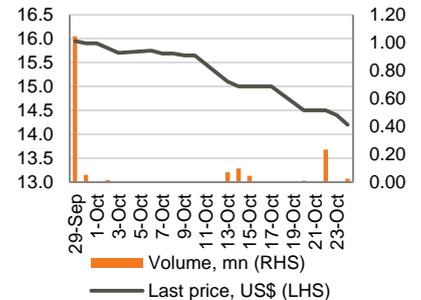
On the Georgian stock exchange no shares were traded this week. G&T Index remains at 801.1.

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*	40.26	1,434	1.2%	-7.0%	-7.2%	1.5%	24.9%
TBC	14.20	699	-11.3%	1.4%	N/A	N/A	N/A
Halyk Bank	9.70	2,740	-15.5%	-7.1%	2.3%	-5.4%	19.8%
KKB	4.00	1,460	0.0%	-19.2%	81.8%	122.2%	122.2%
VTB Bank	1.89	12,157	-12.8%	-17.6%	-8.6%	-36.9%	-30.1%
Vozrozhdenie Bank	11.35	N/A	0.0%	0.0%	0.0%	0.0%	0.0%
Sberbank	2.74	N/A	0.0%	0.0%	0.0%	-12.7%	-16.5%
BSPB	40.26	1,434	1.2%	-7.0%	-7.2%	1.5%	24.9%

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