

Georgian Weekly Market Watch (August 18 - August 22)

Market comment

Last week, London traded Bank of Georgia Holdings (BGEO LN) closed at GBP 24.90 (+0.2% w/w). During the week, more than 450 000 shares were traded in the range of GBP 24.35 – 25.77. TBC Bank closed the week at US\$15.20 (-0.3% w/w), more than 87 000 GDRs changed hands in the range of US\$ 14.99 – 15.25.

In the debt world, Bank of Georgia (GEBGG 07/17, +0.4% to 107.3), Georgian Railway (GRAIL 07/22, +1.4 % to 112.8) and Georgian Sovereign (GEORG 04/21, +0.8% to 113.2) Eurobond prices went up. While, Georgian Oil and Gas Corporation (GEOROG, -0.2% to 106.5) Eurobond price went down.

On the Georgian stock exchange, there were no trades. As a result, BG Index remained at the same level of 866.9 (unchanged w/w).

Money market

Last week, the National Bank of Georgia (NBG) issued 8-day refinancing loans in the amount of GEL 400mn with an average yield amounting 4.00% (unchanged w/w). NBG also sold 182-day, GEL 20mn certificates of deposits. The average yield was 4.18% (down by 2bps).

As for treasury debt, on August 20, total of GEL 10mn 364-day T-Bills of Ministry of Finance were sold at the auction held at NBG. Minimum yield was 5.920%, maximum yield was 6.090% and the weighted average yield was fixed at 6.007%.

Economy

Moody's changed outlook on Georgia's Ba3 sovereign rating to positive from stable

Moody's Investors Service changed the outlook on Georgia's Ba3 sovereign rating to positive from stable on 22 August 2014.

The key driver of outlook change is the entering into force EU-Georgia Deep and Comprehensive Free Trade Agreement (DCFTA) in September 2014, which Moody's expects will attract further foreign direct investment (FDI) and bolster the country's export performance. This should in turn support an improvement in Georgia's external position over the medium term.

Georgia's external merchandise trade January-July 2014

According to GeoStat, external merchandise trade turnover reached to US\$ 6.5bn in January-July 2014 (+14% y/y). Exports grew by 13% y/y reaching US\$ 1.7bn, while imports grew by 15% y/y and amounted to US\$ 4.8bn. The trade deficit reached US\$ 3.2bn with 49% share in trade turnover. Azerbaijan accounted for the largest share of Georgia's exports (20.3%), followed by Armenia (10.8%), Russia (9.7%) and Turkey (8.7%). On the import side, trade was dominated by flows from Turkey (20.1%), China (8.7%) and Azerbaijan (7.2%).

Exchange rate

NBG purchases US\$ 20mn

On August 20, NBG purchased US\$ 20mn on foreign exchange auction. The weighted average exchange rate was 1.7277.

Georgian national currency significantly appreciates against EUR and GBP

According to the official exchange rate of the NBG, during the week Georgian Lari has appreciated against US\$, EUR and GBP. 1 US Dollar equalled to GEL1.7252 (-0.2% w/w), 1 EUR reached to GEL 2.2895 (-0.9% w/w), 1 GBP was GEL 2.8588 (-0.9% w/w).

Please contact our Sales Desk (st@bgcap.ge) or Research (research@bog.ge) for more information.

BG Capital

7 Chavchavadze Ave. 1st floor

Tbilisi 0179, Georgia

Tel: :+ 995 32 2444 132

Fax: + 995 32 2235 804

st@bgcap.ge

www.bgcapital.ge

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