

Georgian Weekly Market Watch (August 04 - August 08)

Market comment

Last week, London traded Bank of Georgia Holdings (BGEO LN) closed at GBP 24.87 (+0.4% w/w). During the week, more than 170 000 shares were traded in the range of GBP 24.08 – 25.13. TBC Bank closed the week at US\$14.00 (-0.1% w/w), more than 650 000 GDRs changed hands in the range of US\$ 13.65 – 14.32.

In the debt world, Bank of Georgia (GEBGG 07/17, -1.0% to 106.5), Georgian Railway (GRAIL 07/22, -3.2% to 110.0), Georgian Sovereign (GEORG 04/21, -2.9% to 110.0) and Georgian Oil and Gas Corporation (GEOROG, -0.5% to 106.7) Eurobond prices all went down.

On the Georgian stock exchange, there were no trades, as a result, BG Index remained at the same level of 911.7 (unchanged w/w).

Money market

Last week, the National Bank of Georgia (NBG) issued 7-day refinancing loans in the amount of GEL 500mn with an average yield amounting 4.01% (+0.25% w/w). NBG also sold 192-day, GEL 20mn certificates of deposits. The average yield was 4.20% (down by 2bps).

As for treasury debt, on August 6, total of GEL 10mn 10-year T-Notes of Ministry of Finance were sold at the auction held at NBG. Minimum yield was 11.000%, maximum yield was 11.320% and the weighted average yield was fixed at 11.096%. The coupon rate was 11.600%. Coupons will be paid semi-annually. The nearest treasury securities auction is scheduled for August 13, 2014, where GEL 10mn nominal value 2-year T-Notes will be sold.

Economy

Annual inflation rate was 2.8% in July 2014

According to GeoStat, annual inflation rate in Georgia was recorded at 2.8% in July 2014. The most significant contributions to the annual CPI rate were made by changes in the price level for food and non-alcoholic beverages (+3.4% y/y), health (+4.7% y/y) and transport (+3.6% y/y).

July 2014 monthly inflation rate in Georgia was -0.6%. In the given period the most significant impact on the inflation rate was made by price changes in food and non-alcoholic beverages (-2.1% m/m) and health (+0.7% m/m).

IMF Executive Board Approves US\$154mn Stand-by Arrangement for Georgia

On July 31, the Executive Board of the International Monetary Fund (IMF) approved a 36-month SDR100mn (about US\$154mn, or 67% of Georgia's quota) Stand-by arrangement (SBA) with Georgia to support the authorities' economic program. The Executive Board's decision enables the immediate disbursement of SDR 40mn (about US\$62mn), while the remaining amount will be phased over the duration of the program, subject to reviews.

The authorities' economic reform program that will be supported by the SBA aims to reduce macroeconomic vulnerabilities, increase policy buffers and support growth, while making the economy more resilient to external shocks.

Exchange rate

NBG purchases US\$ 20mn

On August 5, NBG purchased US\$ 20mn on foreign exchange auction. The weighted average exchange rate was 1.7324.

Georgian National currency appreciates against USD and EUR

According to the official exchange rate of the NBG, during the week Georgian Lari has appreciated against USD and EUR. 1 US Dollar equalled to GEL1.7274 (-0.5% w/w) and 1 EUR reached to GEL 2.3252 (-0.5% w/w).

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