

Weekly Market Watch

 Weekly Market Watch | Georgia
 June 16, 2015

Economy

FDI inflows up 9.1% y/y in 1Q15

FDI inflows increased 9.1% y/y to US\$ 444mn, while the decrease in liabilities owed to foreign investors amounted to US\$ 269mn (+89.4% y/y), leading to a 33.9% y/y decrease in FDI to US\$ 175mn in 1Q15, according to GeoStat's preliminary figures. The transport and communication sector was the largest FDI recipient at US\$ 146.3mn, increasing 232.9% y/y and accounting for 83.5% of total, followed by construction at US\$ 24.5mn (+329.1% y/y, 14.0% of total). Azerbaijan topped the list of investors with US\$ 59.1mn (+26.3% y/y, 33.7% of total), followed by Turkey at US\$ 26.6mn (-11.0% y/y, 15.2% of total), and Russia at US\$ 22.7mn (+14.6% y/y, 12.9% of total). We expect FDI to pick up in the coming quarters due to ongoing projects and the government privatization agenda.

Property registration up 2.5% y/y and company registration down 8.3% y/y in May 2015

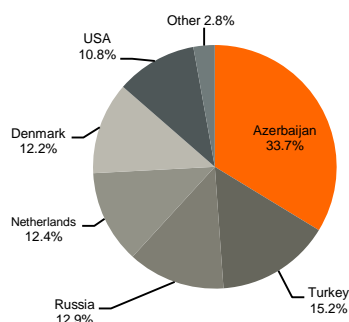
Property registration (commercial and residential real estate) increased by 2.5% y/y (-0.8% m/m), reaching 41,867 units in May 2015, according to the National Agency of Public Registry (NAPR). Registration increased for both primary (+1.4% y/y, 18.7% of total) and secondary (+2.8% y/y, 81.3% of total) properties.

Company registration fell by 8.3% y/y (+1.4% m/m) to 3,743 entities in May 2015. Out of newly registered companies, 96.7% were business legal entities while 3.3% comprised non-entrepreneurial (non-commercial) legal entities.

Georgia restores 1-year visa-free rule

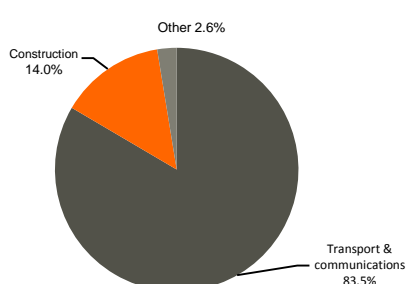
After tightening visa rules in September 2014 (granting 90-day visa free access to foreign nationals in any 180-day period), Georgia restored 1-year visa-free access to Georgia for citizens of over 100 countries and territories effective 8 June, 2015. Moreover, visa-free access for up to 90 days is granted to foreign nationals holding visas and/or residence permits of over 50 countries and territories.

FDI by countries 1Q15



Source: GeoStat

FDI by sectors 1Q15



Key macro indicators

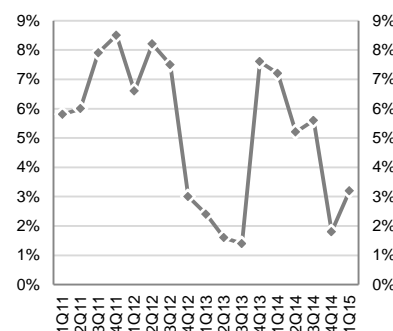
	5M15	2014	2013
GDP (% change)	2.6%*	4.8%	3.3%
GDP per capita (ppp)	...	7,653	7,180
GDP per capita (US\$)	...	3,681	3,600
Population (mn)	3.7**	4.5	4.5
Inflation (eop)	3.5%	2.0%	2.4%
Gross reserves (US\$ bn)	2.4	2.7	2.8
CAD (% of GDP)	...	9.7%	5.9%
Fiscal deficit (% of GDP)	...	3.0%	2.6%
Total public debt (% of GDP)	...	35.5%	34.7%

Source: Official data

* As of 4M15

**Preliminary results of census, previous data is subject to recalculation

Real GDP growth, %



Source: GeoStat, preliminary data for 1Q15

International ranking of Georgia, 2015

Ease of Doing Business # 15 (regional leader)
 Economic Freedom Index # 22 (mostly free)
 Global Competitiveness Index # 69 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POOR'S BB- Stable Affirmed Nov-2014	Moody's INVESTORS SERVICE Ba3 Positive Affirmed Aug-2014	FitchRatings BB- Stable Affirmed Apr-2015
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Source: Rating agencies



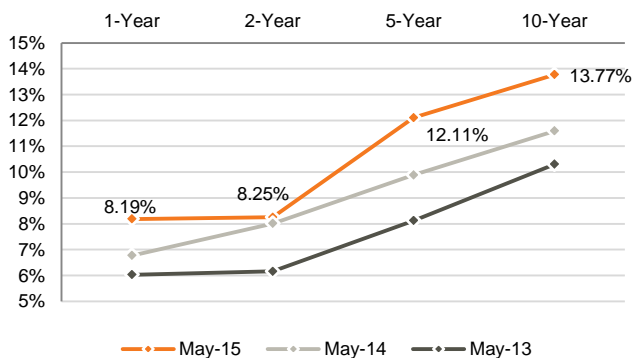
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 310.42mn) with an average yield of 5.0% (unchanged w/w).

Certificates of deposit: NBG sold 181-day, GEL 20mn (US\$ 8.80mn) certificates of deposit, with an average yield of 6.81% (up by 52bps from previous issue).

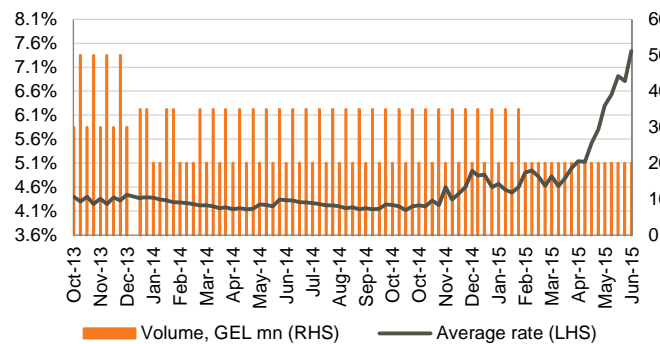
Ministry of Finance Treasury Notes: 343-day, GEL 20mn (US\$ 8.80mn) T-Bills of Ministry of Finance were sold at the auction held at NBG. The weighted average yield was fixed at 8.659%. The nearest treasury securities auction is scheduled for June 17, 2015, where GEL 10mn nominal value 5-year T-Notes will be sold.

T-bills / T-notes, yield curve



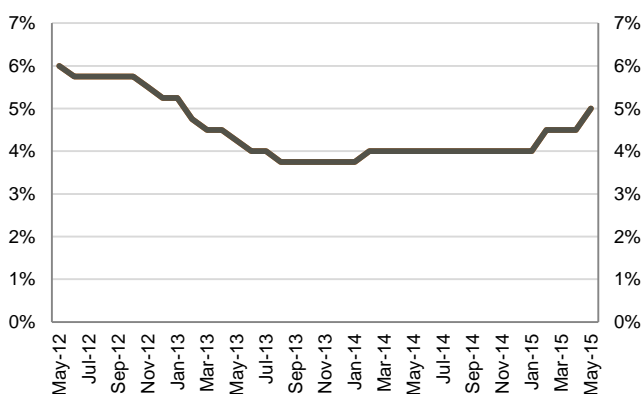
Source: NBG

Certificates of Deposits (weighted average rate)



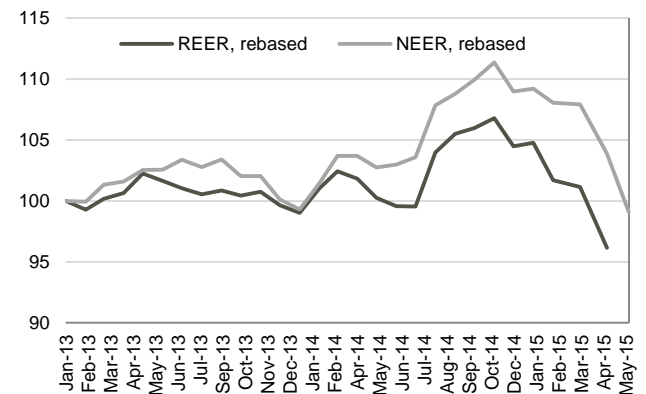
Source: NBG

Monetary policy rate



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG

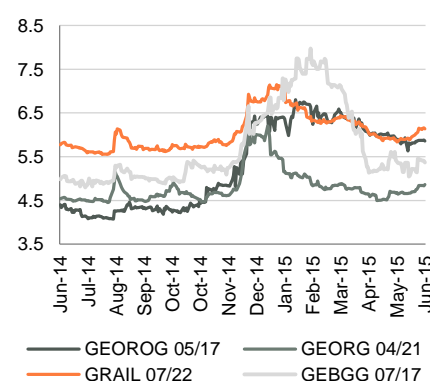
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG; US\$ 400mn; coupon: 7.75%; maturity: 07/17) closed at 5.5% yield, trading at 104.3 (down 0.1 % w/w). GOGC Eurobonds (GEOROG; US\$ 250mn; coupon: 6.875%; maturity: 05/17) were trading at 101.8 (unchanged w/w), yielding 5.9%. Georgian Railway Eurobonds (GRAIL; US\$ 500mn; coupon: 7.75%; maturity: 07/22) also traded at a premium at 108.7 (down 0.3% w/w), yielding 6.2%.

Georgian Sovereign Eurobonds (GEORG; US\$ 500mn; coupon: 6.875% maturity: 04/21) went down to 110.1 (down 0.2% w/w), closing at 4.9% yield to maturity.

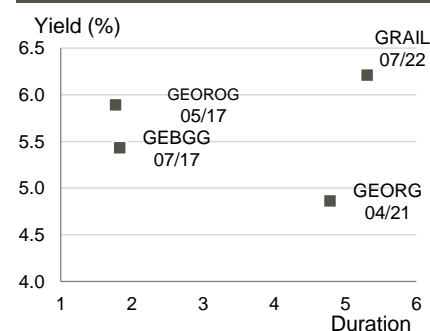
Georgia Eurobonds, YTM (%)



	Local bonds			Eurobonds			
	M ² 06/15	M ² RE 03/17	GLC 09/17	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	10	20	10	250	400	500	500
Issue date	06/14	03/15	09/14	05/12	07/12	04/11	07/12
Maturity date	06/15	03/17	09/17	05/17	07/17	04/21	07/22
Coupon, %	8.420	9.500	8.750	6.875	7.750	6.875	7.750
Fitch/S&P/Moody's	-/-	-/-	-/-	BB-/B+/-	BB-/BB-/Baa3	BB-/BB-/Baa3	BB-/BB-/
Mid price, US\$	99.5	100.0	98.0	101.8	104.3	110.1	108.7
Mid yield, %	9.9	9.5	9.7	5.9	5.5	4.9	6.2
Z-spread, bps	n/a	n/a	n/a	448.4	440.8	278	419.7

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, bps
Georgia	500	6.875	12/04/2021	BB-/BB-/Baa3	110.1	4.9	278
Azerbaijan	1,250	4.750	18/03/2024	BBB-/Baa3	101.1	4.6	222.2
Bulgaria	323	5.000	19/07/2021	BBB-/	116.1	2.2	-79.9
Croatia	1,250	3.875	30/05/2022	BB/BB/Baa1	100.8	3.7	287.4
Hungary	3,000	6.375	29/03/2021	BB+/BB/Baa1	113.9	3.7	168.2
Romania	2,250	6.750	07/02/2022	BBB-/BBB-/Baa3	117.4	3.8	168.9
Russia	3,500	5.000	29/04/2020	BBB-/BB+/Baa3	101.8	4.6	344.4
Turkey	2,000	5.625	30/03/2021	BBB-/Baa3	107.5	4.2	215
Ukraine	1,500	7.950	23/02/2021	CC/CC/Ca	51.6	24.0	2165.3

Source: Bloomberg



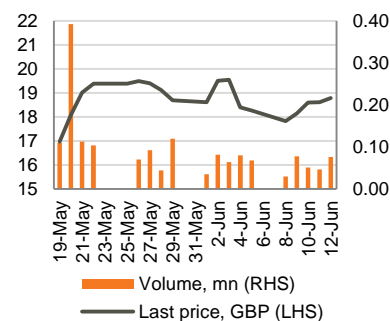
Equities

Bank of Georgia Holdings (BGEO LN) shares closed at GBP 18.93/share (+3.61% w/w and +6.35% m/m). More than 308k shares traded in the range of GBP 17.53 – 18.93/share. Average daily traded volume was 100k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BOGH is a constituent, has gained 0.08% w/w and 1.45% m/m. The volume of BOGH shares traded was at 0.86% of its capitalization.

TBC Bank (TBCB LI) closed the week at US\$ 11.00 (+2.80% w/w and -2.22% m/m). More than 39k GDRs changed hands in the range of US\$ 10.70 – 11.30/GDR. Average daily traded volume was 23k in the last 4 weeks, same as in the previous month. The price has decreased 17.17% since the start of trading on June 5, 2014.

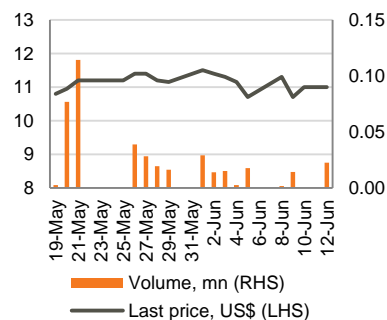
On the Georgian stock exchange, Liberty Bank shares were traded at GEL 0.012 (-6.98% w/w) as a result, the G&T Index decreased to the level of 799.12 (-0.01% w/w).

Bank of Georgia (BGEO LN)



Source: Bloomberg

TBC Bank (TBCB 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	29.45	1,163	5.3%	5.8%	-3.2%	-9.0%	-26.7%
TBC	TBC	11.00	539	-2.2%	-9.8%	-12.0%	-12.7%	-17.2%
Halyk Bank	HSBK	8.29	2,261	1.1%	35.0%	15.9%	-2.5%	-20.1%
KKB	KKB	3.22	1,282	-0.2%	-6.8%	-8.8%	-15.4%	60.8%
VTB Bank	VTBR	2.86	18,521	11.0%	38.1%	42.9%	24.3%	6.6%
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%	0.0%	0.0%

Source: Bloomberg

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

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