

Weekly Market Watch

 Weekly Market Watch | Georgia
 July 27, 2015

Economy

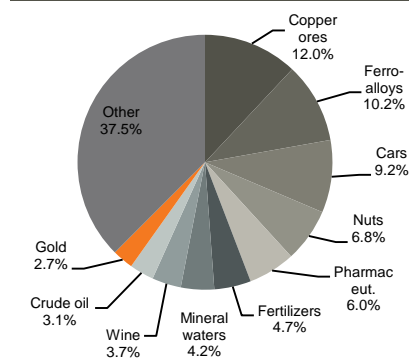
Trade deficit down 11.4% y/y in June 2015 and down 0.5% y/y in 1H15

In June 2015, exports decreased 18.9% y/y to US\$ 198.0mn, imports fell 14.0% y/y to US\$ 599.6mn, and the trade deficit narrowed 11.4% y/y to US\$ 401.6mn, according to foreign trade data released by GeoStat. It is notable that Georgia originated exports posted a growth of 2.3% y/y, the first on record since August 2014, while the decline in exports was solely attributed to a sharp drop in re-exported commodities (-54.4% y/y, mostly used cars). Nuts (+864.8% y/y) and gold (+67.9% y/y) were the major Georgia originated exports expanding significantly in June. At the same time, exports to the EU spiked 19.4% y/y, while CIS markets were a major drag, decreasing 39.5% y/y. In June 2015, imports continued the downward trend, savings from lower oil imports and car imports being the major contributors.

In 1H15, exports fell 23.8% y/y to US\$ 1.08bn, imports decreased 8.7% y/y to US\$ 3.68bn, and the trade deficit contracted 0.5% y/y to US\$ 2.60bn. 27% of exports were directed to the EU (-2.0% y/y), 39% to the CIS (-45.1% y/y), and 34% to other countries (+2.9% y/y), out of which Turkey (10.1% of total), and USA (5.3%) were the largest export destinations. A 65.6% y/y drop in car exports (9.2% of total) had the largest negative impact. Nuts (+163.1% y/y), pharmaceuticals (+68.4% y/y), crude oil (+99.1% y/y), and gold (+79.7% y/y) were the major Georgian exports expanding significantly in 1H15.

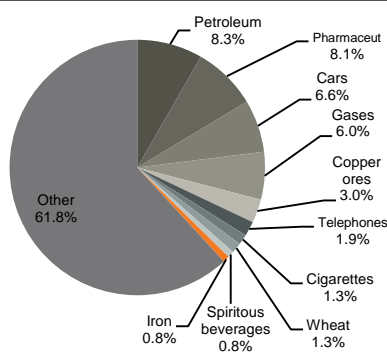
In 1H15, petroleum (-26.7% y/y), pharmaceuticals (+102.1% y/y), cars (-26.4% y/y), gases (+22.0% y/y), and copper ores (+17.1% y/y) represented the top 5 imported commodities. 31% of imports came from the EU (+2.6% y/y), 26% from the CIS (-1.9% y/y), and 43% from other countries (-18.4% y/y), with Turkey (17.6% of total), and China (8.6%) being the largest trading partners.

Exports by product 1H15



Source: GeoStat

Imports by product 1H15



Key macro indicators

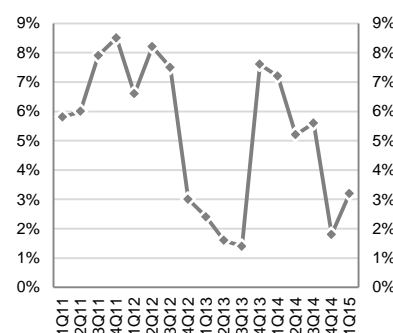
	1H15	2014	2013
GDP (% change)	2.5%*	4.8%	3.3%
GDP per capita (ppp)	...	7,653	7,180
GDP per capita (US\$)	...	3,681	3,600
Population (mn)	3.7**	4.5	4.5
Inflation (eop)	4.5%	2.0%	2.4%
Gross reserves (US\$ bn)	2.5	2.7	2.8
CAD (% of GDP)	...	9.7%	5.9%
Fiscal deficit (% of GDP)	...	3.0%	2.6%
Total public debt (% of GDP)	...	35.5%	34.7%

Source: Official data

*As of 5M15

**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



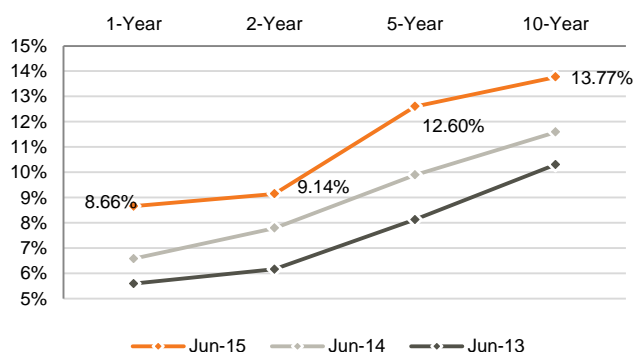
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 310.3mn) with an average yield of 5.5%.

Certificates of deposit: NBG sold 182-day, GEL 20mn (US\$ 8.9mn) certificates of deposit, with an average yield of 8.17% (down by 11bps from previous issue).

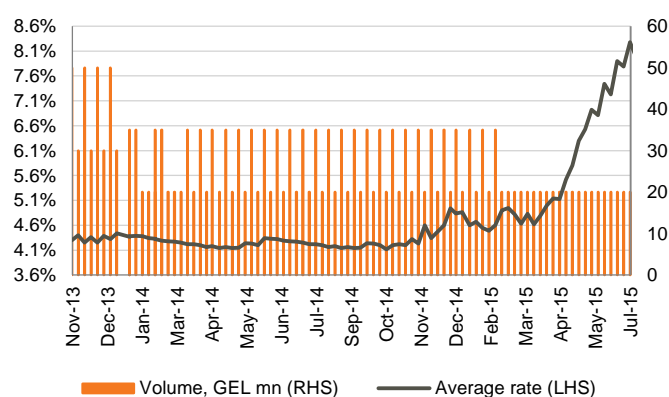
Ministry of Finance Treasury Notes: The nearest treasury securities auction is scheduled for July 29, 2015, where GEL 30mn nominal value 1-year T-Bill will be sold.

T-bills / T-notes, yield curve



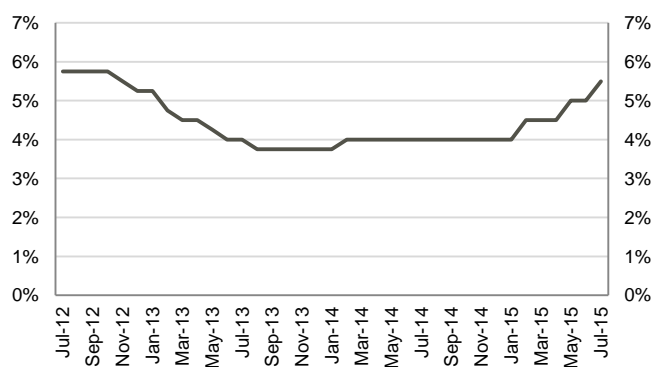
Source: NBG

Certificates of Deposits (weighted average rate)



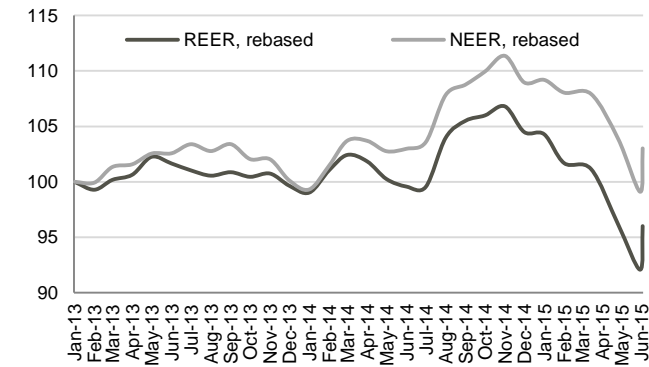
Source: NBG

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

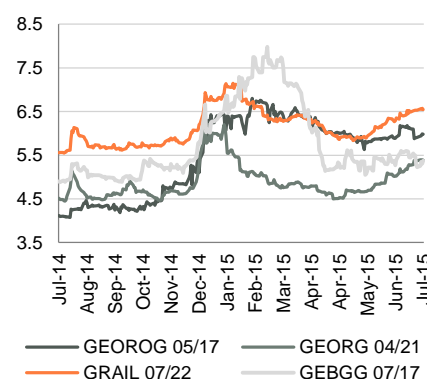


Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG) closed at 5.4% yield, trading at 104.3 (-0.4% w/w). GOGC Eurobonds (GEORG) were trading at 101.3 (unchanged w/w), yielding 6.1%. Georgian Railway Eurobonds (GRAIL) also traded at a premium at 105.6 (-1.0% w/w), yielding 6.7%.

Georgian Sovereign Eurobonds (GEORG) went down to 107.1 (-0.2% w/w), closing at 5.4% yield to maturity.

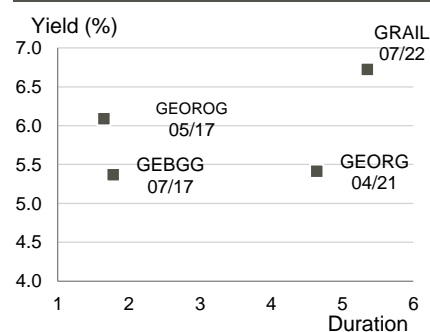
Georgia Eurobonds, YTM (%)



	Local bonds			Eurobonds			
	M ² RE 03/17	EVEX 05/17	GLC 09/17	GEORG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	20	15	10	250	400	500	500
Issue date	03/15	05/15	09/14	05/12	07/12	04/11	07/12
Maturity date	03/17	05/17	09/17	05/17	07/17	04/21	07/22
Coupon, %	9.500	9.500	8.750	6.875	7.750	6.875	7.750
Fitch/S&P/Moody's	-/-/-	-/-/-	-/-/-	BB-/B+/-	BB-/BB-/Ba3	BB-/BB-/Ba3	BB-/BB-/
Mid price, US\$	99.0	100	98.0	101.3	104.3	107.1	105.6
Mid yield, %	10.1	9.5	9.7	6.1	5.4	5.4	6.7
Z-spread, bps	n/a	n/a	n/a	542.4	437.6	349.2	470

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-/Ba3	107.1	5.4	349.2
Azerbaijan	1,250	4.750	18/03/2024	BBB-/Baa3	99.8	4.8	254
Bulgaria	323	5.000	19/07/2021	BBB-/	115.8	2.2	-75
Croatia	1,250	3.875	30/05/2022	BB/BB/Baa1	101.7	3.6	289
Hungary	3,000	6.375	29/03/2021	BB+/BB+/Baa1	114.6	3.5	156
Romania	2,250	6.750	07/02/2022	BBB-/BBB-/Baa3	118.5	3.6	154
Russia	3,500	5.000	29/04/2020	BBB-/BB+/Baa1	102.8	4.3	258
Turkey	2,000	5.625	30/03/2021	BBB-/Baa3	108.2	4.0	211
Ukraine	1,500	7.950	23/02/2021	CC/CC/Ca	55.9	22.1	2007

Source: Bloomberg

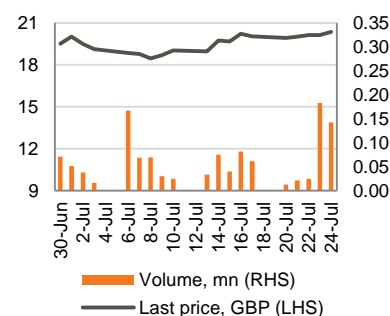
Equities

Bank of Georgia Holdings (BGEO LN) shares closed at GBP 20.35/share (+1.55% w/w and +8.71% m/m). More than 384k shares traded in the range of GBP 19.72 – 20.50/share. Average daily traded volume was 62k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BOGH is a constituent, has lost 1.45% w/w and 2.37% m/m. The volume of BOGH shares traded was at 1.0% of its capitalization.

TBC Bank (TBCB LI) closed the week at US\$ 9.50 (-0.11% w/w and -9.52% m/m). More than 370k GDRs changed hands in the range of US\$ 9.50 – 10.20/GDR. Average daily traded volume was 59k in the last 4 weeks, more than in the previous month.

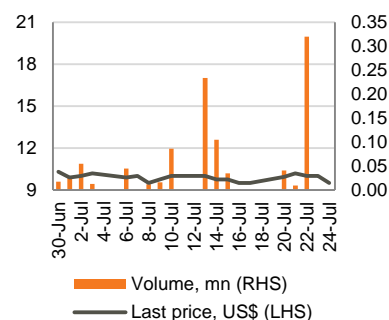
On the Georgian stock exchange, Bank of Georgia shares were traded at GEL 35.00 (unchanged w/w) and Liberty Consumer shares were traded in the range of GEL 0.010 – 0.013, closing at 0.013 (+8.33% w/w). As a result, the G&T Index remained at the level of 799.23 (+0.01% w/w).

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*	31.58	1,247	7.6%	10.8%	1.6%	-2.4%	-27.1%
	TBC	9.50	465	-9.5%	-20.5%	-26.6%	-24.6%	-32.1%
	Halyk Bank	8.10	2,210	-3.0%	6.6%	13.3%	-4.7%	-22.4%
	KKB	3.00	1,196	-6.3%	-6.8%	7.0%	-21.1%	-39.4%
	VTB Bank	2.43	15,728	-12.7%	7.4%	21.7%	5.5%	5.8%
	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%	0.0%	0.0%

Source: Bloomberg

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

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