

Weekly Market Watch

 Weekly Market Watch | Georgia
 September 14, 2015

Economy

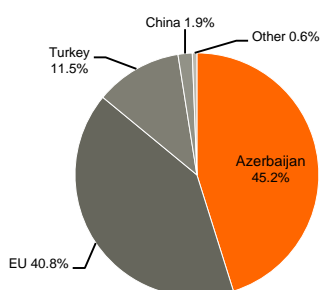
FDI up 80.8% y/y in 2Q15

FDI in Georgia increased 80.8% y/y in 2Q15 to US\$ 354.7mn and +4.8% y/y to US\$ 530.0mn in 1H15, according to GeoStat's preliminary figures. The transport and communications sector was the largest FDI recipient at US\$ 207.4mn, increasing 83.7% y/y and accounting for 58.5% of total, followed by the financial sector at US\$ 41.2mn (11.7% of total), and the manufacturing sector at US\$ 29.5mn (-49.0% y/y, 8.3% of total). Azerbaijan topped the list of investors with US\$ 160.2mn (+105.1% y/y, 45.2% of total), followed by the EU at US\$ 144.8mn (-24.4% y/y, 40.8% of total), and Turkey at US\$ 41.0mn (+101.3% y/y, 11.5% of total).

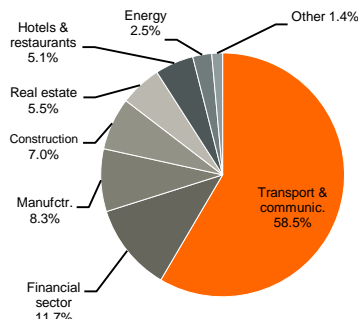
Gross international reserves stood at US\$ 2.5bn at end-August 2015

Gross international reserves stood at US\$ 2.5bn (+0.7% m/m, +US\$ 16.1mn), and net foreign assets of NBG at US\$ 2.2bn (+0.8% m/m, +US\$ 17.2mn) as of end-August 2015, according to NBG. The central bank has not intervened on the FX market since April 28, 2015. The increase in FX reserves was likely due to government FX operations and/or asset revaluation.

FDI by countries 2Q15

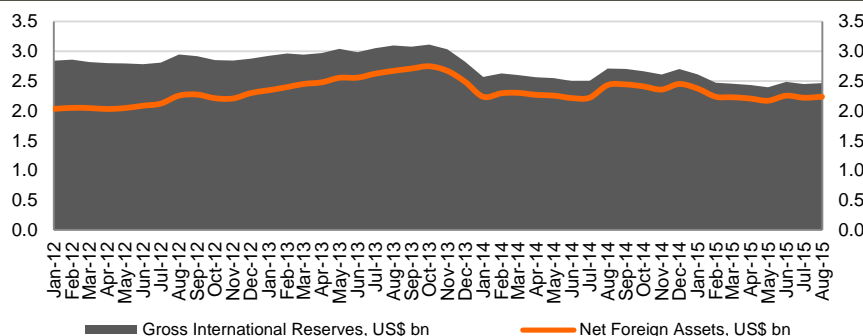


FDI by sectors 2Q15



Source: GeoStat

International Reserves



Source: NBG

Key macro indicators

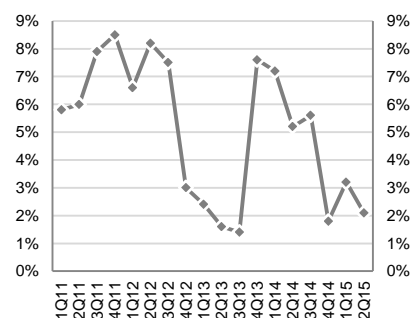
	8M15	2014	2013
GDP (% change)	2.6%*	4.8%	3.3%
GDP per capita (ppp)	...	7,653	7,180
GDP per capita (US\$)	...	3,681	3,600
Population (mn)	3.7**	4.5	4.5
Inflation (eop)	5.4%	2.0%	2.4%
Gross reserves (US\$ bn)	2.5	2.7	2.8
CAD (% of GDP)	...	9.7%	5.9%
Fiscal deficit (% of GDP)	...	3.0%	2.6%
Total public debt (% of GDP)	...	35.5%	34.7%

Source: Official data

*As of 7M15

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

Real GDP growth, %



Source: GeoStat, rapid estimate for 2Q15

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

 BB- Stable Affirmed Nov-2014	 Ba3 Positive Affirmed Aug-2014	 BB- Stable Affirmed Apr-2015
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Source: Rating agencies

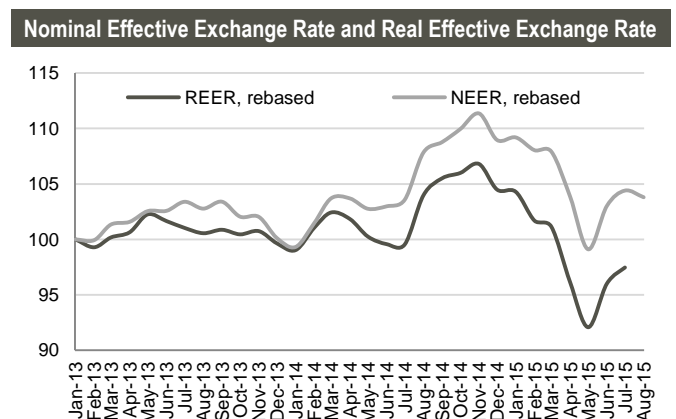
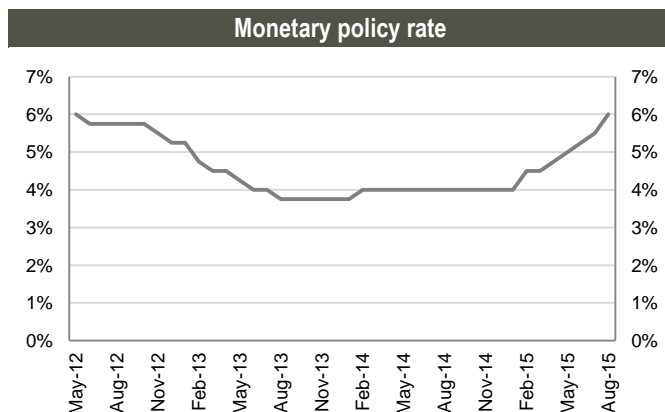
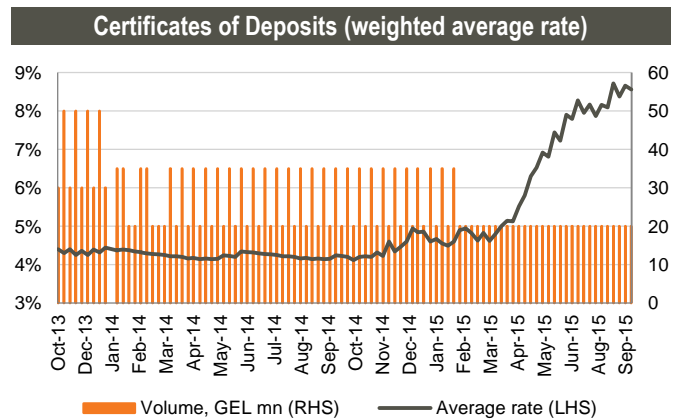
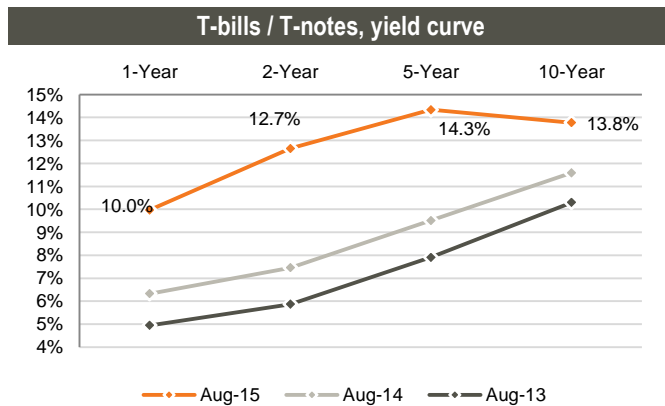


Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 293.2mn) with an average yield of 6.0%.

Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 8.4mn) certificates of deposit, with an average yield of 8.56% (up by 18bps from previous issue).

Ministry of Finance Treasury Notes: 1-year, GEL 10mn (US\$ 4.2mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on September 9, 2015. The weighted average yield was fixed at 10.282%. The nearest treasury securities auction is scheduled for September 23, 2015, where GEL 10mn nominal value 5-year T-Notes will be sold.



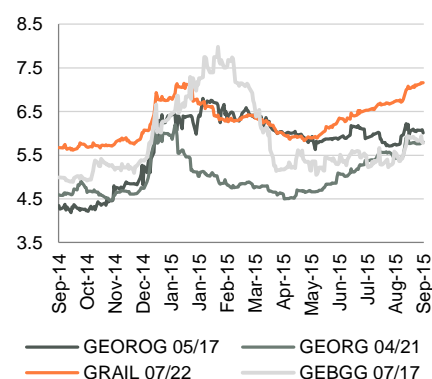


Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG) closed at 5.8% yield, trading at 103.3 (-0.1% w/w). GOGC Eurobonds (GEORG) were trading at 101.2 (unchanged w/w), yielding 6.1%. Georgian Railway Eurobonds (GRAIL) also traded at a premium at 103.3 (-0.1% w/w), yielding 7.1%.

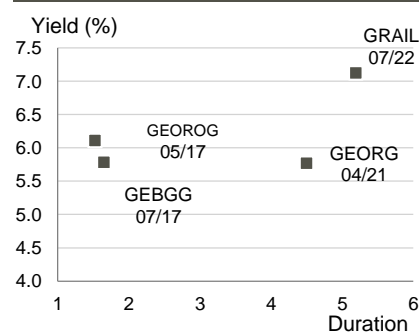
Georgian Sovereign Eurobonds (GEORG) remained at 105.2 (unchanged w/w), closing at 5.8% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

	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	May-2012	Jul-2012	Apr-2011	Jul-2012
Maturity date	03/17	05/17	09/17	May-2017	Jul-2017	Apr-2021	Jul-2022
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	101.2	103.3	105.2	103.3
Mid yield, %	10.1	9.5	9.7	6.1	5.8	5.8	7.1
Z-spread, bps	n/a	n/a	n/a	548.4	480.5	406.0	540.0

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, bps
Georgia	500	6.875%	12/04/2021	BB-/BB-/Ba3	105.2	5.8	406.0
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	96.8	5.2	312.2
Bulgaria	323	5.000%	19/07/2021	BBB-/Baa3	118.1	1.7	-17.6
Croatia	1,250	3.875%	30/05/2022	BB-/BB-/Ba1	101.7	3.6	295.1
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	113.9	3.6	185.8
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	117.9	3.6	181.3
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	101.9	4.5	298.4
Turkey	2,000	5.625%	30/03/2021	BBB-/Baa3	104.9	4.6	292.9
Ukraine	1,500	7.950%	23/02/2021	CC/CC/Ca	77.2	14.1	1258.0

Source: Bloomberg

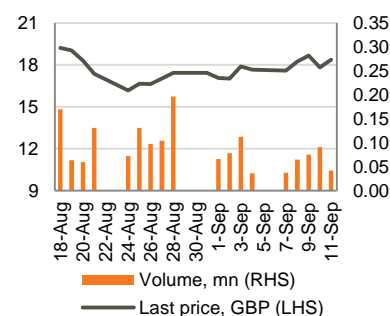
Equities

Bank of Georgia Holdings (BGEO LN) shares closed at GBP 18.36/share (+4.08% w/w and -7.60% m/m). More than 310k shares traded in the range of GBP 17.42 – 18.87/share. Average daily traded volume was 86k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BOGH is a constituent, has gained 1.03% w/w and lost 3.88% m/m. The volume of BOGH shares traded was at 0.8% of its capitalization.

TBC Bank (TBCB LI) closed the week at US\$ 9.90 (+8.55% w/w and -2.94% m/m). More than 19k GDRs changed hands in the range of US\$ 9.12 – 9.90/GDR. Average daily traded volume was 3k in the last 4 weeks, more than in the previous month.

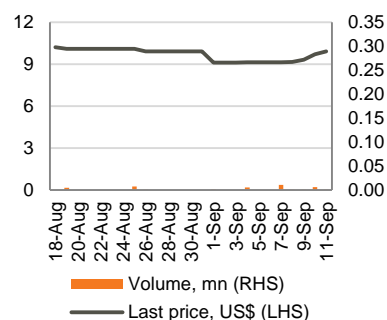
On the Georgian stock exchange, Liberty Bank shares were traded at GEL 0.013 (+0.8 w/w). As a result, the G&T Index remained at 865.14 (unchanged w/w).

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*	28.32	1,119	-8.5%	-1.8%	2.6%	-12.5%	-25.6%
	TBC	9.90	485	-2.9%	-10.0%	-17.5%	-21.4%	-39.2%
	Halyk Bank	6.85	1,869	-9.9%	-12.3%	11.2%	-19.4%	-40.2%
	KKB	2.72	1,085	0.0%	-15.4%	-21.2%	-28.4%	-33.7%
	VTB Bank	1.99	12,896	-7.6%	-30.9%	-0.5%	-13.5%	-6.8%
	Vozrozhdenie Bank	11.35	270	0.0%	0.0%	0.0%	0.0%	0.0%
	Sberbank	4.58	24,736	-4.1%	-12.8%	-2.3%	13.2%	-45.7%

Source: Bloomberg

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

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