

Weekly Market Watch

Weekly Market Watch | Georgia
November 24, 2020

Economy

Trade deficit down 34.8% y/y in October 2020

In October 2020, trade deficit narrowed by 34.8% y/y to US\$ 393.5mn as exports declined by 2.2% y/y to US\$ 312.6mn and imports fell by 23.5% y/y to US\$ 706.1mn.

In October 2020, copper (+47.1% y/y), cars (-56.5% y/y), wine (-21.4% y/y), nuts (+43.0% y/y) and ferro-alloys (+48.2% y/y) were the top 5 exported commodities. A 19.6% of exports was directed to the EU (-6.0% y/y), 43.7% to the CIS (-25.7% y/y) and 36.8% to other countries (+62.5% y/y).

Petroleum (-37.2% y/y), cars (-61.5% y/y), copper (-59.2% y/y), gases (+21.1% y/y) and pharmaceuticals (-21.5% y/y) represented the top 5 imported commodities in October 2020.

Overall, in 10M20, trade deficit was down 20.2% to US\$ 3.7bn as exports reduced by 11.1% y/y to US\$ 2.7bn and imports decreased by 16.6% y/y to US\$ 6.4bn.

Money transfers up 18.6% y/y in October 2020

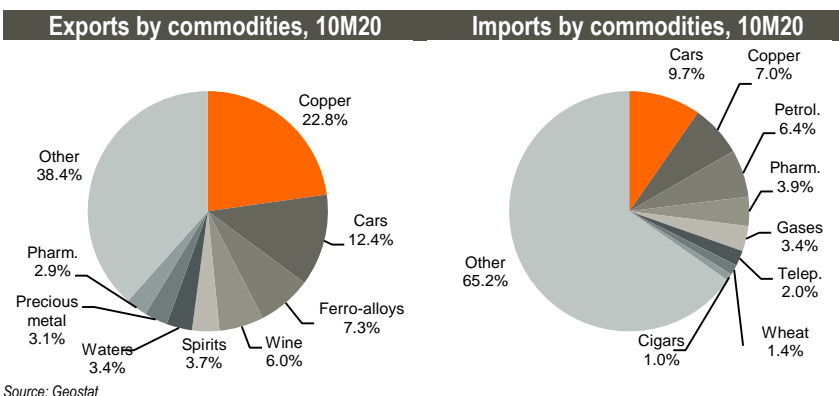
In October 2020, money transfers increased by 18.6% y/y to US\$ 181.7mn, after growing 28.7% y/y in previous month, according to NBG. From major remitting countries, money transfers increased strongly from Italy (+30.9% y/y, 15.1% of total), USA (+39.5% y/y, 11.7% of total) and Greece (+23.6% y/y, 10.8% of total). Meanwhile, remittances declined from Russia (-7.0% y/y, 19.4% of total). Overall, in 10M20 money transfers were up 7.5% y/y to US\$ 1.5bn.

Producer price index up 8.0% y/y in October 2020

Annual PPI for industrial goods was up 8.0% in October 2020 from 5.9% in previous month, according to Geostat. Price changes in manufacturing (+7.4% y/y) and mining (+20.4% y/y) contributed the most to the overall index change.

NBG sold US\$ 30mn

On 18 November 2020, the NBG intervened on the FX market and sold US\$ 30mn to limit GEL volatility. This was 23rd FX intervention YTD for a total sale of US\$ 776.9mn through FX auctions.

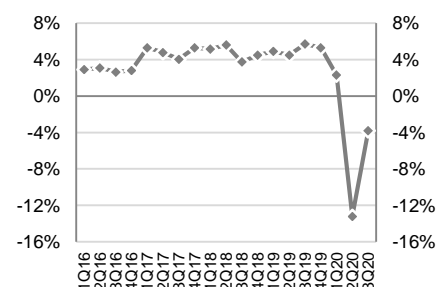


Key macro indicators

	2017	2018	2019
GDP (% change)	4.8%	4.8%	5.0%
GDP per capita (ppp)	13,596	14,584	15,634
GDP per capita (US\$)	4,359	4,722	4,696
Population (mn)	3.7	3.7	3.7
Inflation (eop)	6.7%	1.5%	7.0%
Gross reserves (US\$ bn)	3.0	3.3	3.5
CAD (% of GDP)	8.1%	6.8%	5.5%
Fiscal deficit (% of GDP)	2.7%	2.3%	2.1%
Total public debt (% of GDP)	39.4%	38.9%	40.4%

Source: Official data, Galt & Taggart

Real GDP growth, %



Source: Geostat

International ranking, 2019-20

Ease of Doing Business # 7 (Top 10)

Economic Freedom Index # 12 (mostly free)

Global Competitiveness Index # 74

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings



Source: Rating agencies



Money market

There were no treasury securities auction last week. The nearest treasury security auction is scheduled for November 24, 2020, where GEL 80.0mn nominal value 5-year Benchmark Bonds will be sold.

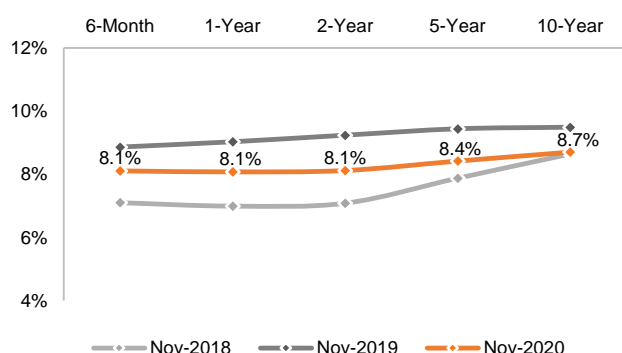
T-bills / T-notes in 2020

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	330	20	180
1-year	610	50	680
2-year	770	70	1,390
5-year	800	160	2,088
10-year	150	0	1,237
Total	2,660	300	5,575

Source: MoF

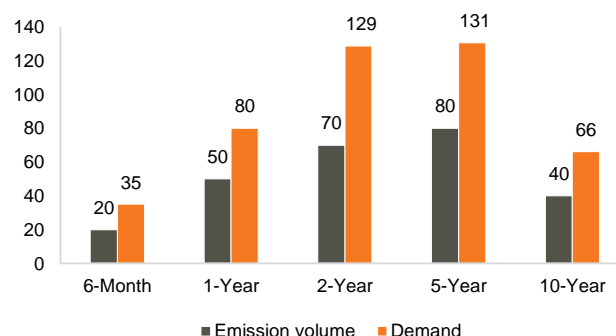
Note: * As of 31 October 2020

T-bills / T-notes, yield curve



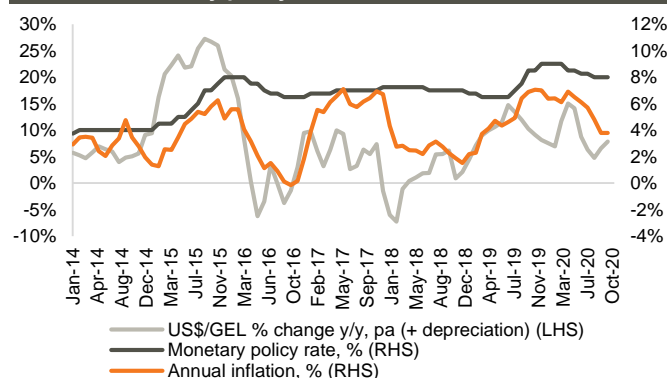
Source: NBG

Emission volume vs. demand on latest T-bill01s / T-notes auctions, GEL mn



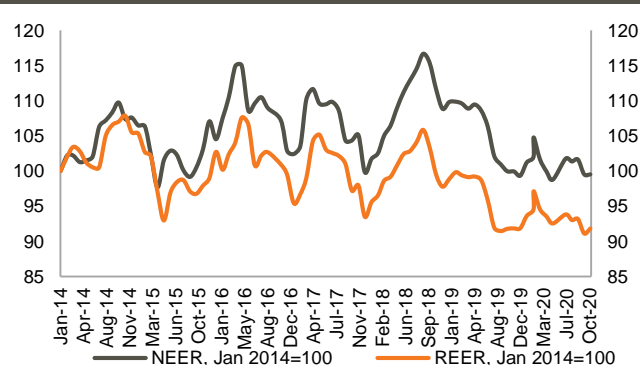
Source: NBG

Monetary policy rate, inflation and FX 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



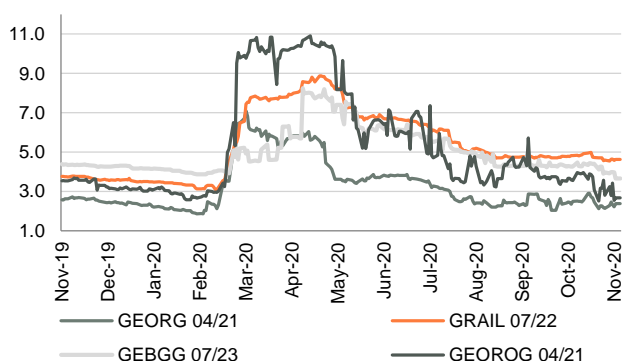
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 3.65% yield, trading at 105.93 (+0.73% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 99.47 (+0.87% w/w), yielding 6.30%.

GOGC Eurobonds (GEOROG) were trading at 101.70 (-0.02% w/w), yielding 2.67%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 104.85 (-0.10% w/w), yielding 4.62%.

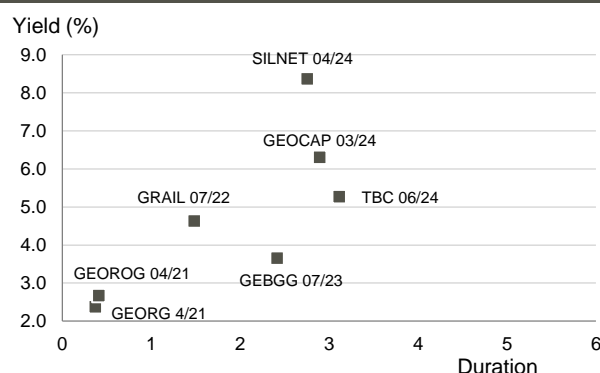
Georgian Sovereign Eurobonds (GEORG) closed at 101.70 (-0.18% w/w) at 2.37% yield to maturity.

Georgian Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

Georgian bonds performance

Georgian Eurobonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/ Scope)	Mid price	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	Apr-21	BB-/BB/Ba2	101.70	2.37	189.92
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	104.85	4.62	436.62
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB-/BB-/-	101.70	2.67	199.06
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/B/Ba2	105.93	3.65	346.29
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-/-	103.78	9.37	949.83
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B/B2	99.47	6.30	601.33
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	107.55	8.36	801.77
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B/Ba2	101.56	5.26	492.78
TBC PERP	US\$	125	10.775%	n/a	B-/-/-	100.04	9.93	996.37
GGU 07/25	US\$	250	7.750%	Jul-25	-B/-/-	101.25	7.43	700.93

Georgian local bonds performance

GWP 12/21	GEL	30	12.50%	Dec-21	BB-/B-/-	n/a	n/a	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-/-	100.53	7.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-/-	100.86	7.00	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	-/-/-/-	n/a	n/a	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	-/-/-/-	99.98	7.50	n/a
GLC 08/22	US\$	10	7.50%	Aug-22	-/-/-/-	n/a	n/a	n/a
CRYSTAL 02/21	GEL	15	13.00%	Feb-21	B/-/-/-	100.00	12.00	n/a
Nikora Trade 08/21	GEL	25	9.00%	Aug-21	-/-/-B+	n/a	n/a	n/a
SILKNET 04/24	GEL	34	12.50%	Apr-24	B+/-/B1/-	n/a	n/a	n/a
Geo. Beer Company	GEL	25	13.00%	Dec-23	-/-/-BB-	n/a	n/a	n/a
Lisi Lake Development	US\$	12	8.00%	Dec-21	-/-/-B+	n/a	n/a	n/a
Tegeta 04/22	GEL	30	10.75%	Apr-22	-/-/-BB-	n/a	n/a	n/a
Swiss Capital 09/21	GEL	10	13.25%	Sep-21	B-/-/-/-	100.00	14.25	n/a
EVEX 11/24	GEL	50	12.10%	Nov-24	-/-/-BB	n/a	n/a	n/a

Source: Bloomberg



Fixed income, continued

Eastern European sovereign 10-year bonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	Apr-21	BB/BB/Baa2	101.70	2.37	189.92
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	100.78	1.80	156.40
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	101.31	6.24	591.45
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	110.87	1.02	70.19
Russia	US\$	3,000	4.875%	Sep-23	BBB/BBB-/Baa3	109.94	1.26	98.36
Turkey	US\$	2,000	5.625%	Mar-21	BB-/-/B1	101.01	2.70	284.60
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	103.57	3.02	250.66

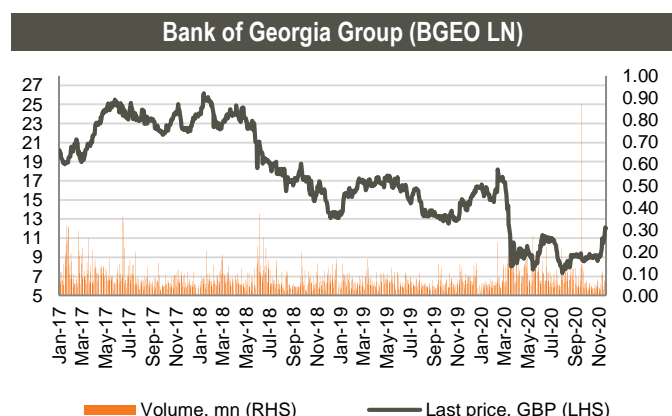
Source: Bloomberg

Equities

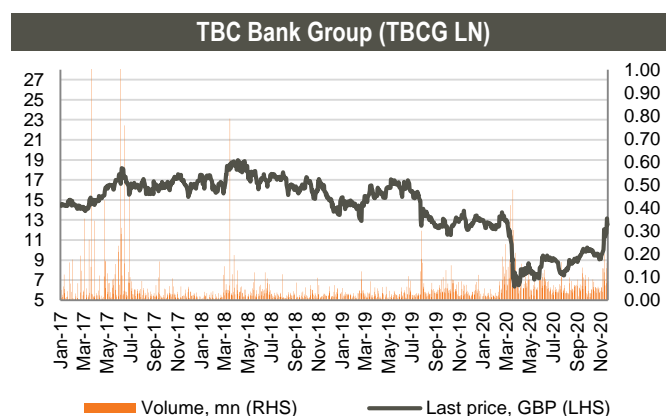
Bank of Georgia Group (BGEO LN) shares closed at GBP 12.04/share (+14.67% w/w and +33.93% m/m). More than 355k shares traded in the range of GBP 10.76 - 12.44/share. Average daily traded volume was 57k in the last 4 weeks. The volume of BGEO shares traded was at 0.72% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 4.57/share (+1.44% w/w and +14.82% m/m). More than 483k shares traded in the range of GBP 4.43 - 4.99/share. Average daily traded volume was 61k in the last 4 weeks. The volume of CGEO shares traded was at 1.32% of its capitalization.

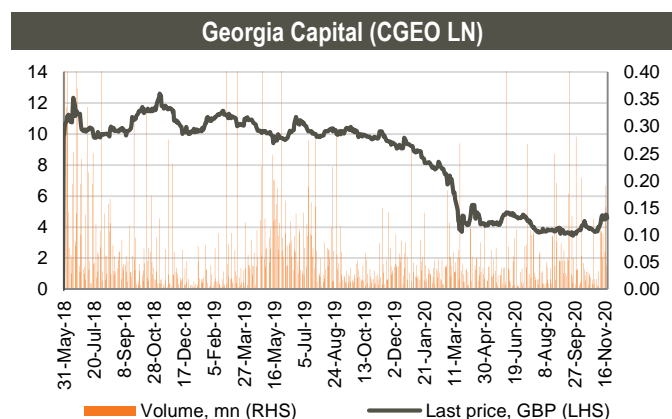
TBC Bank Group (TBCG LN) closed the week at GBP 12.54/share (+10.97% w/w and +30.63% m/m). More than 567k shares changed hands in the range of GBP 11.50 - 13.36/share. Average daily traded volume was 86k in the last 4 weeks. The volume of TBCG shares traded was at 1.03% of its capitalization.



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg



Equities, continued

Eastern European banks

	Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	P/E		P/B	
								2020F	2021F	2020F	2021F
Bank of Georgia	BGEO	GBP	12.04	592	46.8%	-16.4%	-25.9%	10.25x	5.40x	0.97x	0.82x
TBC	TBC	GBP	12.54	690	70.8%	2.6%	-3.5%	9.78x	5.80x	0.99x	0.86x
Halyk Bank	HSBK	US\$	11.40	3,350	27.2%	-15.2%	-14.6%	5.19x	4.34x	0.94x	0.86x
VTB Bank	VTBR	US\$	0.93	6,023	-2.9%	-34.5%	-36.5%	7.21x	3.34x	0.35x	0.32x
Akbank	AKBNK	TRY	6.50	33,800	18.2%	-16.1%	-19.9%	7.76x	5.69x	0.80x	0.70x
Garanti	GARAN	TRY	9.45	39,690	22.6%	-7.1%	-15.2%	8.31x	5.91x	0.92x	0.78x
Isbank	ISCTR	TRY	6.82	30,690	41.5%	8.6%	6.4%	7.11x	5.31x	0.67x	0.59x
PKO	PKO	PLN	26.83	33,538	24.0%	-29.1%	-22.1%	12.22x	11.29x	0.74x	0.72x
PEKAO	PEO	PLN	57.00	14,961	10.8%	-45.2%	-43.3%	12.38x	10.59x	0.59x	0.58x
Millennium	MIL	PLN	2.83	3,435	7.9%	-50.7%	-51.6%	17.99x	8.64x	0.38x	0.38x
Mbank	MBK	PLN	162.60	6,884	-13.1%	-58.0%	-58.2%	20.09x	10.66x	0.41x	0.40x
BRD	BRD	RON	12.78	8,906	12.3%	-12.2%	-19.3%	11.12x	11.23x	0.98x	1.04x
Banca Transilvania	TLV	RON	2.12	11,058	21.6%	-5.0%	-10.1%	11.63x	10.27x	1.48x	1.43x
OTP	OTPD	USD	22.80	12,768	0.0%	7.5%	7.5%	13.23x	12.31x	0.73x	0.68x
Komerční	KOMB	CZK	576.00	109,468	14.1%	-26.8%	-30.6%	13.40x	11.92x	0.95x	0.91x
Mean								11.18x	8.18x	0.79x	0.74x
Median								11.12x	8.64x	0.80x	0.72x

Source: Bloomberg, S&P Capital IQ

Investment management companies

	Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	P/E		P/B	
								2020F	2021F	2020F	2021F
Georgia Capital	CGEO	GBP	4.57	168	6.3%	-52.1%	-50.4%	n/a	n/a	n/a	n/a
Tinc Comm	TINC	EUR	12.90	352	-0.4%	-5.9%	-3.4%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	10.81	22,057	29.6%	18.3%	13.3%	6.72x	5.98x	0.83x	0.70x
Deutsche Beteiligungs	DBAN	EUR	33.55	505	18.3%	-15.8%	-15.0%	n/mf	11.73x	1.10x	1.04x
Eurazeo	RF	EUR	51.55	4,060	22.3%	-16.2%	-15.5%	29.70x	8.11x	0.72x	0.67x
Carlyle Group	CG	USD	27.94	3,092	7.8%	-2.2%	-12.9%	4.83x	4.06x	4.40x	4.54x
Mean								13.75x	7.47x	1.76x	1.74x
Median								6.72x	7.04x	0.96x	0.87x

Source: Bloomberg, S&P Capital IQ

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Galt & Taggart

Address: 79 D. Agmashenebeli Avenue, Tbilisi 0102, Georgia

Tel: + (995) 32 2401 111

Email: gt@gt.ge