

Weekly Market Watch

 Weekly Market Watch | Georgia
 August 22, 2016

Economy

Trade deficit down 3.0% y/y excluding one-offs in 7M16

In July 2016, exports decreased 7.2% y/y to US\$ 173.6mn, imports were up 2.8% y/y to US\$ 596.2mn (excluding one-offs), and the trade deficit was up 7.5% y/y to US\$ 422.6mn according to GeoStat. Reduced fertilizer exports (-57.3% y/y) and pharmaceutical exports (-51.9% y/y) were the major commodities weighing on export growth in July 2016, while copper ores (+19.0% y/y), cars (+4.8% y/y), ferro-alloys (+32.7% y/y), nuts (+456.4% y/y), wine (+17.1% y/y), and gold (+34.5% y/y) posted increases.

Petroleum (-5.1% y/y), cars (+9.1% y/y), copper ores (+182.6% y/y), telephones (+51.7% y/y), and gases (-25.2% y/y) represented the top 5 imported commodities in July 2016.

In 7M16, trade deficit was down 3.0% y/y to US\$ 2.7bn, excluding one-offs, as imports were down 5.6% y/y to US\$ 3.87bn and exports fell 11.5% y/y to US\$ 1.12bn.

Money transfers up 10.4% y/y in July 2016

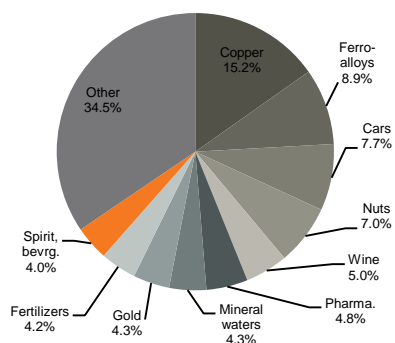
In July 2016, money transfers increased 10.4% y/y to US\$ 100.7mn after growing 0.1% y/y in previous month, according to NBG. Reduced remittances from Russia (-14.3% y/y, 37.4% of total) was the only major country negatively affecting growth of remittances. Money transfers were up from all other remitting countries: USA (+33.1% y/y), Greece (up 13x y/y due to last year's low base), Italy (+9.4% y/y), Turkey (+13.7% y/y), Israel (+71.0% y/y), and Spain (+17.9% y/y). Overall, money transfers were flat y/y reaching US\$ 626.0mn in 7M16.

Producer price index down 2.3% y/y and up 1.5% m/m in July 2016

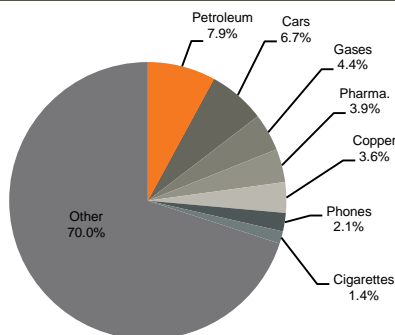
PPI for industrial goods increased 1.5% m/m in July 2016, according to GeoStat. A 1.5% price increase for manufacturing contributed the most to the overall index change. In this section prices were up for manufacture of basic and fabricated metals (+9.9% m/m). Prices were also up for mining and quarrying (+7.5% m/m).

Annual PPI was down 2.3% in July 2016. Falling prices in manufacturing contributed the most to the overall index change (-5.4% y/y, -4.57pts) as prices were down for manufacture of food products, beverages and tobacco (-3.7% y/y), manufacture of chemical products (-16.1% y/y), and manufacture of basic and fabricated metals (-6.7% y/y). Meanwhile, supply of electricity, gas and water prices were up 19.4% y/y.

Exports by commodities, 7M16



Imports by commodities, 7M16



Source: GeoStat

Note: 7M16 imports provided excluding donated C-hepatitis medicine imports

Key macro indicators

	7M16	2015	2014
GDP (% change)	2.9%**	2.8%	4.6%
GDP per capita (ppp)	...	9,566	9,209
GDP per capita (US\$)	...	3,743	3,676
Population (mn)	3.7*	3.7*	4.5
Inflation (eop)	1.5%	4.9%	2.0%
Gross reserves (US\$ bn)	2.9	2.5	2.7
CAD (% of GDP)	13.1%***	11.8%	10.6%
Fiscal deficit (% of GDP)	3.8%	3.0%
Total public debt (% of GDP)	...	41.5%	35.5%

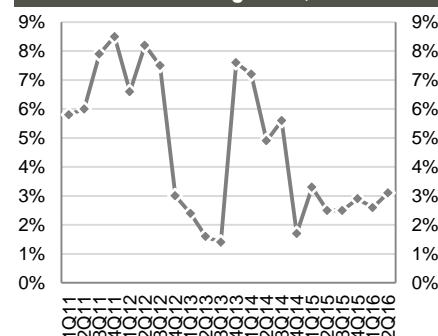
Source: Official data, IMF

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

**As of 1H16

***As of 1Q16

Real GDP growth, %



Source: GeoStat

Note: 2Q16 figure based on rapid estimates

International ranking of Georgia, 2016

Ease of Doing Business # 24 (regional leader)

Economic Freedom Index # 23 (mostly free)

Global Competitiveness Index # 66 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POOR'S BB- Stable Affirmed Nov-2015	Moody's INVESTORS SERVICE Ba3 Stable Affirmed Mar-2016	FitchRatings BB- Stable Affirmed Apr-2016
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Source: Rating agencies



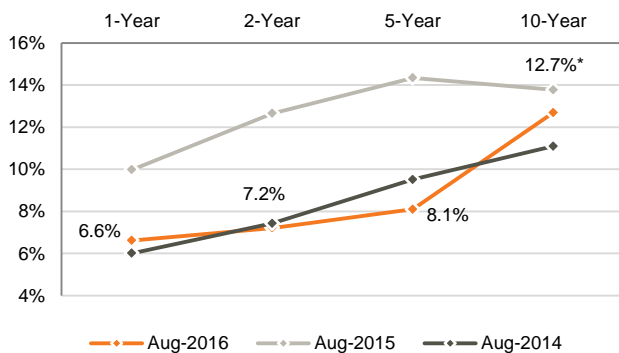
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 760mn (US\$ 328.0mn).

Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 8.5mn) certificates of deposit, with an average yield of 6.55% (up 8bps from previous issue).

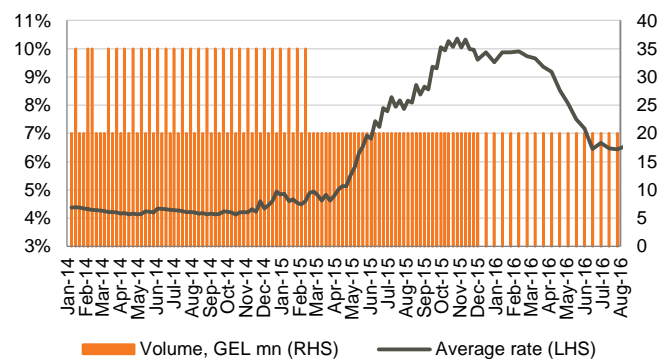
Ministry of Finance Treasury Notes: 5-year GEL 20mn (US\$ 8.6mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on August 17, 2016. The weighted average yield was fixed at 8.095%. The nearest treasury securities auction is scheduled for August 24, 2016, where GEL 40mn nominal value 1-year T-Bills will be sold.

T-bills / T-notes, yield curve



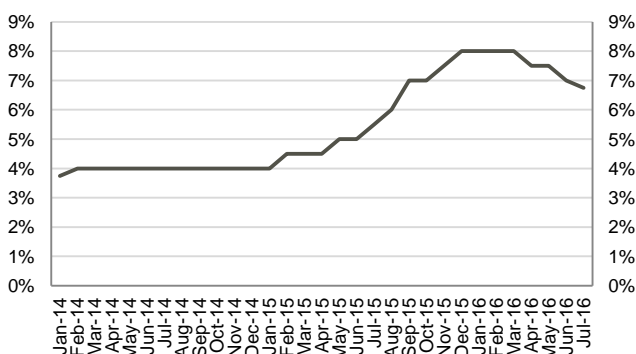
Source: NBG
*As of latest auction

Certificates of Deposits (weighted average rate)



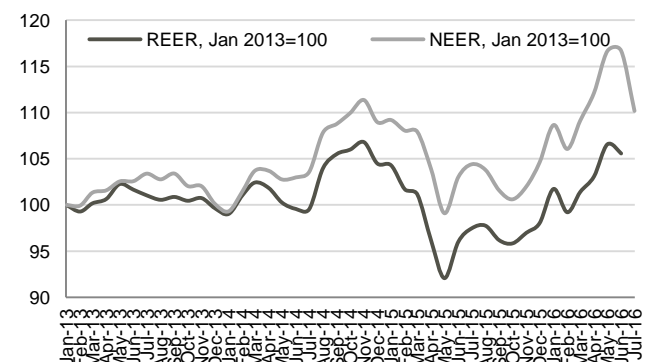
Source: NBG

Monetary policy rate



Source: NBG
Note: Next revision of a monetary policy rate is scheduled for 7 September 2016

Nominal Effective Exchange Rate and Real Effective Exchange Rate



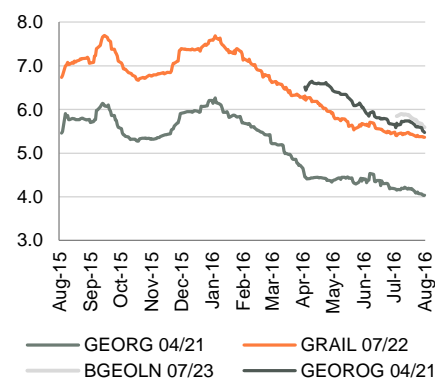
Source: NBG
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (BGEOLN) closed at 5.6% yield, trading at 102.4 (+0.8% w/w). GOGC's Eurobonds (GEOROG 05/17) were trading at 101.9 (-0.2% w/w), yielding 4.1% and (GEOROG 04/21) were trading at 105.2 (+0.4% w/w), yielding 5.5%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 111.9 (unchanged w/w), yielding 5.4%.

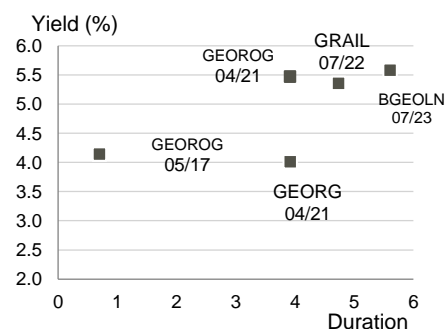
Georgian Sovereign Eurobonds (GEORG) closed at 111.2 (+0.2% w/w) at 4.0% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

	Local bonds					Eurobonds				
	Nikora 03/18	GWP 11/17	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	5	6*	20	15	10	250	250	350	500	500
Issue date	03/16	12/15	03/15	05/15	09/14	Apr-2016	May-2012	Jul-2016	Apr-2011	Jul-2012
Maturity date	03/18	12/17	03/17	05/17	09/17	Apr-2021	May-2017	Jul-2023	Apr-2021	Jul-2022
Coupon, %	11.000	15.000**	9.500	9.500	8.750	6.750%	6.875%	6.000%	6.875%	7.750%
Fitch/S&P/Moody's	-/-	BB-/	-/-	-/-	-/-	BB-/B+	BB-/B+	BB-/B1	BB-/BB-/Ba3	BB-/BB-/
Mid price, US\$	100.0	100.0*	101.6	101.87	100.65	105.2	101.9	102.4	112.0	111.9
Mid yield, %	11.0	15.0	7.75	7.75	8.25	5.5	4.1	5.6	4.0	5.4
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	423.6	229.6	420.7	280.8	412.8

Source: Bloomberg

*GWP 11/17 bonds are in Georgian lari

**Floating rate with 7.5% over the NBG's refinancing rate

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	112.0	4.0	280.8
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1	104.8	4.0	266.5
Bulgaria	323	5.000%	19/07/2021	BBB-/	120.3	0.8	-236.7
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	106.3	2.7	269.6
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	115.5	2.8	155.5
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	120.7	2.6	136.6
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	107.1	2.9	173.9
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	107.2	3.9	268.4

Source: Bloomberg

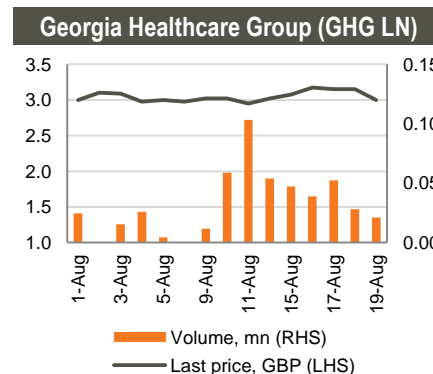
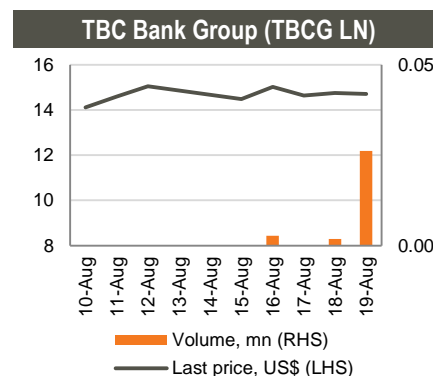
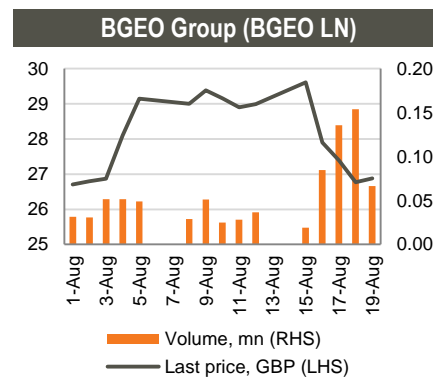
Equities

BGEO Group (BGEO LN) shares closed at GBP 26.88/share (-7.28% w/w and -2.43% m/m). More than 459k shares traded in the range of GBP 26.45 – 29.65/share. Average daily traded volume was 55k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BGEO is a constituent, gained 5.70% w/w and lost 0.28% m/m. The volume of BGEO shares traded was at 1.16% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 11.25 (-3.43% w/w). More than 20k shares changed hands in the range of GBP 11.23 – 11.25/share.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.00/share (-0.66% w/w and -11.63% m/m). More than 187k shares were traded in the range of GBP 3.00 – 3.20/share. Average daily traded volume was 31k in the last 4 weeks. The volume of GHG shares traded was at 0.14% of its capitalization.

On the Georgian stock exchange, Bank of Georgia shares were traded at GEL 35.00 (-7.9% w/w), and Liberty Bank shares were traded at GEL 0.015 (unchanged w/w). As a result, the G&T Index went down to 797.63 (-7.8% w/w).



Eastern European banks

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
BGEO*	BGEO	35.14	1,388	-2.8%	0.6%	28.0%	8.6%	18.1%
TBC	TBC	14.71	723	N/A	N/A	N/A	N/A	N/A
Halyk Bank	HSBK	5.67	1,559	-0.5%	34.4%	53.2%	-33.3%	-24.3%
KKB	KKB	1.59	634	0.0%	0.0%	89.3%	-58.2%	-41.5%
VTB Bank	VTBR	2.02	13,058	-2.8%	1.3%	10.7%	-12.4%	-1.5%
Vozrozhdenie Bank	VZRZ	10.35	246	2.2%	6.8%	54.1%	40.3%	26.2%
Sberbank	SBER	8.67	46,790	-5.9%	14.6%	55.4%	114.1%	89.7%

Source: Bloomberg

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

Healthcare sector peers

Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
GHG*	GHG	3.92	516	-11.9%	16.1%	67.6%	N/A	N/A
Mouwasat	MOUWASAT	34.67	1,733	-4.9%	-3.7%	22.4%	5.4%	-7.8%
Fortis	FORH	2.80	1,297	8.5%	12.3%	9.2%	59.5%	-0.5%
Raffles	RFMD	1.12	1,965	-2.4%	0.5%	13.7%	14.9%	3.9%
IHH	IHH	1.66	13,678	1.8%	5.3%	7.2%	20.7%	22.8%
Bangkok Chain	BCH	0.35	871	-2.3%	18.8%	34.9%	45.4%	84.3%
Netcare	NTC	2.41	3,525	8.5%	21.0%	9.8%	-26.6%	-20.6%

Source: Bloomberg

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



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