

# Weekly Market Watch

 Weekly Market Watch | Georgia  
 November 30, 2015

## Economy

### Trade deficit down 9.6% y/y in 10M15, excluding c-hepatitis medicine imports

In October 2015, exports decreased 31.1% y/y to US\$ 187.7mn, imports fell 21.4% y/y to US\$ 614.8mn, and the trade deficit shrank 16.3% y/y to US\$ 427.1mn, according to foreign trade data released by GeoStat. The major drag on exports came from re-exports (mainly cars) decreasing 58.2% y/y, while Georgia originated exports decreased 18.1% y/y. Exports to the EU were up 4.2% y/y, while exports to the CIS markets were down 43.6% y/y. In October 2015, intermediate goods and consumption goods imports decreased 8.4% y/y and 32.3% y/y, respectively.

In 10M15, exports decreased 24.5% y/y to US\$ 1.8bn, imports fell 14.8% y/y to US\$ 6.0bn, excluding c-hepatitis medicine imports, and trade deficit contracted 9.6% y/y to US\$ 4.1bn (in unadjusted terms, trade deficit decreased 2.7% y/y). 29% of exports were directed to the EU (+2.3% y/y), 38% to the CIS (-44.1% y/y), and 33% to other countries (-7.8% y/y), out of which Turkey (8.8% of total) and China (5.3% of total) were the largest export destinations. A 66.1% y/y drop in car exports (8.4% of total) had the largest negative impact. Nuts (+5.7% y/y), pharmaceuticals (+49.0% y/y), and crude oil (+212.2% y/y) were the major Georgian exports increasing in 10M15.

In 10M15, petroleum (-27.8% y/y), pharmaceuticals (+117.5% y/y), cars (-36.8% y/y), gases (+19.0% y/y), and copper ores (+14.4% y/y) represented the top 5 imported commodities. 32% of imports originated from the EU (+4.2% y/y), 25% from the CIS (-7.7% y/y), and 43% from other countries (-19.9% y/y), with Turkey (17.3% of total) and China (7.9% of total) being the largest trading partners.

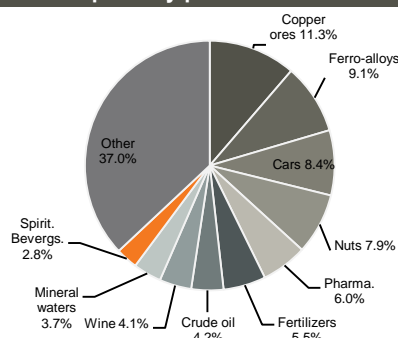
### NPLs in comfortable territory

In October 2015, the loan portfolio grew 10.9% y/y, excluding the exchange rate effect (+34.0% y/y and +0.4% m/m in unadjusted terms), to GEL 15.7bn (US\$ 6.6bn). Deposits grew 5.5% y/y, excluding the exchange rate effect (+29.5% y/y and +0.4% m/m in unadjusted terms), reaching GEL 13.9bn (US\$ 5.8bn). NPLs remain under control at 3.1% in October 2015, up 0.2ppts m/m and down 0.4ppts y/y.

### NBG sold US\$ 20mn

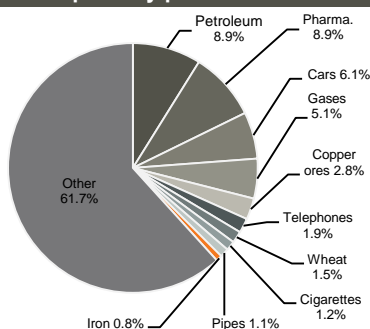
NBG sold US\$ 20mn on the FX market to support the Lari on November 25, 2015. It was NBG's 8th intervention this year, with total net sales of US\$ 267mn. Lari strengthened 0.5% d/d against the dollar on November 26, 2015.

Exports by products 10M15



Source: GeoStat

Imports by products 10M15



### Key macro indicators

	9M15	2014	2013
GDP (% change)	2.7%	4.8%	3.3%
GDP per capita (ppp)*	...	9,209	8,526
GDP per capita (US\$)	...	3,681	3,600
Population (mn)	3.7**	4.5	4.5
Inflation (eop)	5.8%***	2.0%	2.4%
Gross reserves (US\$ bn)	2.4***	2.7	2.8
CAD (% of GDP)	...	10.6%	5.8%
Fiscal deficit (% of GDP)	...	3.0%	2.6%
Total public debt (% of GDP)	...	35.5%	34.7%

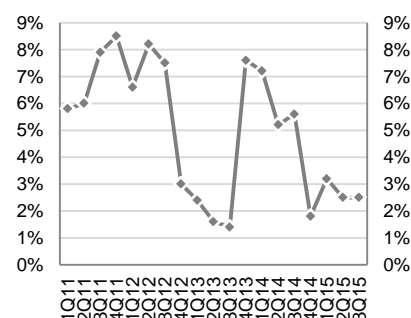
Source: Official data

\*Source: IMF

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

\*\*\*As of 10M15

### Real GDP growth, %



Source: GeoStat

Note: 3Q15 figure based on rapid estimates

### International ranking of Georgia, 2015-16

Ease of Doing Business # 24 (regional leader)

Economic Freedom Index # 22 (mostly free)

Global Competitiveness Index # 66 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

### Georgia sovereign credit ratings

<b>STANDARD &amp; POORS</b>  <b>BB-</b> Stable Affirmed May-2015	<b>Moody's</b> INVESTORS SERVICE  <b>Ba3</b> Positive Affirmed Mar-2015	<b>FitchRatings</b>  <b>BB-</b> Stable Affirmed Oct-2015
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Source: Rating agencies



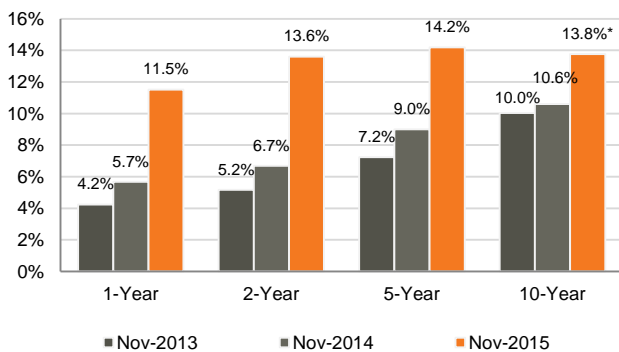
## Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 292.2mn) with an average yield of 7.5%.

**Certificates of deposit:** NBG sold 183-day, GEL 20mn (US\$ 8.3mn) certificates of deposit, with an average yield of 9.96% (down by 37bps from previous issue).

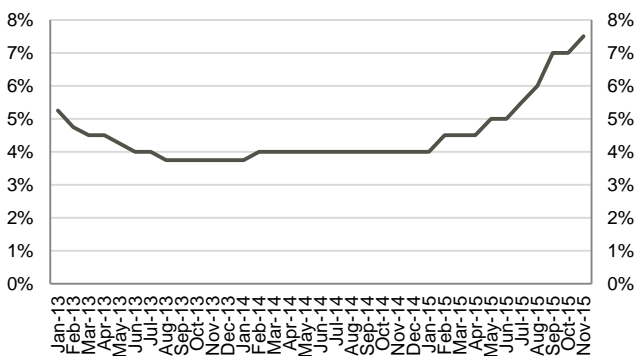
**Ministry of Finance Treasury Notes:** The nearest treasury securities auction is scheduled for December 2, 2015, where GEL 10mn nominal value 2-year T-Notes will be sold.

T-bills / T-notes, yield curve



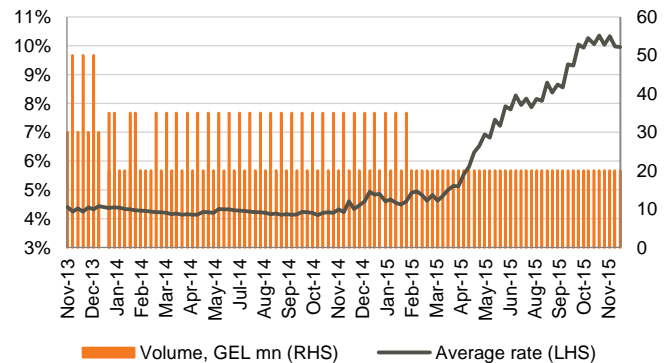
Source: NBG  
\*As of latest auction

Monetary policy rate



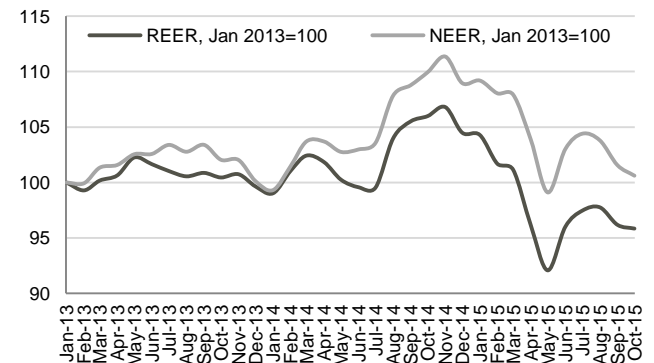
Source: NBG

Certificates of Deposits (weighted average 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

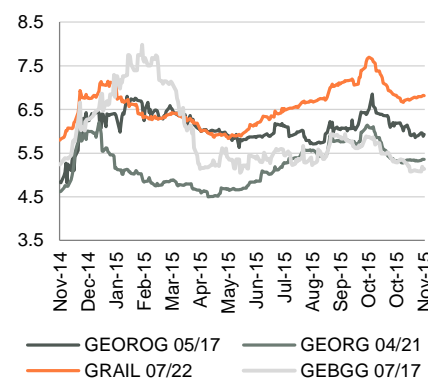


## Fixed income

**Corporate Eurobonds:** Bank of Georgia Eurobonds (GEBGG) closed at 5.1% yield, trading at 103.9 (-0.2% w/w). GOGC Eurobonds (GEOROG) were trading at 101.3 (-0.1% w/w), yielding 5.9%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 104.9 (-0.2% w/w), yielding 6.8%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 10.9 (-0.2% w/w) at 5.4% yield to maturity.

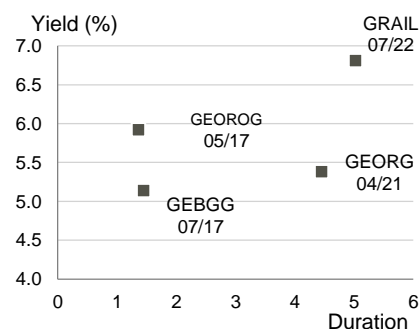
**Georgia Eurobonds, YTM (%)**



	Local bonds			Eurobonds			
	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 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	101.3	103.9	106.9	104.9
Mid yield, %	10.1	9.5	9.7	5.9	5.1	5.4	6.8
Z-spread, bps	n/a	n/a	n/a	550.0	455.9	367.3	499.2

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	106.9	5.4	367.3
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	94.9	5.5	355.9
Bulgaria	323	5.000%	19/07/2021	BBB-/	119.2	1.4	-218.8
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa1	101.1	3.7	327.2
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	114.8	3.3	173.0
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	118.6	3.4	165.5
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	105.1	3.7	219.2
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	106.7	4.2	255.9

Source: Bloomberg

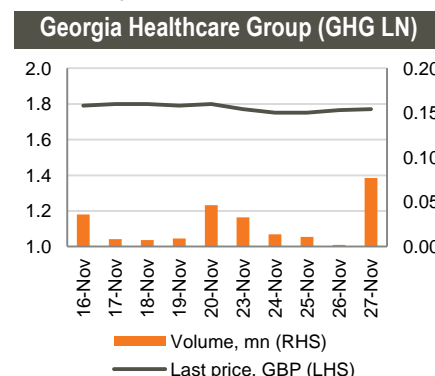
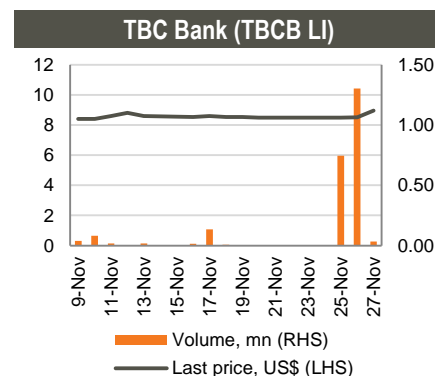
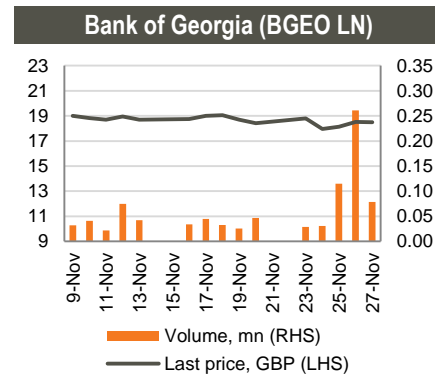
## Equities

**Bank of Georgia Holdings (BGEO LN)** shares closed at GBP 18.50/share (-0.26% w/w and -9.76% m/m). More than 513k shares traded in the range of GBP 17.95 – 18.95/share. Average daily traded volume was 57k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BOGH is a constituent, has gained 0.44% w/w and gained 1.29% m/m. The volume of BOGH shares traded was at 1.30% of its capitalization.

**TBC Bank (TBCB LI)** closed the week at US\$ 8.96 (+5.41% w/w and +1.82% m/m). More than 2.08mn GDRs changed hands in the range of US\$ 8.37 – 8.98/GDR. Average daily traded volume was 149k in the last 4 weeks, more than in the previous month.

**Georgia Healthcare Group (GHG LN)** shares closed at GBP 1.77/share (-1.67% w/w and +4.12% since IPO). More than 136k shares were traded in the range of GBP 1.72 – 1.79/share. Average daily traded volume was 194k in the last 3 weeks. The volume of GHG shares traded was at 0.1% of its capitalization in the last week.

**On the Georgian stock exchange:** Liberty Bank shares were traded at GEL 0.013 (unchanged w/w). As a result, the G&T Index remained at 885.86 (unchanged w/w).



Eastern European banks								
Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
BGEO*	BGEO	27.83	1,099	-11.3%	6.1%	-6.4%	-14.0%	-18.2%
TBC	TBC	8.96	439	1.8%	-9.5%	-21.4%	-28.9%	-37.3%
Halyk Bank	HSBK	6.15	1,678	-2.4%	-3.1%	-18.0%	-27.6%	-29.3%
KKB	KKB	1.60	638	-44.6%	-41.2%	-50.0%	-57.9%	-60.0%
VTB Bank	VTBR	2.15	13,933	-2.3%	5.1%	-31.5%	-6.5%	10.2%
Vozrozhdenie Bank	VZRZ	9.27	220	0.5%	23.6%	9.9%	25.7%	13.8%
Sberbank	SBER	6.79	36,644	13.8%	46.7%	17.8%	67.7%	6.5%

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	2.66	351	nm	nm	nm	nm	nm
Mouwasat	MOUWASAT	30.47	1,523	1.8%	-12.9%	-20.0%	-7.3%	-8.5%
Fortis	FORH	2.41	1,115	-1.9%	-10.1%	-4.9%	37.1%	38.7%
Raffles	RFMD	2.99	1,720	-4.2%	-4.2%	-7.4%	1.9%	1.5%
IHH	IHH	1.50	12,365	0.1%	8.9%	-4.6%	9.2%	0.8%
Bangkok Chain	BCH	0.23	580	20.6%	27.7%	11.5%	-3.2%	-15.8%
Netcare	NTC	2.50	3,650	-14.3%	-16.8%	-22.2%	-23.8%	-26.9%

Source: Bloomberg

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

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