

# Weekly Market Watch

Weekly Market Watch | Georgia  
May 15, 2017

## Economy

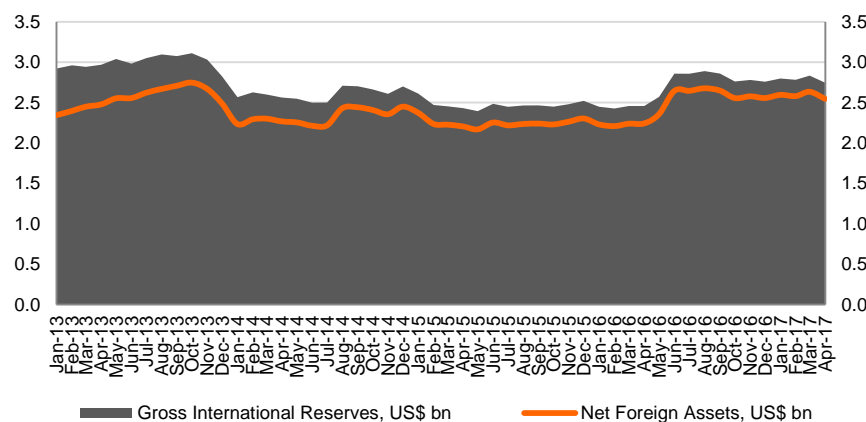
### Georgia signs free trade agreement with China

On 13 May 2017, Georgia and China signed the free trade agreement to expand bilateral trade, Beijing's first-ever free trade agreement in the Eurasian region; The two countries launched the free trade agreement negotiations in March 2015. Based on the agreement, the 94% of Georgia's exports to China will be exempted from import duties. China was top 3 export market for Georgian products in 2016, with exports increasing 34.8% y/y to US\$ 170mn. Currently, Georgia has free trade agreements with EU, Turkey, CIS countries, the European Free Trade Association and China.

### International reserves up 11.8% y/y in April 2017

Gross international reserves were up 11.8% y/y to US\$ 2.7bn in April 2017, while reserves were down 3.1% m/m (-US\$ 87.0mn), according to NBG. The central bank intervened in the FX market and purchased US\$ 19.8mn in April 2017. The reduction in reserves on a monthly basis was related to government FX operations and/or asset revaluation.

International Reserves



Source: NBG

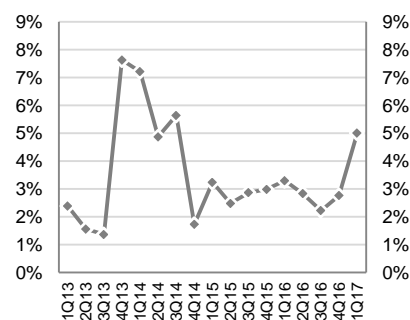
### Key macro indicators

	4M17	2016	2015
GDP (% change)	5.0% <sup>(1)</sup>	2.7%	2.9%
GDP per capita (ppp)	...	...	9,630
GDP per capita (US\$)	...	3,853	3,767
Population (mn)	3.7	3.7	3.7
Inflation (eop)	6.1%	1.8%	4.9%
Gross reserves (US\$ bn)	2.7	2.8	2.5
CAD (% of GDP)	...	13.3%	11.9%
Fiscal deficit (% of GDP)	...	4.1%	3.7%
Total public debt (% of GDP)	...	44.6%	41.4%

Source: Official data, IMF, G&T

(1) As of 3M17

### Real GDP growth, %





Source: GeoStat

### International ranking, 2017

Ease of Doing Business # 16 (Top 20)  
Economic Freedom Index # 13 (mostly free)  
Global Competitiveness Index # 59 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

### Georgia sovereign credit ratings

 <b>BB-</b> Stable Affirmed Nov-2016	 <b>Ba3</b> Stable Affirmed Mar-2016	 <b>BB-</b> Stable Affirmed Mar-2017
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Source: Rating agencies

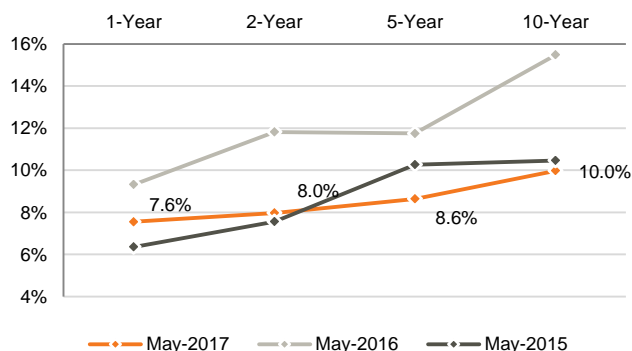
# Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,350mn (US\$ 552.9mn).

**Ministry of Finance Treasury Notes:** 182-days GEL 20.0mn (US\$ 8.2mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on May 10, 2017. The weighted average yield was fixed at 7.143%.

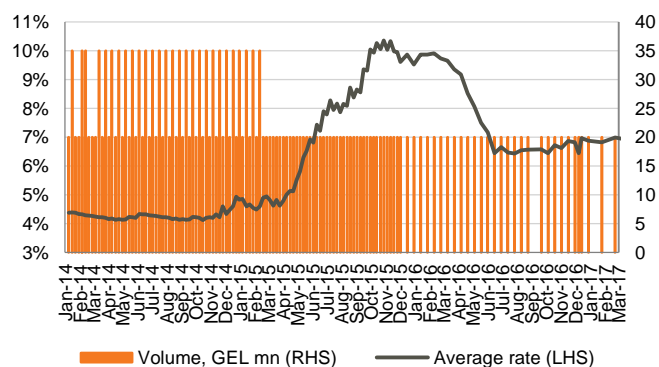
**Ministry of Finance Treasury Bills:** 2-year GEL 30.0mn (US\$ 12.3mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on May 10, 2017. The weighted average yield was fixed at 7.970%. The nearest treasury security auction is scheduled for May 31, 2017, where GEL 20.0mn nominal value 5-Year T-Notes will be sold.

**T-bills / T-notes, yield curve**



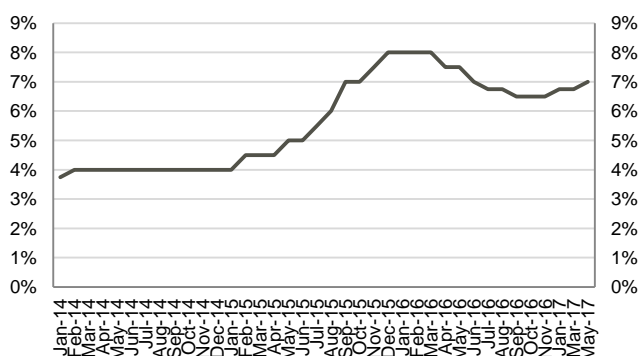
Source: NBG

**Certificates of Deposits (weighted average rate)**



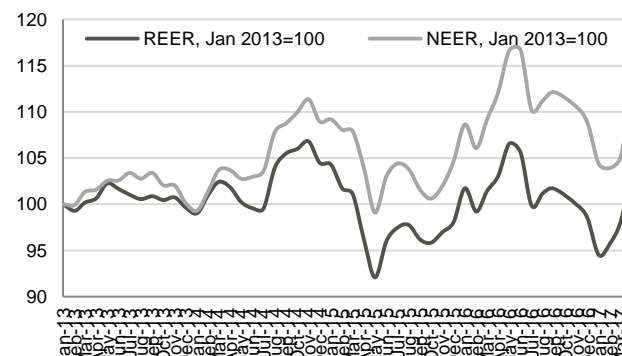
Source: NBG

**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

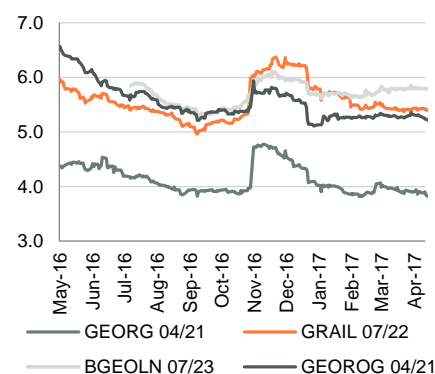


## Fixed income

**Corporate Eurobonds:** BGEO Group Eurobonds (BGEOLN) closed at 5.7% yield, trading at 101.3 (+0.3% w/w). GOGC Eurobonds (GEOROG) were trading at 105.6 (+0.2% w/w), yielding 5.2%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 110.8 (+0.3% w/w), yielding 5.3%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 111.4 (+0.3% w/w) at 3.7% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

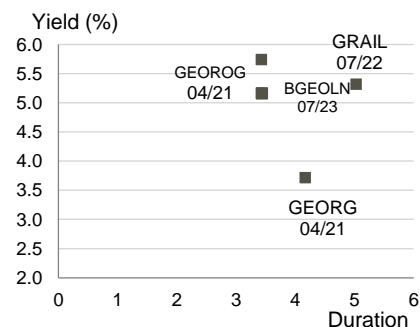
	Local bonds				Eurobonds			
	GWP 12/21	M2RE 10/19	Nikora 03/18	GLC 09/17	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	5.0	10.0	250	350	500	500
Issue date	12/16	10/16	03/16	09/14	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	09/17	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	11.0	8.75	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/B-	-/-	-/-	-/-	BB-/B+	BB-/B1	BB-/BB-/Ba3	B+/B+
Mid price, US\$	n/a	101.1	101.5	100.7	105.6	101.3	111.4	110.8
Mid yield, %	n/a	7.00%	9.0%	6.50%	5.2	5.7	3.7	5.3
Z-spread, bps	n/a	n/a	n/a	n/a	336.9	192.5	341.2	374.2

Source: Bloomberg

\*GWP 12/21 bonds are in Georgian lari

\*\*Coupon rate 3.5% over the NBG's refinancing rate

Georgian Eurobond universe



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	111.4	3.7	192.5
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	102.4	4.3	228.1
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	119.4	0.3	-228.7
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa2	109.4	1.9	170.7
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	113.1	2.8	99.7
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	116.1	3.1	118.3
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.9	2.6	89.0
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Baa1	105.9	4.0	218.4

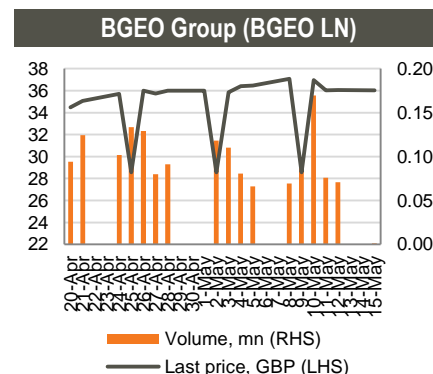
Source: Bloomberg

## Equities

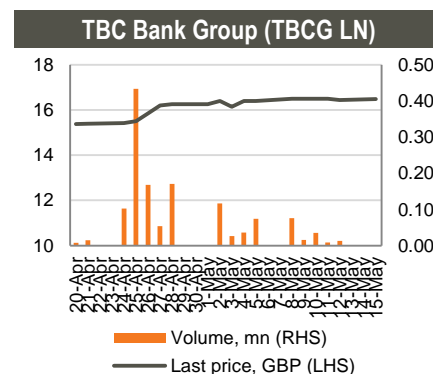
**BGEO Group** (BGEO LN) shares closed at GBP 36.07/share (-1.12% w/w and +6.75% m/m). More than 472k shares traded in the range of GBP 35.05 – 37.20/share. Average daily traded volume was 98k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.32% w/w and gained 1.75% m/m. The volume of BGEO shares traded was at 1.20% of its capitalization.

**TBC Bank Group** (TBCG LN) closed the week at GBP 16.44 (+0.24% w/w and +9.31% m/m). More than 147k shares changed hands in the range of GBP 16.35 – 16.50/share. Averaged daily traded volume was 76k in the last 4 weeks.

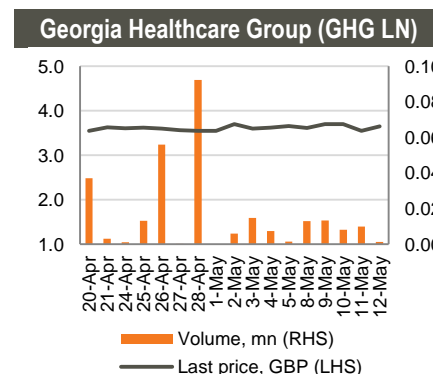
**Georgia Healthcare Group** (GHG LN) shares closed at GBP 3.65/share (-0.10% w/w and +9.31% m/m). More than 45k shares were traded in the range of GBP 3.55 – 3.70/share. Average daily traded volume was 16k in the last 4 weeks. The volume of GHG shares traded was at 0.03% of its capitalization.



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

### Eastern European Banks

	Tick er	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
BGEO*	BGEO	46.43	1,832	6.7%	16.7%	25.8%	20.9%	55.1%
TBC*	TBC	21.16	1,115	9.3%	16.3%	21.8%	13.2%	96.0%**
Halyk Bank	HSBK	7.85	2,158	7.5%	26.6%	22.3%	31.1%	124.3%
KKB	KKB	1.07	427	-4.5%	-27.9%	-17.7%	-26.0%	-46.5%
VTB Bank	VTBR	2.25	14,568	1.9%	-2.7%	11.2%	-5.8%	9.2%
Vozrozhdenie Bank	VZRZ	13.01	309	1.5%	-0.8%	20.9%	6.3%	50.1%
Sberbank	SBER	12.05	65,031	11.0%	4.2%	27.5%	4.1%	53.4%

Source: Bloomberg

\*BGEO and TBC are traded in GBP and are shown in US\$ equivalent

\*\* 1Y change in TBC share prices calculated using GDR price.

### Healthcare Sector Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG*	GHG	4.70	619	1.7%	5.8%	3.6%	2.2%	84.4%
Mouwasat	MOUWASAT	38.93	1,946	-0.7%	3.7%	1.8%	-1.2%	11.4%
Fortis	FORH	3.25	1,682	14.7%	17.2%	34.7%	22.1%	29.2%
Raffles	RFMD	1.00	1,759	-4.4%	0.3%	-3.4%	1.5%	-9.6%
IHH	IHH	1.42	11,710	4.2%	1.2%	-1.7%	0.5%	-11.7%
Bangkok Chain	BCH	0.37	935	-0.6%	-5.4%	-0.2%	-9.2%	27.4%
Netcare	NTC	2.02	2,956	9.4%	-15.5%	-14.2%	-12.8%	-12.8%

Source: Bloomberg

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

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