



Weekly Market Watch

Weekly Market Watch | Georgia
January 4, 2021

Economy

Real GDP shrinks 7.7% y/y in November 2020

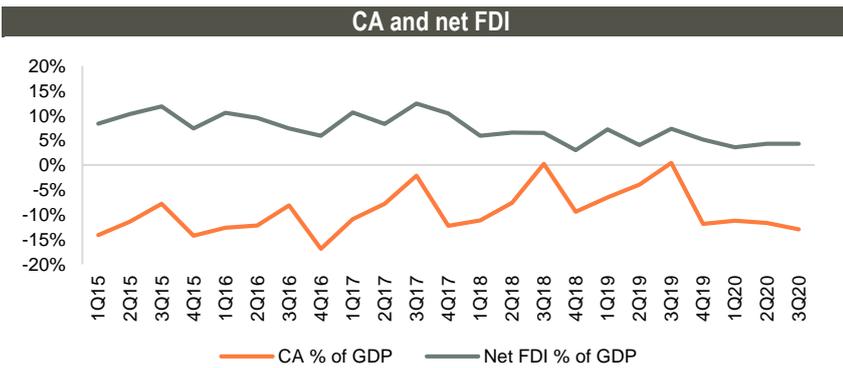
Georgia's economy contracted by 7.7% y/y in November 2020 after falling 3.9% y/y in October, according to Geostat's rapid estimates. In November, positive real growth was recorded in manufacturing, financial & insurance activities, information & communication and water supply, sewerage & waste management activities. Meanwhile real growth was down in construction, transportation, recreation, accommodation and trade. Overall, real GDP contracted by 5.9% y/y in 11M20. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

Current account deficit at 13.0% of GDP in 3Q20

Current account deficit came in at 13.0% of GDP or US\$ 556.7mn, according to NBG. Merchandise trade deficit, traditionally the major contributor to deficit creation, declined by 18.3% y/y to US\$ 770.5mn, as exports fell by 5.7% y/y, while imports were down by 11.1% y/y. Negative balance in services totaled US\$ 45.3mn (1.1% of GDP), reflecting the drop of tourism inflows due to COVID pandemic. Surplus in current transfers increased by 35.5% y/y to US\$ 474.2mn (11.0% of GDP) financing 62% of trade deficit. Notably, other investments at US\$ 467.4mn (10.9% of GDP) were key funding source of CA deficit and net FDI stood at US\$ 185.4mn (4.3% of GDP).

NBG sold US\$ 30mn

On 30 December 2020, the NBG intervened on the FX market and sold US\$ 30mn to limit GEL volatility. Overall in 2020, NBG sold US\$ 873.2mn through FX auctions.



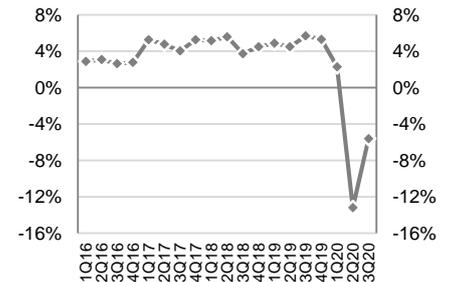
Source: NBG

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

 BB Stable Affirmed Aug-2020	 Ba2 Stable Affirmed Aug-2020	 BB Negative Affirmed Aug-2020
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Source: Rating agencies



Money market

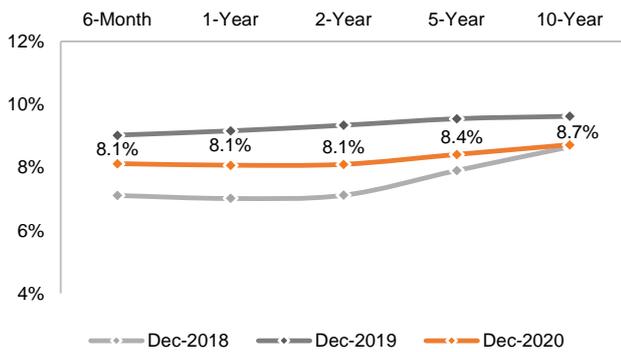
There were no treasury securities auction last week. The nearest treasury security auction is scheduled for January 18, 2021, where GEL 25.0mn nominal value 10-year Benchmark Bonds will be sold.

T-bills / T-notes in 2021

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	0	165	150
1-year	0	165	670
2-year	0	220	1,460
5-year	0	420	2,174
10-year	0	100	1,237
Total	0	1,070	5,691

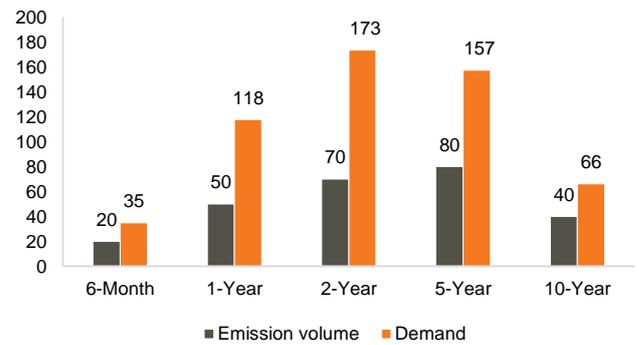
Source: MoF
Note: * As of 30 November 2020

T-bills / T-notes, yield curve



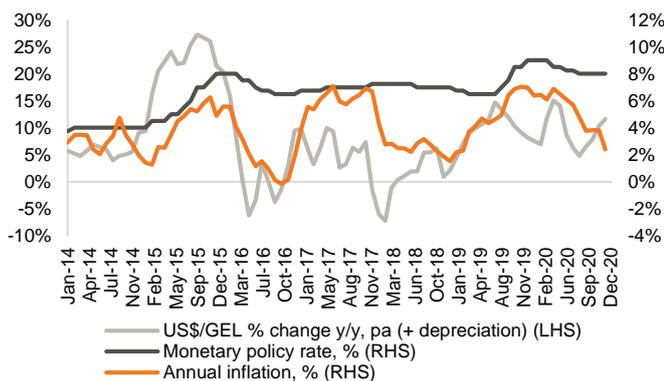
Source: NBG

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



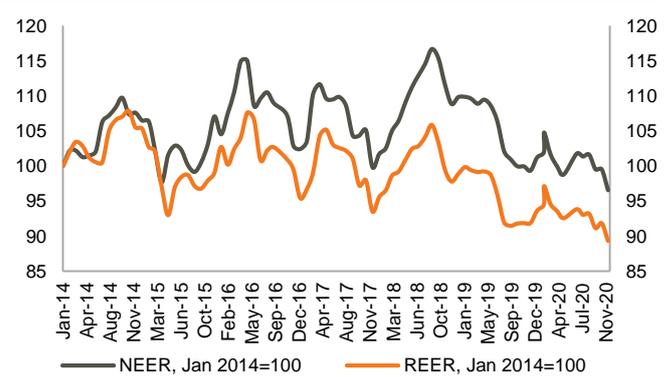
Source: NBG

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

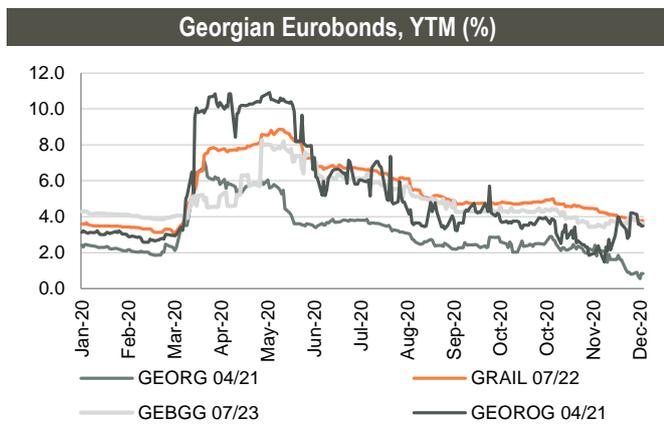


Fixed income

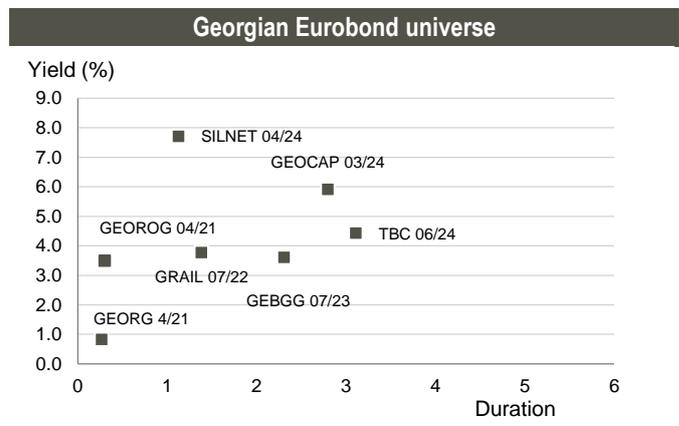
Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 3.61% yield, trading at 105.80 (+0.49% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 100.60 (+0.02% w/w), yielding 5.91%.

GOGC Eurobonds (GEOROG) were trading at 100.98 (+0.18% w/w), yielding 3.49%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 105.80 (+0.08% w/w), yielding 3.78%.

Georgian Sovereign Eurobonds (GEORG) closed at 101.62 (-0.11% w/w) at 0.84% yield to maturity.



Source: Bloomberg



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	101.62	0.84	44.19	
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	105.80	3.78	357.28	
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/BB/-	100.98	3.49	311.65	
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/-/Ba2	105.80	3.61	361.58	
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	105.27	9.20	903.80	
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B/B2	100.60	5.91	566.04	
SILKNET 04/24	US\$	200	11.000%	Apr-24	B-/B1	109.24	7.71	715.70	
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/-/Ba2	104.19	4.43	414.89	
TBC PERP	US\$	125	10.775%	n/a	B-/-/-	102.49	9.66	963.45	
GGU 07/25	US\$	250	7.750%	Jul-25	B+/-B/-	102.03	7.22	680.37	

Georgian local bonds performance									
Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/Scope)	Mid price	Mid yield, %	Z-spread, bps	
KTW 12/22	US\$	10	9.00%	Dec-22	-/-/-	n/a	n/a	n/a	
GWP 12/21	GEL	30	12.50%	Dec-21	BB-/-/-	n/a	n/a	n/a	
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	100.49	7.00	n/a	
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	100.82	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	-/-/-	99.99	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/Ba2	101.62	0.84	44.19
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	101.01	1.27	113.09
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	104.83	4.48	427.17
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	111.34	0.82	48.58
Russia	US\$	3,000	4.875%	Sep-23	BBB/BBB-/Baa3	110.11	1.06	81.60
Turkey	US\$	2,000	5.625%	Mar-21	BB-/-/B2	100.90	1.76	148.42
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/B3	103.82	1.86	174.00

Source: Bloomberg

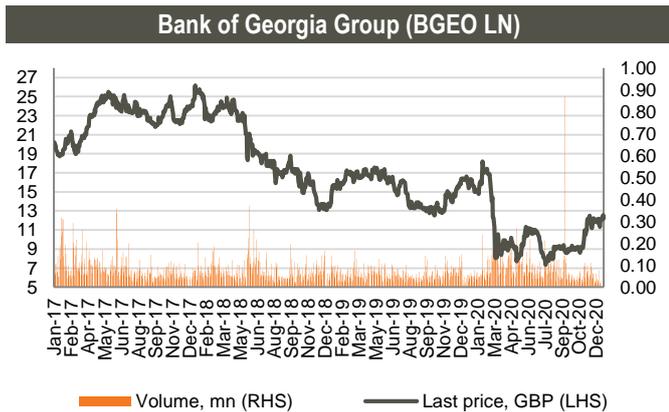


Equities

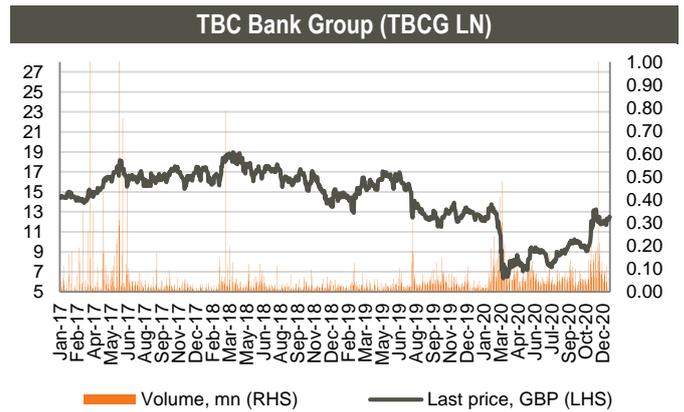
Bank of Georgia Group (BGEO LN) shares closed at GBP 12.20/share (+0.83% w/w and +8.93% m/m). More than 96k shares traded in the range of GBP 12.02 - 12.66/share. Average daily traded volume was 32k in the last 4 weeks. The volume of BGEO shares traded was at 0.20% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 5.40/share (+5.26% w/w and +11.80% m/m). More than 65k shares traded in the range of GBP 5.20 - 5.65/share. Average daily traded volume was 39k in the last 4 weeks. The volume of CGEO shares traded was at 0.18% of its capitalization.

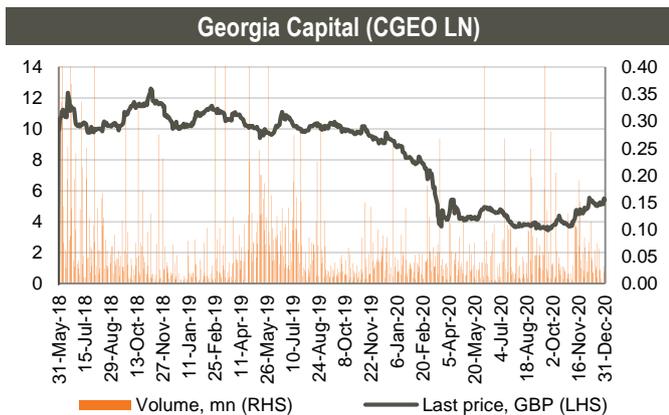
TBC Bank Group (TBCG LN) closed the week at GBP 12.50/share (+2.12% w/w and +4.34% m/m). More than 118k shares changed hands in the range of GBP 12.06 - 12.64/share. Average daily traded volume was 70k in the last 4 weeks. The volume of TBCG shares traded was at 0.22% of its capitalization.



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	12.20	600	14.0%	-24.9%	-24.9%	8.82x	5.19x	1.01x	0.85x
TBC	TBC	GBP	12.50	688	39.8%	-3.8%	-3.8%	6.61x	6.02x	1.03x	0.90x
Halyk Bank	HSBK	US\$	11.65	3,423	-6.0%	-12.7%	-12.7%	4.85x	4.44x	0.94x	0.88x
VTB Bank	VTBR	US\$	0.95	6,185	1.7%	-34.8%	-34.8%	6.98x	3.10x	0.34x	0.32x
Akbank	AKBNK	TRY	6.93	36,036	14.0%	-14.5%	-14.5%	6.04x	4.53x	0.60x	0.52x
Garanti	GARAN	TRY	10.37	43,554	22.6%	-6.9%	-6.9%	6.20x	4.43x	0.67x	0.56x
Isbank	ISCTR	TRY	7.00	31,500	25.4%	9.2%	9.2%	4.70x	3.50x	0.47x	0.42x
PKO	PKO	PLN	28.72	35,900	25.3%	-16.7%	-16.7%	13.03x	12.39x	0.80x	0.78x
PEKAO	PEO	PLN	61.10	16,037	13.5%	-39.2%	-39.2%	13.09x	11.84x	0.64x	0.62x
Millennium	MIL	PLN	3.27	3,967	8.2%	-44.1%	-44.1%	11.36x	10.53x	0.44x	0.44x
Mbank	MBK	PLN	179.20	7,587	-22.1%	-54.0%	-54.0%	21.95x	16.14x	0.45x	0.44x
BRD	BRD	RON	14.86	10,356	28.5%	-6.2%	-6.2%	13.22x	12.96x	1.17x	1.24x
Banca Transilvania	TLV	RON	2.25	11,736	16.2%	-4.6%	-4.6%	12.62x	11.15x	1.60x	1.55x
OTP	OTPD	USD	22.80	12,768	0.0%	7.5%	7.5%	12.78x	11.52x	0.71x	0.67x
Komercni	KOMB	CZK	657.00	124,862	19.2%	-20.8%	-20.8%	15.66x	13.74x	1.10x	1.06x
Mean								10.53x	8.76x	0.80x	0.75x
Median								11.36x	10.53x	0.71x	0.67x

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	5.40	198	16.1%	-41.4%	-41.4%	n/a	n/a	n/a	n/a
Tinc Comm	TINC	EUR	12.95	353	0.4%	-3.0%	-3.0%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	11.46	23,383	24.0%	20.1%	20.1%	5.01x	4.37x	0.64x	0.54x
Deutsche Beteiligungs	DBAN	EUR	33.10	498	9.4%	-16.1%	-16.1%	nmf	11.75x	1.17x	1.13x
Eurazeo	RF	EUR	55.50	4,371	21.7%	-9.0%	-9.0%	33.40x	9.12x	0.81x	0.75x
Carlyle Group	CG	USD	31.44	3,480	12.7%	-2.0%	-2.0%	5.46x	4.65x	5.42x	5.75x
Mean								14.62x	7.47x	2.01x	2.04x
Median								5.46x	6.88x	0.99x	0.94x

Source: Bloomberg, S&P Capital IQ



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