

Weekly Market Watch

 Weekly Market Watch | Georgia
 May 10, 2016

Economy

International arrivals up 17.2% y/y in April 2016

Arrivals posted robust growth for the third consecutive month, increasing 17.2% y/y to 0.46mn persons in April 2016, according to the Ministry of Internal Affairs. Increased arrivals from Azerbaijan (+17.6% y/y, 22.9% of total), Russia (+26.9% y/y, 16.0% of total), Turkey (+12.0% y/y, 25.1% of total), and Armenia (+8.7% y/y, 22.8% of total) contributed the most to the growth. In 4M16, total arrivals increased 15.4% y/y to 1.60mn persons.

Inflation rate at 3.2% y/y and -0.6% m/m in April 2016

Annual CPI inflation rate was recorded at 3.2% in April 2016 down from 4.1% in previous month, according to GeoStat. Overall price changes were driven by price increases in health (+7.5% y/y, +0.72ppts), alcoholic beverages and tobacco (+14.7% y/y, +0.89ppts), and food and non-alcoholic beverages (+1.9% y/y, +0.58ppts) categories. Meanwhile, prices in the transport category decreased (-6.1% y/y, -0.75ppts), as prices were down for the purchase of vehicles.

On a monthly basis, prices fell 0.6% in April after 0.3% deflation in March. Price decreases in food and non-alcoholic beverages (-0.7% m/m, -0.23ppts) and health (-1.9% m/m, -0.19ppts) and price increase in alcoholic beverages and tobacco (+1.6% m/m, +0.10ppts) categories were the major drivers of the monthly inflation dynamics.

Tax revenues up 8.2% y/y in April 2016

Consolidated budget tax revenues were up 8.2% y/y to GEL 636mn in April 2016. In 4M16, consolidated budget tax revenues stood at GEL 2.7bn, up 8.3% y/y.

NBG buys US\$ 20mn

On 5 May 2016, NBG intervened for the 6th time on a purchasing side since Mar-16 and bought US\$ 20mn aimed at curbing the appreciation of the national currency, which strengthened 0.8% w/w and 7.6% YTD against the US\$. The central bank bought total of US\$ 75mn in these 6 interventions in a period between March 17 and May 5. In Jan-16, the central bank made 3 interventions by selling total of US\$ 60mn. As a result, NBG is a net buyer of US\$ 15mn YTD.

Gross international reserves stood at US\$ 2.5bn as of end-April 2016

Gross international reserves increased 1.1% y/y, while on a monthly basis reserves were flat, reaching US\$ 2.5bn as of end-April 2016, according to NBG. The growth in reserves was attributed to NBG's 3 FX interventions with a total purchase of US\$ 40mn in April.

Key macro indicators

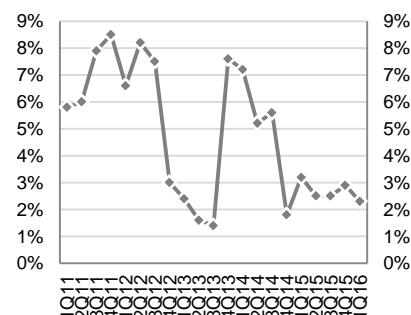
	4M16	2015	2014
GDP (% change)	2.3%*	2.8%	4.6%
GDP per capita (ppp)	...	9,566	9,209
GDP per capita (US\$)	...	3,743	3,676
Population (mn)	3.7**	3.7**	4.5
Inflation (eop)	3.2%	4.9%	2.0%
Gross reserves (US\$ bn)	2.5	2.5	2.7
CAD (% of GDP)	11.8%	10.6%
Fiscal deficit (% of GDP)	3.8%	3.0%
Total public debt (% of GDP)	...	41.5%	35.5%

Source: Official data, IMF, G&T

*As of 3M16

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

Real GDP growth, %



Source: GeoStat

Note: 1Q16 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)

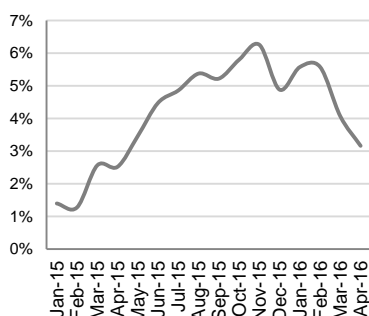
Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

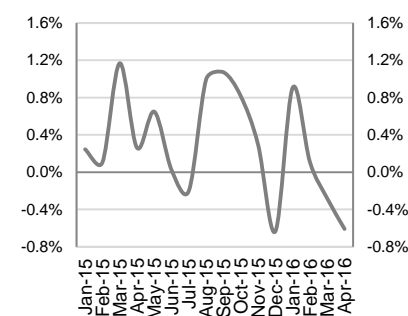
STANDARD & POORS BB- Stable Affirmed Nov-2015	Moody's INVESTORS SERVICE Ba3 Stable Affirmed Mar-2016	FitchRatings BB- Stable Affirmed Oct-2015
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Source: Rating agencies

Annual CPI inflation (% change y/y)



Monthly CPI inflation (% change m/m)



Source: GeoStat



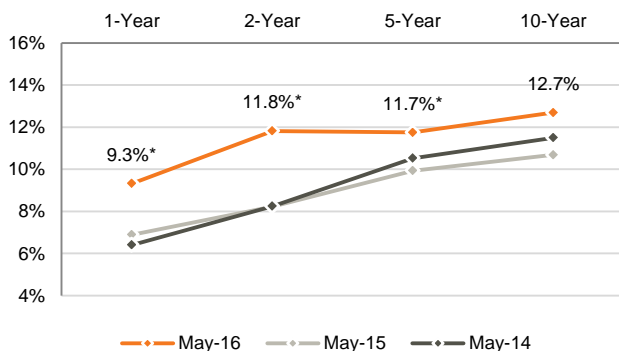
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 730mn (US\$ 329.7mn).

Certificates of deposit: NBG sold 182-day, GEL 20mn (US\$ 9.0mn) certificates of deposit, with an average yield of 8.07% (down by 111bps from previous issue).

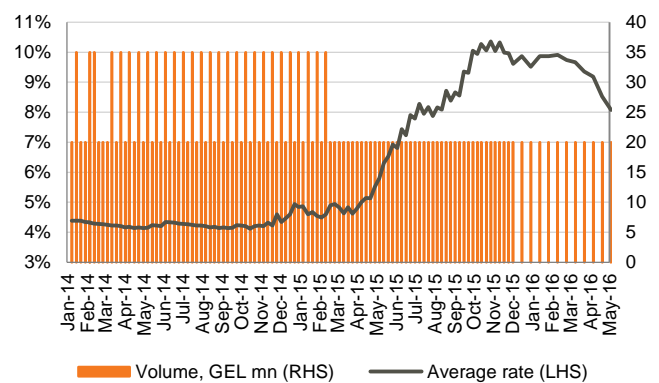
Ministry of Finance Treasury Notes: 10-year GEL 10.0mn (US\$ 4.5mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on May 5, 2016. The weighted average yield was fixed at 12.693%. The nearest treasury securities auction is scheduled for May 11, 2016, where GEL 20mn nominal value 2-year T-Notes will be sold.

T-bills / T-notes, yield curve



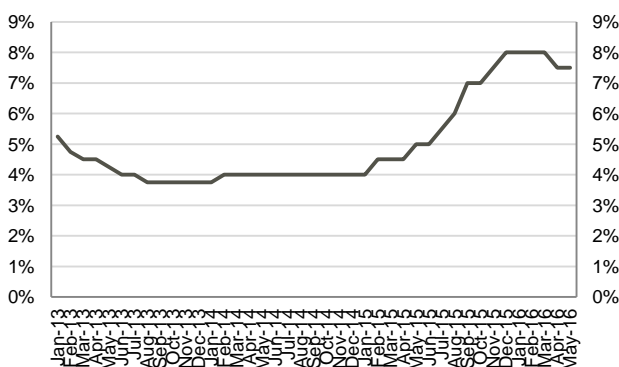
Source: NBG
*As of latest auction

Certificates of Deposits (weighted average rate)



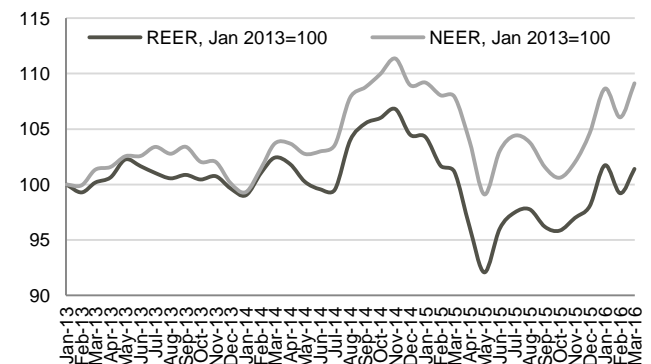
Source: NBG

Monetary policy rate



Source: NBG
Note: Next revision of a monetary policy rate is scheduled for 15 June 2016

Nominal Effective Exchange Rate and Real Effective Exchange Rate



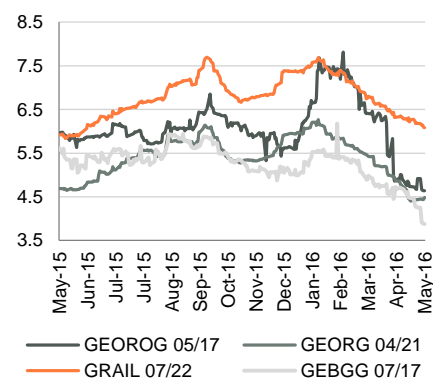
Source: NBG
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG) closed at 3.9% yield, trading at 104.3 (+0.4% w/w). GOGC Eurobonds (GEOROG) were trading at 102.2 (unchanged w/w), yielding 4.6%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 108.4 (+0.5% w/w), yielding 6.1%.

Georgian Sovereign Eurobonds (GEORG) closed at 110.4 (-0.2% w/w) at 4.5% yield to maturity.

Georgia Eurobonds, YTM (%)



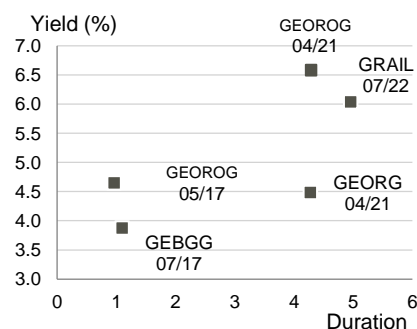
	Local bonds					Eurobonds				
	Nikora 03/18	GWP 11/17	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	5	6*	20	15	10	250	250	400	500	500
Issue date	03/16	12/15	03/15	05/15	09/14	Apr-2016	May-2012	Jul-2012	Apr-2011	Jul-2012
Maturity date	03/18	12/17	03/17	05/17	09/17	Apr-2021	May-2017	Jul-2017	Apr-2021	Jul-2022
Coupon, %	11.000	15.000**	9.500	9.500	8.750	6.750%	6.875%	7.750%	6.875%	7.750%
Fitch/S&P/Moody's	-/-	BB-/-	-/-	-/-	-/-	BB-/-	BB-/B+	BB-/BB-/Ba3	BB-/BB-/Ba3	BB-/BB-/
Mid price, US\$	100.0	100.0*	101.6	101.87	100.65	100.7	102.2	104.3	110.4	108.7
Mid yield, %	11.0	15.0	7.75	7.75	8.25	6.6	4.6	3.9	4.5	6.0
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	534.3	408.3	312.5	324.0	472.2

Source: Bloomberg

*GWP 11/17 bonds are in Georgian lari

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

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	110.4	4.5	324.0
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1/-	96.2	5.3	386.1
Bulgaria	323	5.000%	19/07/2021	BBB/-/-	119.4	1.1	-243.3
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	102.8	3.4	319.3
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	114.0	3.2	207.0
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	118.6	3.2	187.1
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	105.8	3.4	227.0
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	107.3	4.0	275.7

Source: Bloomberg

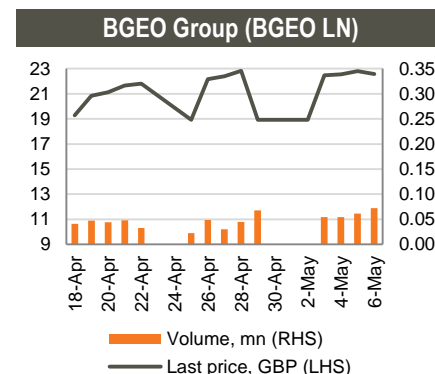
Equities

BGEO Group (BGEO LN) shares closed at GBP 22.57/share (-1.44% w/w and +12.68% m/m). More than 240k shares traded in the range of GBP 21.95 – 23.26/share. Average daily traded volume was 52k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BOGH is a constituent, lost 0.91% w/w and 1.29% m/m, respectively. The volume of BOGH shares traded was at 0.61% of its capitalization.

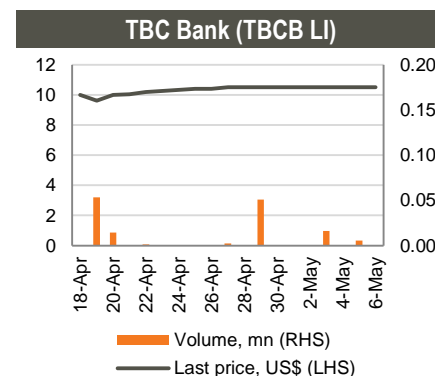
TBC Bank (TBCB LI) closed the week at US\$ 10.50 (unchanged w/w and +5.00% m/m). More than 22k GDRs changed hands at a price of 10.50/GDR. Average daily traded volume was 13k in the last 4 weeks, less than in the previous month.

Georgia Healthcare Group (GHG LN) shares closed at GBP 1.95/share (+0.32% w/w and +17.24% m/m). More than 57k shares were traded in the range of GBP 1.93 – 1.98/share. Average daily traded volume was 16k in the last 4 weeks. The volume of GHG shares traded was at 0.09% of its capitalization.

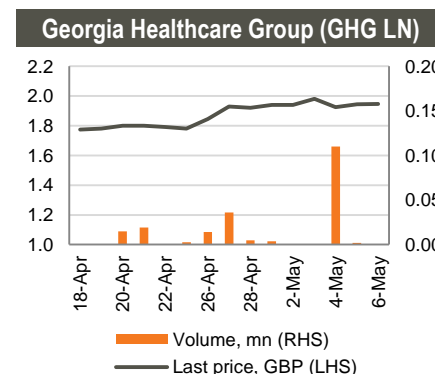
On the Georgian stock exchange no shares were traded. As a result, the G&T remained at 796.74 (unchanged w/w).



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Eastern European banks

Eastern European Banks								
Ticker		Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
BGEO*	BGEO	32.64	1,289	15.3%	29.0%	13.7%	0.9%	17.7%
TBC	TBC	10.50	526	5.0%	14.0%	24.3%	-16.7%	-4.5%
Halyk Bank	HSBK	3.55	968	-11.5%	-12.3%	-41.8%	-58.2%	-55.1%
KKB	KKB	2.00	798	117.4%	122.2%	-30.8%	-47.4%	-37.9%
VTB Bank	VTBR	2.04	13,246	-2.3%	13.2%	-10.0%	-11.1%	-24.8%
Vozrozhdenie Bank	VZRZ	7.90	188	12.3%	17.5%	-15.8%	7.0%	-4.5%
Sberbank	SBER	7.65	41,285	17.0%	41.7%	22.1%	88.9%	20.1%

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	2.81	361	20.0%	8.1%	10.1%	nm	nm
Mouwasat	MOUWASAT	33.22	1,661	8.8%	5.0%	9.5%	1.0%	-6.4%
Fortis	FORH	2.51	1,162	-6.5%	1.1%	2.9%	42.8%	-2.0%
Raffles	RFMD	3.39	1,955	2.0%	14.3%	12.5%	15.5%	11.9%
IHH	IHH	1.64	13,457	-4.7%	3.1%	9.8%	18.9%	-2.6%
Bangkok Chain	BCH	0.29	717	-6.9%	16.8%	52.6%	19.6%	16.7%
Netcare	NTC	2.32	3,398	-0.2%	9.3%	-15.6%	-29.2%	-30.1%

Source: Bloomberg

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

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