

Weekly Market Watch

Weekly Market Watch | Georgia
June 26, 2017

Economy

Exports up 25.0% y/y in May 2017

In May 2017, exports increased 25.0% y/y to US\$ 215.2mn, imports were up 3.8% y/y to US\$ 633.2mn and the trade deficit narrowed 4.6% y/y to US\$ 418.0mn. Overall in 5M17 exports were up 28.7% to US\$1.0bn, imports increased 10.8% to US\$ 2.9bn and the trade deficit widened 3.4% to US\$ 1.9bn.

Increased exports of copper (+134.1% y/y), cars (+38.3% y/y), Wine (+60.0% y/y) and spirits (+92.7% y/y) were the major commodities driving export growth in May 2017. Petroleum (+12.9% y/y), cars (-13.0% y/y), copper (+252.2% y/y), pharmaceuticals (+2.5% y/y) and phones (+28.7% y/y) represented the top 5 imported commodities in May 2017.

Producer price index unchanged m/m and up 9.4% y/y in May 2017

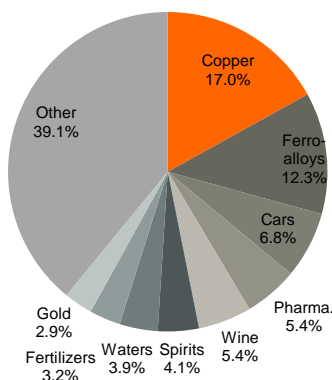
PPI for industrial goods remained unchanged m/m in May 2017, according to GeoStat. A 0.6% price increase for manufacturing contributed the most to the overall index change as prices were up for manufacture of basic metals and fabricated metal products (+1.9% m/m) and electrical and optical equipment (+30.9% m/m).

Annual PPI was up 9.4% in May 2017. Rising prices in manufacturing (+9.1% y/y) contributed the most to the overall index change. Prices were also up for supply of electricity, gas and water (+7.8% y/y) and for mining and quarrying (+22.2% y/y).

NBG Purchased USD\$ 30.0mn

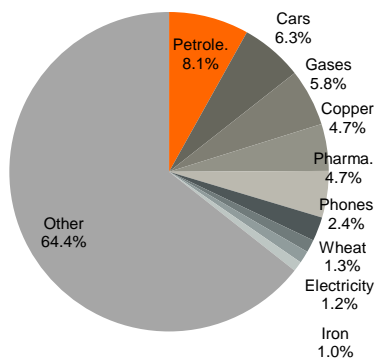
On June 19 and 20, 2017, the NBG intervened on the FX market and purchased USD\$ 10.0mn and USD\$ 20.0mn, respectively on its foreign exchange auction.

Exports by commodities, 5M17



Source: GeoStat

Imports by commodities, 5M17



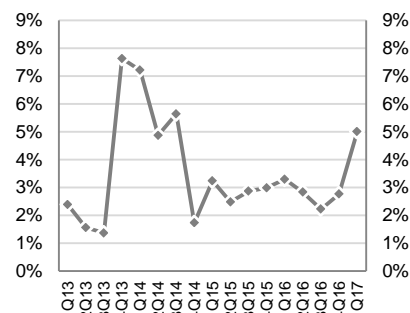
Key macro indicators

	5M17	2016	2015
GDP (% change)	4.2% ⁽¹⁾	2.7%	2.9%
GDP per capita (ppp)	...	10,044	9,601
GDP per capita (US\$)	...	3,853	3,767
Population (mn)	3.7	3.7	3.7
Inflation (eop)	6.6%	1.8%	4.9%
Gross reserves (US\$ bn)	2.8	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 4M17

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

 BB- Stable Affirmed May-2017	 Ba3 Stable Affirmed Mar-2016	 BB- Stable Affirmed Mar-2017
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Source: Rating agencies

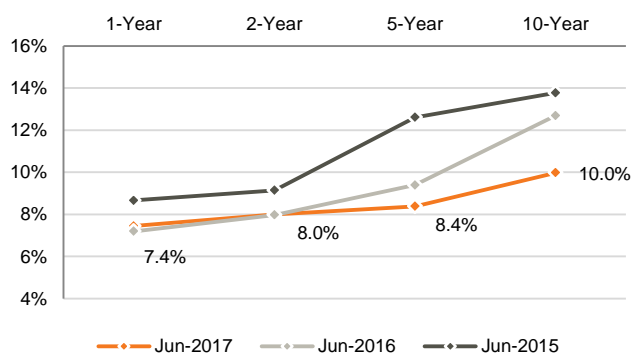


Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,330mn (US\$ 552.3mn).

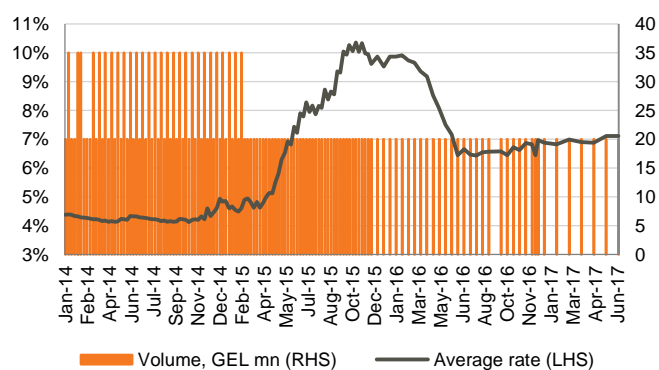
Ministry of Finance Treasury Bills: 1-year GEL 50.0mn (US\$ 20.8mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on June 21, 2017. The weighted average yield was fixed at 7.383%. The nearest treasury security auction is scheduled for June 28, 2017, where GEL 20.0mn nominal value 5-year T-Notes will be sold.

T-bills / T-notes, yield curve



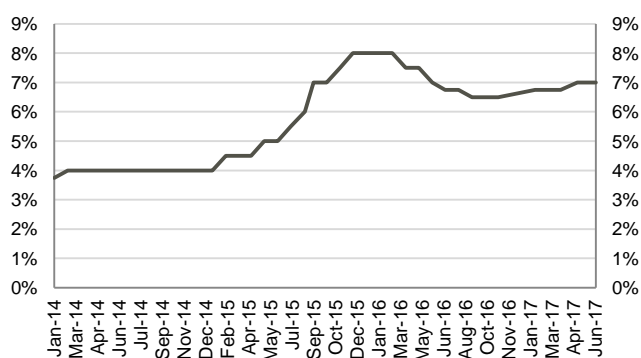
Source: NBG

Certificates of Deposits (weighted average rate)



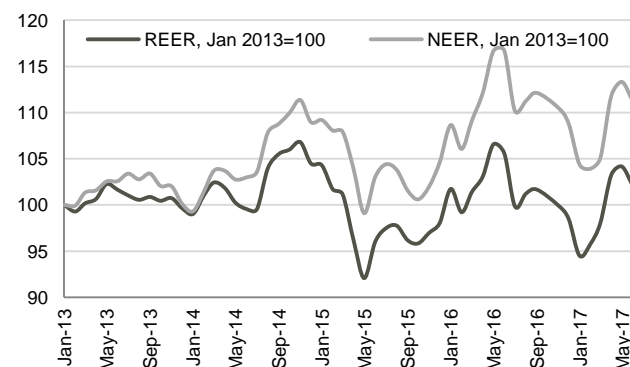
Source: NBG

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

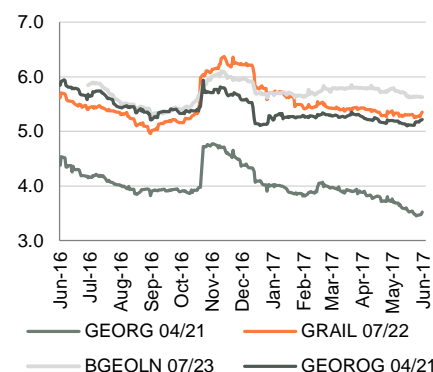


Fixed income

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.6% yield, trading at 101.9 (+0.1% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.3 (unchanged w/w), yielding 10.9%. GOGC Eurobonds (GEOROG) were trading at 105.4 (unchanged w/w), yielding 5.2%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 110.4 (-0.3% w/w), yielding 5.4%.

Georgian Sovereign Eurobonds (GEORG) closed at 111.9 (-0.1% w/w) at 3.5% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

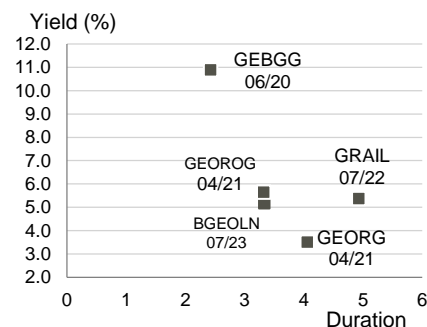
	Local bonds				Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	GLC 09/17	GEBGG 06/20	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	5.0	10.0	500*	250	350	500	500
Issue date	12/16	10/16	03/16	09/14	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	09/17	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	11.0	8.75	11.0	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/ -/-	-/-	-/-	-/-	BB-/Baa3	BB-/B+	BB-/B1	BB-/BB-/Baa3	B+/B+
Mid price, US\$	n/a	101.6	101.3	100.5	100.3	105.4	101.9	111.9	110.4
Mid yield, %	n/a	6.75%	9.0%	6.50%	10.9	5.2	5.6	3.5	5.4
Z-spread, bps	n/a	n/a	n/a	n/a	346.1	346.8	179.0	357.0	376.4

Source: Bloomberg

*GWP 12/21 bonds and GEBGG 06/20 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-/Baa3	111.9	3.5	179.0
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Baa1	100.3	4.7	278.1
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	119.6	0.2	-167.0
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa2	111.1	1.5	140.1
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	113.2	2.7	96.1
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	116.9	2.8	103.3
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Baa1	106.1	2.8	113.4
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Baa1	106.7	3.7	200.2

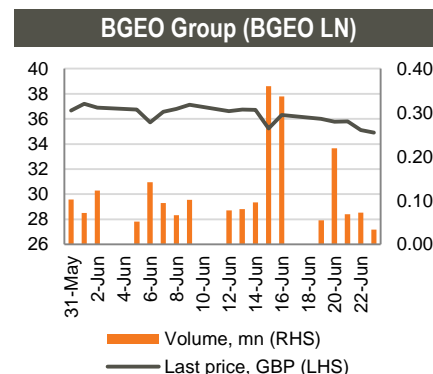
Source: Bloomberg

Equities

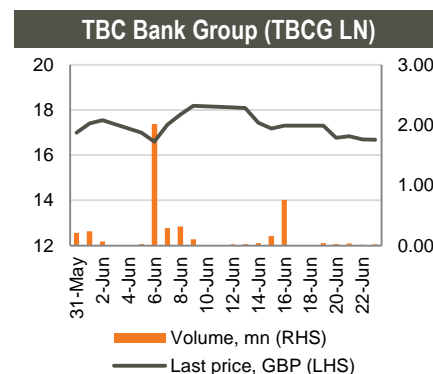
BGEO Group (BGEO LN) shares closed at GBP 34.92/share (-3.83% w/w and -5.29% m/m). More than 448k shares traded in the range of GBP 34.57 – 36.41/share. Average daily traded volume was 117k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 0.65% w/w and lost 1.17% m/m. The volume of BGEO shares traded was at 1.14% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 16.68 (-3.64% w/w and -0.42% m/m). More than 127k shares changed hands in the range of GBP 16.38 – 17.53/share. Averaged daily traded volume was 232k in the last 4 weeks.

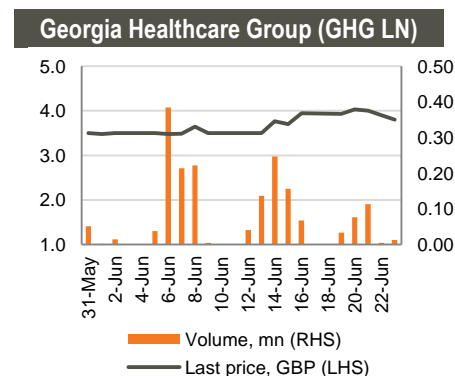
Georgia Healthcare Group (GHG LN) shares closed at GBP 3.80/share (-3.68% w/w and +8.49% m/m). More than 240k shares were traded in the range of GBP 3.80 – 4.03/share. Average daily traded volume was 98k in the last 4 weeks. The volume of GHG shares traded was at 0.18% of its capitalization.



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	45.16	1,780	-2.9%	15.9%	18.5%	19.9%	36.5%
TBC*	TBC	21.17	1,115	4.6%	10.0%	10.7%	15.5%	56.8%**
Halyk Bank	HSBK	8.56	2,353	13.4%	19.7%	37.0%	42.9%	82.1%
KKB	KKB	0.65	259	-40.9%	-54.7%	-51.1%	-55.0%	-59.1%
VTB Bank	VTBR	2.05	13,298	-11.4%	-9.4%	-11.9%	-14.0%	-2.8%
Vozrozhdenie Bank	VZRZ	12.36	294	-5.6%	-4.5%	6.1%	1.0%	23.1%
Sberbank	SBER	10.14	54,723	-17.2%	-13.4%	-13.8%	-12.4%	18.6%

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	5.09	671	17.0%	13.5%	10.5%	13.0%	45.1%
Mouwasat	MOUWASAT	37.69	1,885	-5.8%	0.7%	-4.9%	-4.3%	10.4%
Fortis	FORH	3.07	1,591	-2.7%	11.5%	15.3%	15.3%	25.9%
Raffles	RFMD	0.97	1,697	-3.5%	-4.7%	-2.2%	-2.1%	-13.9%
IHH	IHH	1.39	11,459	0.2%	2.1%	-2.2%	-1.7%	-13.1%
Bangkok Chain	BCH	0.40	989	11.7%	1.1%	1.3%	-3.9%	11.8%
Netcare	NTC	1.90	2,776	-5.4%	-22.7%	-15.6%	-18.1%	-10.7%

Source: Bloomberg

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



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