

Weekly Market Watch

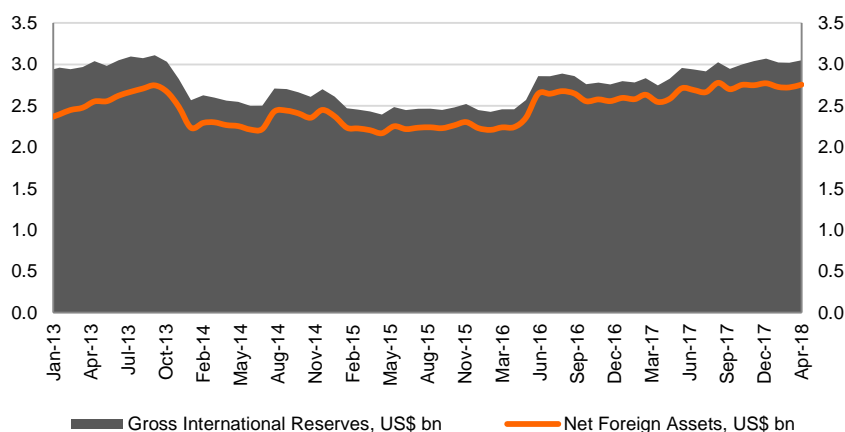
Weekly Market Watch | Georgia
May 14, 2018

Economy

International reserves up 11.1% y/y in April 2018

Gross international reserves were up 11.1% y/y to US\$ 3.05bn in April 2018 according to NBG. On a monthly basis reserves were up 1.0%. Growth in reserves was mainly attributed to NBG's FX interventions as NBG purchased US\$ 20mn on April 3, 2018.

International reserves



Source: NBG

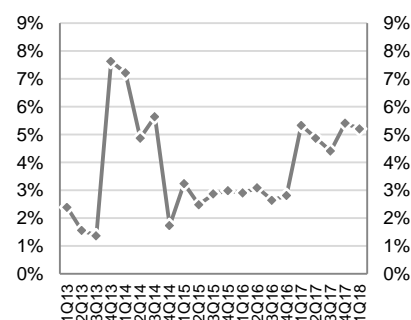
Key macro indicators

	4M18	2017	2016
GDP (% change)	5.2% ⁽¹⁾	5.0%	2.8%
GDP per capita (ppp)	...	10,644	10,043
GDP per capita (US\$)	...	4,079	3,865
Population (mn)	3.7	3.7	3.7
Inflation (eop)	2.5%	6.7%	1.8%
Gross reserves (US\$ bn)	3.0	3.0	2.8
CAD (% of GDP)	...	8.7	12.8%
Fiscal deficit (% of GDP)	...	3.9%	4.1%
Total public debt (% of GDP)	...	44.7%	44.4%

Source: Official data, IMF

1) As of 1Q18

Real GDP growth, %



Source: GeoStat

International ranking, 2017-18

Ease of Doing Business # 9 (Top 10)

Economic Freedom Index # 16 (mostly free)

Global Competitiveness Index # 67

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

 BB- Stable Affirmed May-2017	 Ba2 Stable Upgraded Sep-2017	 BB- Positive Affirmed Mar-2018
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Source: Rating agencies



Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,100mn (US\$ 449.1mn).

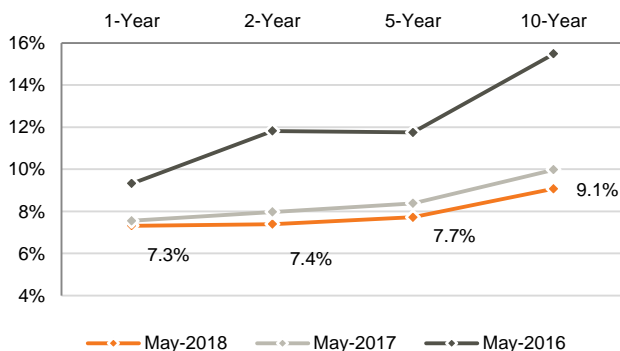
Ministry of Finance Treasury Notes:

2-year GEL 40.0mn (US\$ 16.3mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on May 8, 2018. The weighted average yield was fixed at 7.395%. The nearest treasury security auction is scheduled for May 23, 2018, where GEL 30.0mn nominal value 5-year T-Notes will be sold.

Ministry of Finance Treasury Bills:

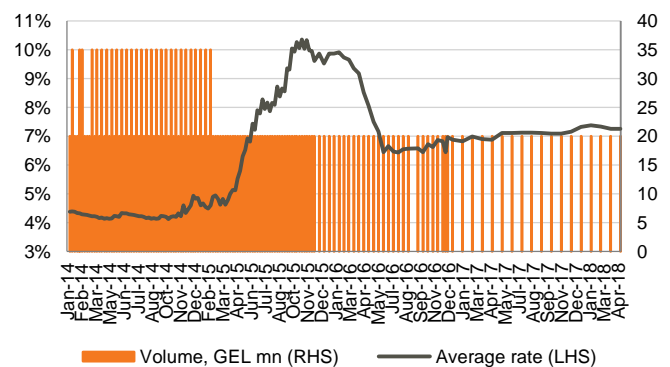
182-days GEL 20.0mn (US\$ 8.2mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on May 8, 2018. The weighted average yield was fixed at 7.277%.

T-bills / T-notes, yield curve



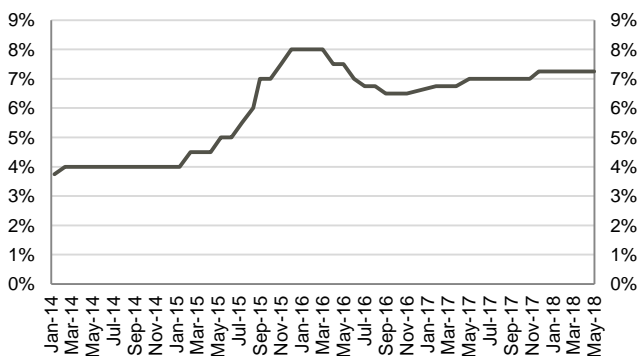
Source: NBG

Certificates of Deposits (weighted average rate)



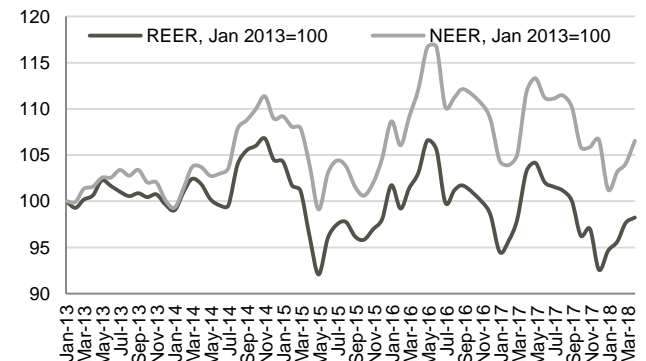
Source: NBG

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



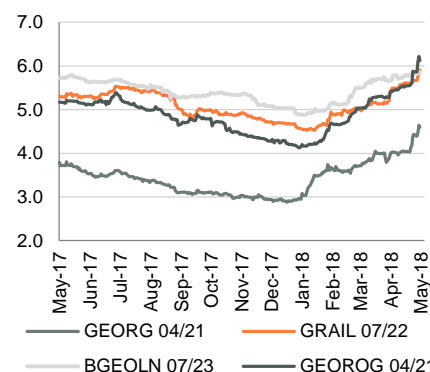
Fixed income

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.8% yield, trading at 100.7 (-0.1% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.7%. Georgia Capital Eurobonds (GEOCAP) were trading at 94.9 (-0.4% w/w), yielding 7.2%.

GOGC Eurobonds (GEOROG) were trading at 101.6 (-0.8% w/w), yielding 6.1%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 106.0 (-1.5% w/w), yielding 6.1%.

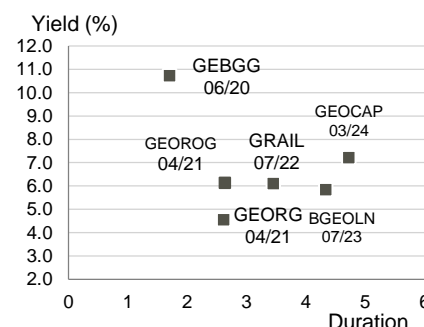
Georgian Sovereign Eurobonds (GEORG) closed at 106.3 (-0.3% w/w) at 4.5% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

	Local bonds				Eurobonds					
	GWP 12/21	M2RE 10/19	Nikora 06/19	GLC 08/20	GEOCAP 03/24	GEBGG 06/20	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	10.0	10.0	300	500*	250	350	500	500
Issue date	12/16	10/16	08/17	8/17	03-18	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	06/19	8/20	03-24	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	9.0	7.00	6.125%	11.0	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/B2e	-/-	-/-	n/a	-/-/B2e	B-/B2	BB-/B+	BB-/B1	BB-/BB-/Ba2	B+/B+
Mid price, US\$	n/a	102.8	101.3	101.07	94.9	100.5	101.6	100.7	106.3	106.0
Mid yield, %	n/a	5.5%	3.8%	6.50%	7.2	10.7	6.1	5.8	4.5	6.1
Z-spread, bps	n/a	n/a	n/a	n/a	427.7	346.1	329.0	291.0	170.7	320.1

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

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-/Ba2	106.3	4.5	170.7
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba2	99.2	4.9	196.3
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	115.7	0.1	-30.1
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	111.3	1.0	78.9
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	107.5	3.6	78.1
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	109.3	4.0	114.6
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	102.3	3.8	104.2
Turkey	2,000	5.625%	30/03/2021	BB+/BB-/Ba2	101.6	5.0	219.4

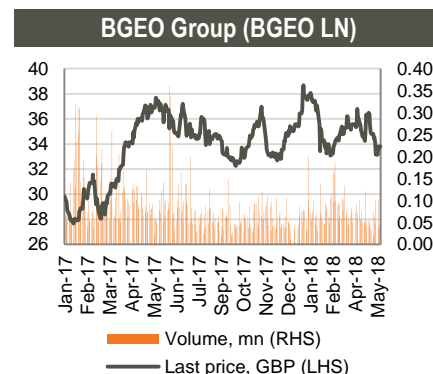
Source: Bloomberg

Equities

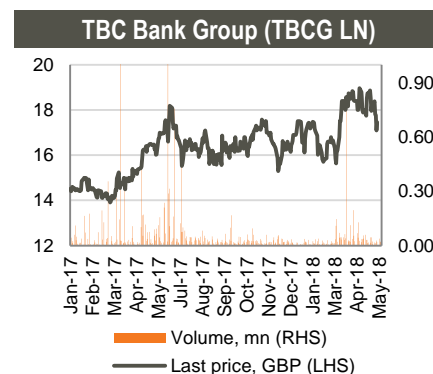
BGEO Group (BGEO LN) shares closed at GBP 33.80/share (+1.93% w/w and -3.59% m/m). More than 328k shares traded in the range of GBP 32.32 – 34.36/share. Average daily traded volume was 56k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 1.78% w/w and gained 5.75% m/m. The volume of BGEO shares traded was at 0.83% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 17.82 (+2.06% w/w and -0.89% m/m). More than 128k shares changed hands in the range of GBP 16.80 – 17.94 share. Averaged daily traded volume was 25k in the last 4 weeks.

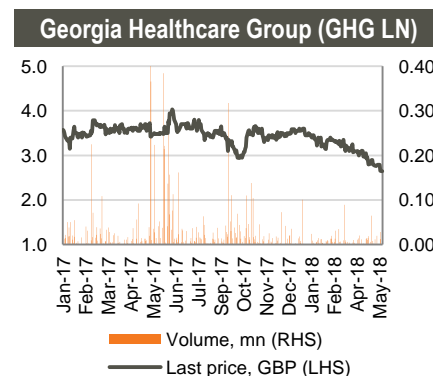
Georgia Healthcare Group (GHG LN) shares closed at GBP 2.65/share (-5.02% w/w and -14.52% m/m). More than 43k shares were traded in the range of GBP 2.62 – 2.80/share. Average daily traded volume was 14k in the last 4 weeks. The volume of GHG shares traded was at 0.03% of its capitalization.



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	33.8*	1,804	-3.6%	-1.5%	-5.0%	-5.0%	-6.2%
TBC	TBC	17.82*	1,309	-0.9%	12.5%	4.8%	1.8%	8.1%
Halyk Bank	HSBK	12.95	3,560	8.8%	4.4%	34.9%	31.1%	63.9%
KKB	KKB	0.68	712	0.0%	0.0%	0.0%	0.0%	-36.4%
VTB Bank	VTBR	1.83	11,846	2.3%	4.8%	-11.9%	-0.1%	-19.0%
Vozrozhdenie Bank	VZRZ	5.40	128	-2.0%	-37.3%	-46.6%	-37.9%	-58.5%
Sberbank	SBER	15.76	85,053	20.6%	-15.2%	0.7%	-6.9%	28.8%

Source: Bloomberg

*BGEO and TBC share prices traded and shown in GBP

Healthcare Sector Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG	GHG	2.65*	473	-14.5%	-15.9%	-21.3%	-25.4%	-25.4%
Mouwasat	MOUWASAT	48.51	2,425	-0.5%	4.4%	13.5%	20.1%	24.6%
Fortis	FORH	2.20	1,141	-3.0%	1.7%	7.0%	-12.4%	-31.9%
Raffles	RFMD	0.84	1,486	-4.6%	2.9%	-1.2%	0.1%	-15.0%
IHH	IHH	1.52	12,490	-3.2%	-0.3%	12.9%	5.1%	6.5%
Bangkok Chain	BCH	0.54	1,352	-5.1%	4.1%	10.3%	9.0%	44.9%
Netcare	NTC	2.43	3,568	4.8%	13.6%	40.3%	19.5%	19.8%

Source: Bloomberg

*GHG share price traded and shown in GBP

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