

# Weekly Market Watch

 Weekly Market Watch | Georgia  
 March 28, 2016

## Economy

### Trade deficit down 13.5% y/y in February 2016, excluding one-offs

In February 2016, exports decreased 5.1% y/y to US\$ 158.7mn, imports fell 11.1% y/y to US\$ 515.1mn (excluding donated C-hepatitis medicine), and the resulting trade deficit shrank 13.5% y/y to US\$ 356.4mn, according to GeoStat. Significantly reduced car re-exports (-43.4% y/y) and nut exports (-49.0% y/y) were the major commodities weighing on export growth, while copper ores (+163.8% y/y), wine (+54.8% y/y), gold (+70.0% y/y), and spirituous beverages (+133.0% y/y) posted robust increases.

Gases (-31.3% y/y), cars (-40.2% y/y), petroleum (-17.1% y/y), copper ores (+1.1% y/y), and pharmaceuticals (-30.2% y/y, excluding C-hepatitis medicine) represented the top 5 imported commodities in February 2016.

### Real GDP up 2.9% y/y in 4Q15 and up 2.8% y/y in 2015

Real GDP increased 2.9% y/y in 4Q15, according to GeoStat's preliminary figures, bringing the 2015 annual growth figure to 2.8%, unchanged from rapid estimates. The growth base in 4Q15 was diversified, with all sectors posting increases other than manufacturing (-4.6% y/y) and trade (-1.8% y/y). As in previous quarters, construction generated double-digit growth at 12.2% y/y, led by the new gas pipeline construction by BP and increased public capex. Mining (+23.5% y/y), hotels and restaurants (+8.8% y/y), operations in real estate (+8.5% y/y), financial intermediation (+8.4% y/y), and communications (+7.4% y/y) were other growing sectors in 4Q15.

### NPLs at 3.3% in February 2016

In February 2016, the loan portfolio grew 4.5% y/y, excluding the exchange rate effect (+14.1% y/y and +0.1% m/m in unadjusted terms), to GEL 16.2bn (US\$ 6.5bn). Deposits grew 7.7% y/y, excluding the exchange rate effect (+18.0% y/y and +0.5% m/m in unadjusted terms), reaching GEL 14.6bn (US\$ 5.9bn). NPLs remain under control at 3.3% in February 2016, up 0.1ppts y/y and up 0.2ppts m/m.

### NBG bought US\$ 10mn

NBG intervened on the FX market with a purchase of US\$ 10mn on March 21, 2016. This was NBG's second intervention (total purchase of US\$ 15mn YTD) on the purchasing side since August 2014, aimed at curbing the appreciation of the national currency, which strengthened 4.5% w/w and 3.4% YTD against the US\$.

### Nikora Trade LLC bond issuance

On March 18, 2016, Nikora Trade LLC, a wholly-owned subsidiary of JSC Nikora, successfully completed its first ever bond offering. JSC Galt & Taggart served as the sole placement agent for the US\$5 million, two-year issuance. Nikora Trade LLC is the largest food retail chain operator country-wide, currently represented by 203 stores. The company's stores are located in every district of the capital and in 6 regions of the country - the widest geographic coverage among peers (see details on the fixed income page).

### Key macro indicators

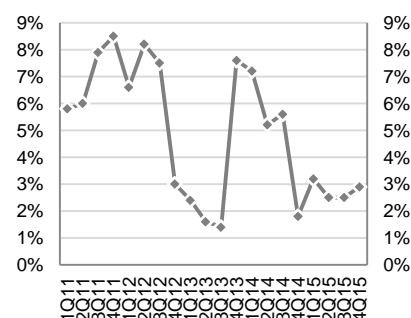
	2M16	2015E	2014
GDP (% change)	0.8%*	2.8%	4.6%
GDP per capita (ppp)	...	9,566	9,209
GDP per capita (US\$)	...	3,743	3,676
Population (mn)	3.7**	3.7**	4.5
Inflation (eop)	5.6%	4.9%	2.0%
Gross reserves (US\$ bn)	2.4	2.5	2.7
CAD (% of GDP)	....	10.7%	10.6%
Fiscal deficit (% of GDP)	....	...	3.0%
Total public debt (% of GDP)	...	41.1%	35.5%

Source: Official data, IMF, G&T

\* As of Jan-16

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

### Real GDP growth, %



Source: GeoStat

### 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

<b>STANDARD &amp; POOR'S</b>  <b>BB-</b> Stable Affirmed Nov-2015	<b>MOODY'S</b> INVESTORS SERVICE  <b>Ba3</b> Stable Affirmed Mar-2016	<b>FitchRatings</b>  <b>BB-</b> Stable Affirmed Oct-2015
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Source: Rating agencies



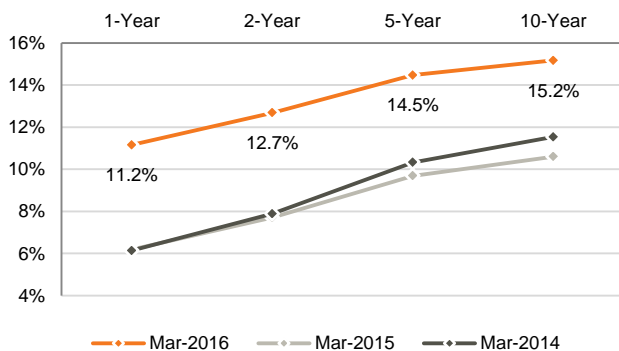
# Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 273.2mn).

**Certificates of deposit:** NBG sold 91-day, GEL 20mn (US\$ 8.7mn) certificates of deposit, with an average yield of 9.36% (down by 38bps from previous issue).

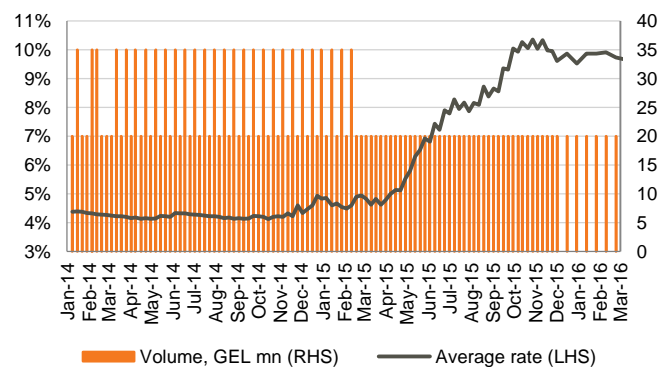
**Ministry of Finance Treasury Notes:** 5-year GEL 10.0mn (US\$ 4.4mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on March 23, 2016. The weighted average yield was fixed at 13.336%. The nearest treasury securities auction is scheduled for March 30, 2016, where GEL 40mn nominal value 1-year T-Bills will be sold.

T-bills / T-notes, yield curve



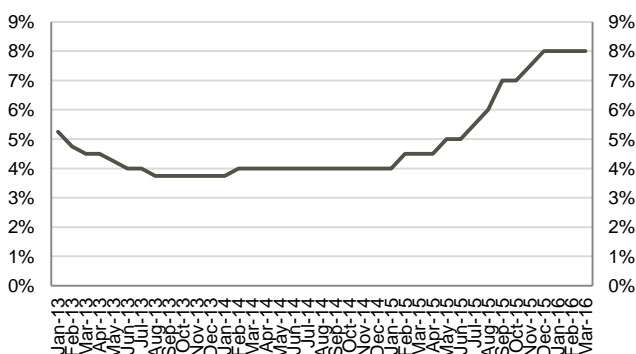
Source: NBG  
\*As of latest auction

Certificates of Deposits (weighted average rate)



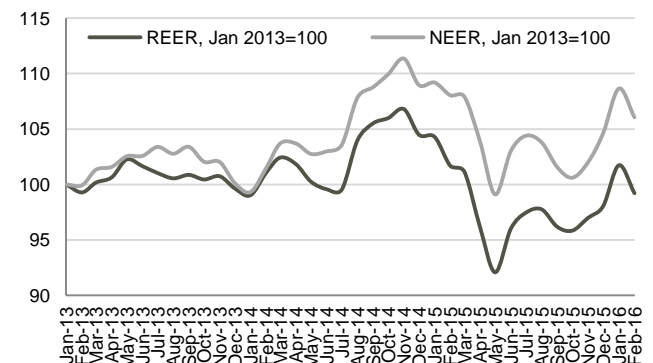
Source: NBG

Monetary policy rate



Source: NBG

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 4.8% yield, trading at 103.6 (-0.1% w/w). GOGC Eurobonds (GEOROG) were trading at 100.8 (+0.3 w/w), yielding 6.2%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 106.4 (+0.8% w/w), yielding 6.5%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 107.4 (+0.1% w/w) at 5.2% yield to maturity.

**Galt & Taggart was the placement agent of Nikora Trade LLC's 2-year US\$ 5.0mn bond issue on March 18, 2016.** Nikora Trade LLC issued 5,000 bonds with nominal value of US\$ 1,000 each, with semi-annual coupon payments. The rate is set at 11.0%.

	Local bonds					Eurobonds			
	Nikora 03/18	GWP 11/17	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	5	6*	20	15	10	250	400	500	500
Issue date	03/16	11/15	03/15	05/15	09/14	May-2012	Jul-2012	Apr-2011	Jul-2012
Maturity date	03/18	11/17	03/17	05/17	09/17	May-2017	Jul-2017	Apr-2021	Jul-2022
Coupon, %	11.000	15.000**	9.500	9.500	8.750	6.875%	7.750%	6.875%	7.750%
Fitch/S&P/Moody's	-/-	BB-/-	-/-	-/-	-/-	BB-/B+	BB-/BB-/Ba3	BB-/BB-/Ba3	BB-/BB-/
Mid price, US\$	100.0	100.0*	101.6	101.87	100.65	100.8	103.6	107.4	106.4
Mid yield, %	11.0	15.0	7.75	7.75	8.25	6.2	4.8	5.2	6.5
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	486.4	391.0	374.3	503.7

Source: Bloomberg

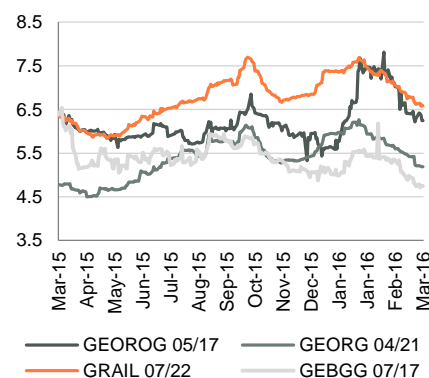
\*GWP 11/17 bonds are in Georgian lari

\*\*Floating rate with 7.5% 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-/Ba3	107.4	5.2	374.3
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	94.5	5.6	396.1
Bulgaria	323	5.000%	19/07/2021	BBB-/	119.9	1.1	-237.9
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa1	102.7	3.4	316.7
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	113.8	3.4	196.9
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	118.6	3.2	183.0
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	105.2	3.6	232.5
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	107.6	3.9	255.8

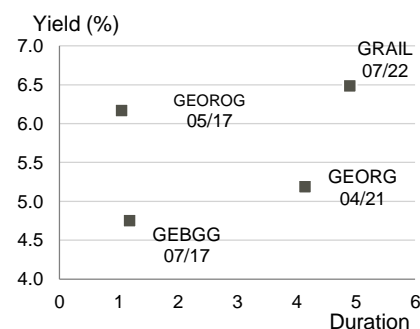
Source: Bloomberg

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

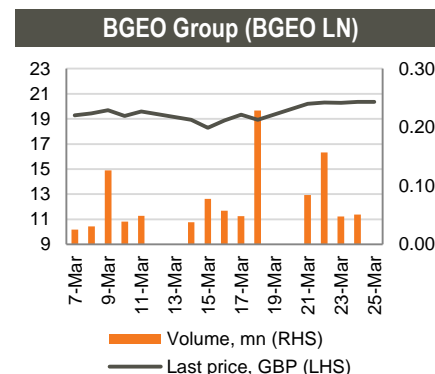
## Equities

**BGEO Group** (BGEO LN) shares closed at GBP 20.37/share (+0.79% w/w and +5.27% m/m). More than 568k shares traded in the range of GBP 19.67 – 20.45/share. Average daily traded volume was 71k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BOGH is a constituent, lost 1.34% w/w and gained 1.68% m/m, respectively. The volume of BOGH shares traded was at 1.44% of its capitalization.

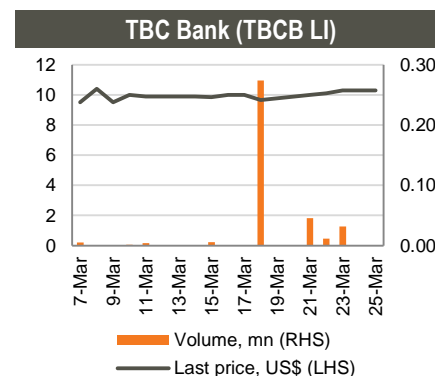
**TBC Bank** (TBCB LI) closed the week at US\$ 10.30 (+6.63 w/w and +8.42% m/m). More than 362k GDRs changed hands in the range of US\$ 9.66 – 10.30/GDR. Average daily traded volume was 24k in the last 4 weeks, more than in the previous month.

**Georgia Healthcare Group** (GHG LN) shares closed at GBP 1.64/share (+3.80% w/w and +9.33% m/m). More than 1,132k shares were traded in the range of GBP 1.55 – 1.65/share. Average daily traded volume was 84k in the last 4 weeks. The volume of GHG shares traded was at 0.86% of its capitalization.

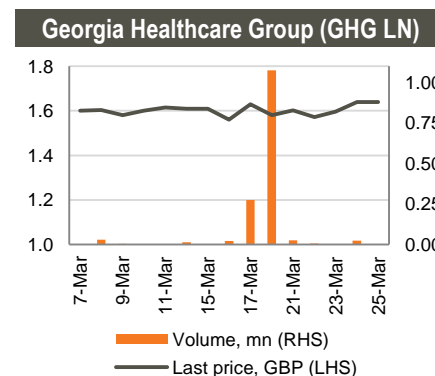
**On the Georgian stock exchange:** Liberty Bank shares were traded at GEL 0.016 (unchanged w/w), and Liberty Consumer shares were trade at GEL 0.110 (unchanged w/w). As a result, the G&T remained at 886.18 (unchanged w/w).



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	28.89	1,141	7.0%	2.2%	2.7%	-10.7%	12.7%
	TBC	TBC	10.30	504	8.4%	2.0%	11.4%	-18.3%	-13.1%
	Halyk Bank	HSBK	4.55	1,241	26.4%	-7.1%	-26.4%	-46.5%	-33.1%
	KKB	KKB	1.00	399	19.0%	-29.1%	-65.4%	-73.7%	-70.4%
	VTB Bank	VTBR	2.09	13,544	14.3%	-2.9%	4.5%	-9.1%	-2.8%
	Vozrozhdenie Bank	VZRZ	7.55	179	10.0%	-12.2%	-16.9%	2.4%	4.1%
	Sberbank	SBER	6.54	35,316	12.6%	7.6%	35.1%	61.6%	44.0%

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	2.33	298	11.1%	-5.1%	nm	nm	nm
Mouwasat	MOUWASAT	32.39	1,620	7.0%	1.7%	-2.4%	-1.5%	-10.1%
Fortis	FORH	2.71	1,256	10.8%	0.7%	3.5%	54.4%	9.9%
Raffles	RFMD	3.29	1,892	6.6%	12.4%	3.2%	12.0%	15.9%
IHH	IHH	1.62	13,322	4.7%	8.4%	20.2%	17.7%	-0.8%
Bangkok Chain	BCH	0.30	742	6.6%	21.2%	57.1%	23.8%	18.8%
Netcare	NTC	2.26	3,309	8.9%	-0.2%	-15.6%	-31.1%	-36.9%

Source: Bloomberg

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

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