

Weekly Market Watch

 Weekly Market Watch | Georgia
 May 23, 2016

Economy

Trade deficit up 5.0% y/y in April 2016

In April 2016, exports decreased 11.1% y/y to US\$ 165.3mn, imports fell 0.5% y/y to US\$ 549.3mn (excluding one-offs), and the trade deficit widened 5.0% y/y to US\$ 384mn, according to GeoStat. Reduced ferrous-alloys exports (-29.2% y/y) and car re-exports (-28.6% y/y) were the major commodities weighing on export growth, while copper ores (+18.1% y/y), nuts (+21.2% y/y), wine (+21.5% y/y), gold (+40.1% y/y), and spirituous beverages (+35.9% y/y) posted increases in April.

Petroleum (-23.7% y/y), cars (-9.7% y/y), pharmaceuticals (+0.7% y/y, excluding one-offs), gases (-22.2% y/y), and copper ores (-39.5% y/y) represented the top 5 imported commodities in April 2015.

In 4M16, trade deficit was down 14.0% y/y to US\$ 1.42bn as exports fell 11.7% y/y to US\$ 608.1mn and imports fell 13.7% y/y to US\$ 2.02bn (excluding one-offs).

Producer price index down 1.2% m/m and down 1.6% y/y in April 2016

PPI for industrial goods decreased 1.2% m/m in April 2016, according to GeoStat. A 1.3% decline in manufacturing prices contributed the most to the overall index change. Prices were down for manufacture of food products, beverages and tobacco (-1.3% m/m), and for manufacture of machinery and equipment (-21.8% m/m). Prices were also down for mining and quarrying (-2.6% m/m).

Annual PPI decreased 1.6% in April 2016 after growing 1.9% in March. Falling prices in manufacturing contributed most to the overall index change (-4.3% y/y, -3.58ppts) as prices were down for manufacture of food products, beverages and tobacco, and manufacture of basic and fabricated metals. Mining and quarrying prices were down 12.5% y/y while supply of electricity, gas and water prices were up 20.5% y/y.

NBG buys US\$ 100mn

Last week, NBG intervened on the FX market 4 times and purchased US\$ 100mn, aimed at curbing the appreciation of the national currency. Overall, NBG bought total of US\$ 195mn at 11 interventions during March 17 - May 20. GEL strengthened 2.3% w/w and 10.4% YTD against the US\$.

Key macro indicators

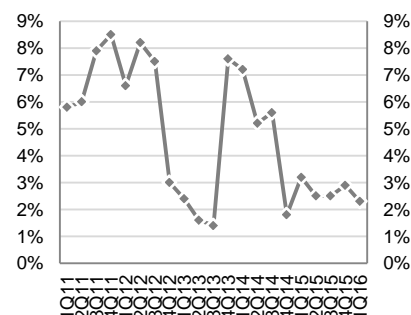
	4M16	2015	2014
GDP (% change)	2.3%*	2.8%	4.6%
GDP per capita (ppp)	...	9,566	9,209
GDP per capita (US\$)	...	3,743	3,676
Population (mn)	3.7**	3.7**	4.5
Inflation (eop)	3.2%	4.9%	2.0%
Gross reserves (US\$ bn)	2.5	2.5	2.7
CAD (% of GDP)	11.8%	10.6%
Fiscal deficit (% of GDP)	3.8%	3.0%
Total public debt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

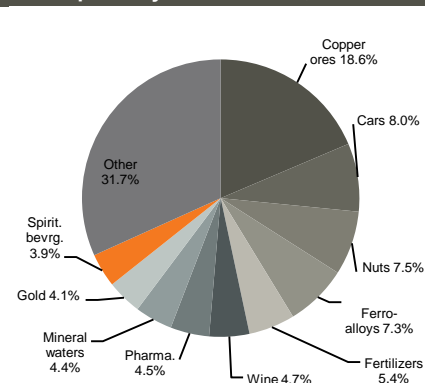
Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

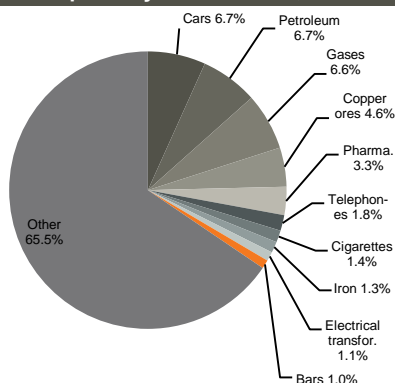
STANDARD & POOR'S BB- Stable Affirmed Nov-2015	Moody's INVESTORS SERVICE Ba3 Stable Affirmed Mar-2016	FitchRatings BB- Stable Affirmed Apr-2016
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Source: Rating agencies

Exports by commodities, 4M16



Imports by commodities, 4M16



Source: GeoStat

Note: Pharmaceutical imports excluding one-offs (donated C-hepatitis medication imports)



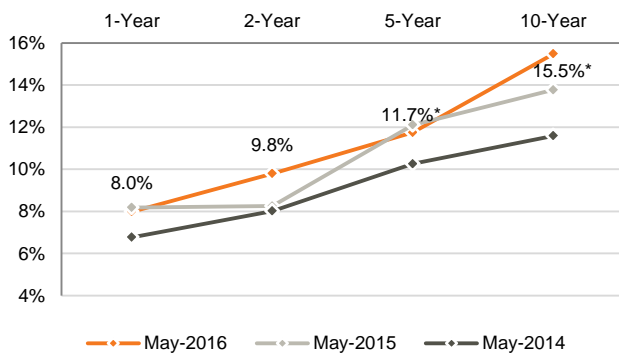
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 680mn (US\$ 314.4mn).

Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 9.1mn) certificates of deposit, with an average yield of 7.50% (down 102bps from previous issue).

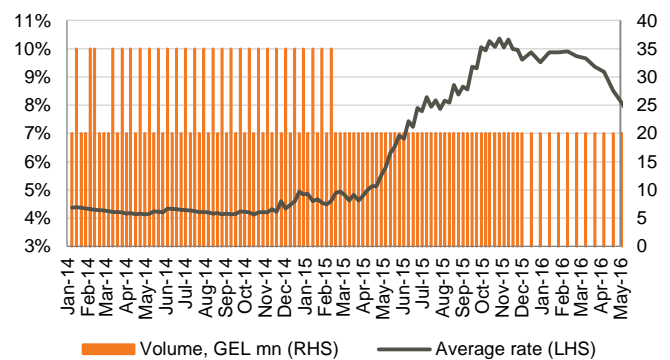
Ministry of Finance Treasury Notes: 1-year GEL 45.0mn (US\$ 20.7mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on May 18, 2016. The weighted average yield was fixed at 7.986%. The nearest treasury securities auction is scheduled for June 1, 2016, where GEL 25mn nominal value 1-year T-Bills will be sold.

T-bills / T-notes, yield curve



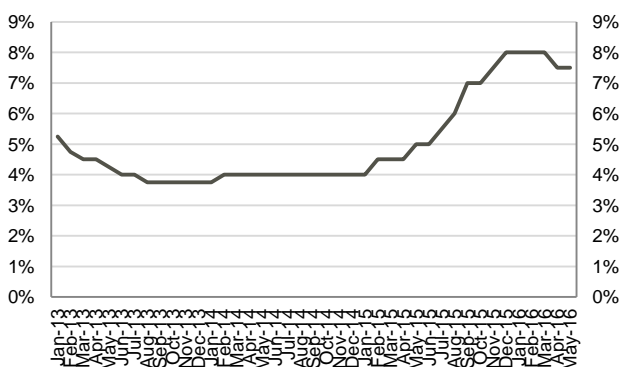
Source: NBG
*As of latest auction

Certificates of Deposits (weighted average rate)



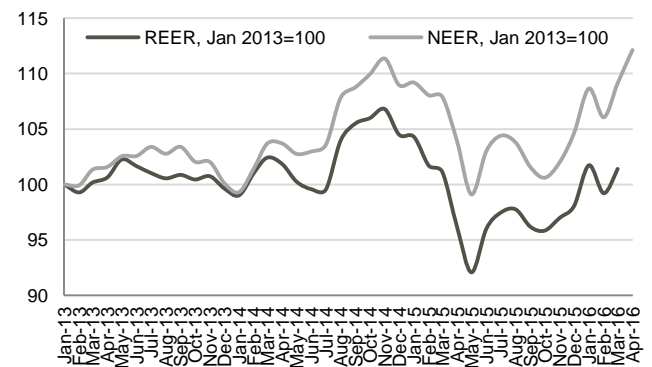
Source: NBG

Monetary policy rate



Source: NBG
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

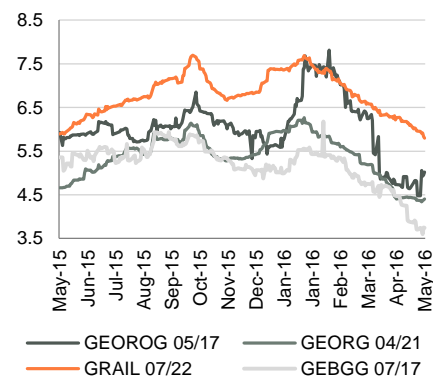


Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG) closed at 3.6% yield, trading at 104.5 (+0.1% w/w). GOGC Eurobonds (GEOROG) were trading at 101.9 (-0.3% w/w), yielding 4.9%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 109.6 (+0.6% w/w), yielding 5.9%.

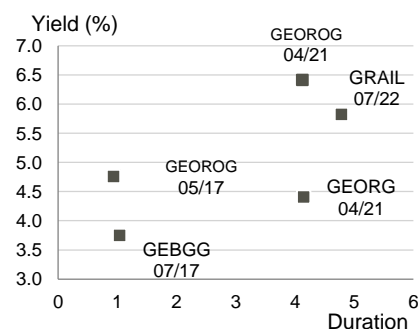
Georgian Sovereign Eurobonds (GEORG) closed at 110.8 (-0.1% w/w) at 4.4% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

	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	15.500**	9.500	9.500	8.750	6.750%	6.875%	7.750%	6.875%	7.750%
Fitch/S&P/Moody's	-/-	BB-/	-/-	-/-	-/-	BB-/	-/-	BB-/BB-/	BB-/BB-/	BB-/
Mid price, US\$	100.0	100.0*	101.6	101.87	100.65	101.4	101.9	104.5	110.8	109.6
Mid yield, %	11.0	15.0	7.75	7.75	8.25	6.4	4.9	3.6	4.4	5.9
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	501.5	388.2	286.7	301.9	442.8

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	110.8	4.4	301.9
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1/-	96.9	5.2	362.4
Bulgaria	323	5.000%	19/07/2021	BBB-/	119.2	1.1	-245.1
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa2	102.9	3.3	317.4
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	113.6	3.3	191.9
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	118.1	3.2	182.8
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	105.6	3.5	215.3
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	107.0	4.0	265.5

Source: Bloomberg

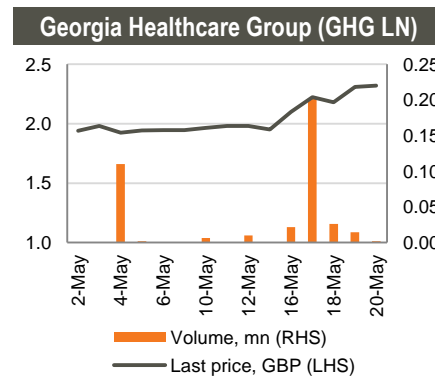
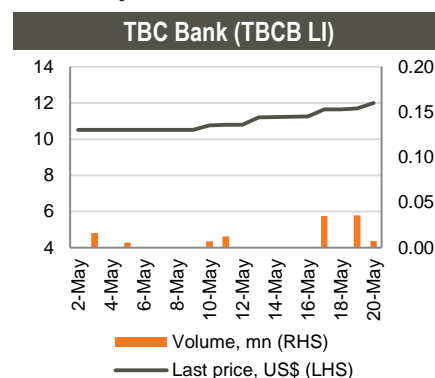
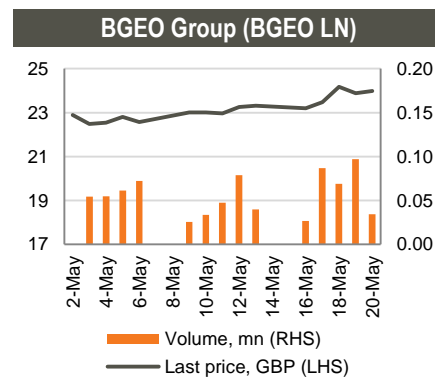
Equities

BGEO Group (BGEO LN) shares closed at GBP 23.99/share (+2.87% w/w and +13.59% m/m). More than 314k shares traded in the range of GBP 22.85 – 24.50/share. Average daily traded volume was 52k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BOGH is a constituent, gained 1.57% w/w and lost 0.63% m/m, respectively. The volume of BOGH shares traded was at 0.80% of its capitalization.

TBC Bank (TBCB LI) closed the week at US\$ 12.00 (+7.14% w/w and +20.00% m/m). More than 78k GDRs changed hands in the range of GBP 11.25 – 12.00/GDR. Average daily traded volume was 11k in the last 4 weeks, more than in the previous month.

Georgia Healthcare Group (GHG LN) shares closed at GBP 2.32/share (+18.97% w/w and +28.89% m/m). More than 266k shares were traded in the range of GBP 2.02 – 2.55/share. Average daily traded volume was 24k in the last 4 weeks. The volume of GHG shares traded was at 0.09% of its capitalization.

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



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	34.82	1,375	14.6%	26.8%	24.5%	7.7%	23.9%
TBC	TBC	12.00	601	20.0%	27.7%	41.2%	-4.8%	9.6%
Halyk Bank	HSBK	4.30	1,173	10.3%	16.2%	-27.0%	-49.4%	-46.3%
KKB	KKB	1.59	634	72.8%	89.3%	22.3%	-58.2%	-50.6%
VTB Bank	VTBR	1.99	12,870	-7.8%	9.1%	-14.0%	-13.7%	-29.1%
Vozrozhdenie Bank	VZRZ	9.58	228	39.3%	42.7%	2.4%	29.9%	19.9%
Sberbank	SBER	7.55	40,756	-5.0%	35.3%	5.9%	86.5%	32.3%

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	3.37	432	30.1%	43.9%	23.1%	nm	nm
Mouwasat	MOUWASAT	35.98	1,799	6.3%	27.4%	15.8%	9.4%	-0.8%
Fortis	FORH	2.49	1,151	-9.1%	-3.0%	3.2%	41.5%	-3.4%
Raffles	RFMD	1.14	1,972	-0.4%	15.2%	16.2%	16.5%	9.5%
IHH	IHH	1.59	13,097	-7.9%	2.6%	3.7%	15.6%	-4.2%
Bangkok Chain	BCH	0.29	733	-5.9%	13.6%	29.8%	22.4%	30.0%
Netcare	NTC	2.05	2,997	-20.7%	-6.6%	-26.8%	-37.6%	-42.0%

Source: Bloomberg

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

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