

# Weekly Market Watch

 Weekly Market Watch | Georgia  
 April 4, 2016

## Economy

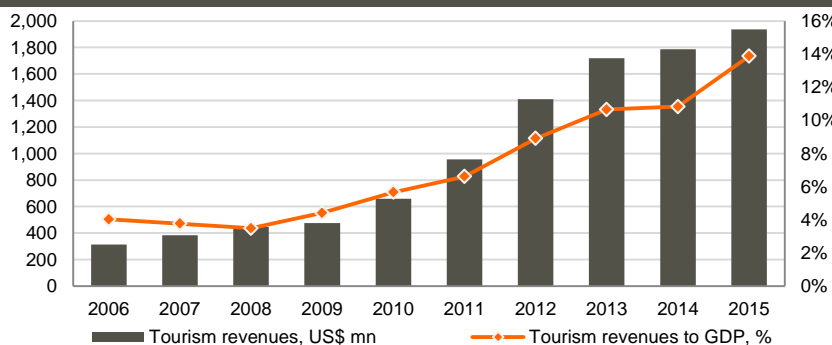
### Real GDP up 2.6% y/y in February 2016

Georgia's real GDP expanded 2.6% y/y in February 2016 up from 0.8% y/y growth in previous month, according to GeoStat's rapid estimates. In 2M16, output growth averaged 1.7% y/y. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

### Current account deficit stood at 11.8% of GDP in 2015

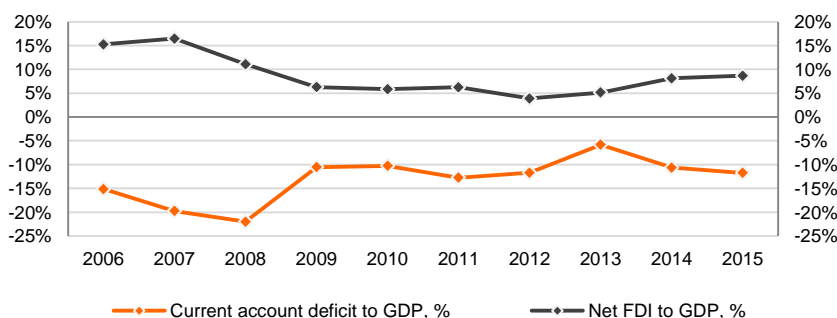
Current account deficit widened to 11.8% of GDP in 2015 from 10.6% of GDP in 2014, while deficit was down 6.4% y/y in nominal terms to US\$ 1.6bn, according to NBG. Merchandise trade deficit, traditionally the major contributor to deficit creation, remained almost flat y/y as exports (-23.4% y/y) and imports (-11.1% y/y) were both down. Positive balance in services and current transfers compensated 71% of trade deficit. Among services, tourism had the largest positive balance, increasing 8.3% y/y to US\$ 1.9bn (13.9% of GDP). Net current transfers were the second largest positive item of the current account, up 12.2% y/y to US\$ 1.6bn (growth was driven by the government sector transfers that increased 4x annually, mainly due to the international aid received for C-hepatitis elimination program. Current transfers of the other sectors decreased 23.3% y/y to US\$ 1.1bn). Net FDI, significant item for financing the current account deficit, amounted to US\$ 1.2bn (8.7% of GDP). The largest investment inflows were directed to transport and communications sector.

Tourism revenues



Source: NBG

Current account deficit and net FDI



Source: NBG

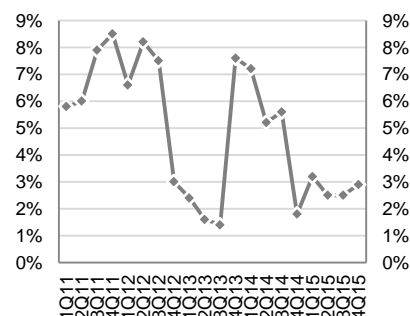
### Key macro indicators

	2M16	2015E	2014
GDP (% change)	1.7%	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)	...	11.8%	10.6%
Fiscal deficit (% of GDP)	...	...	3.0%
Total public debt (% of GDP)	...	41.5%	35.5%

Source: Official data, IMF, G&T

\*\*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; POORS</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



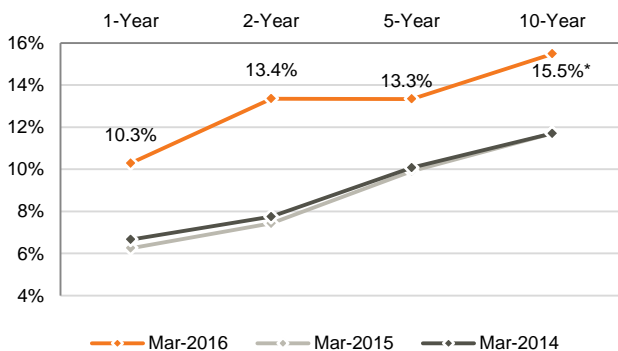
## Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 750mn (US\$ 316.7mn).

**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).

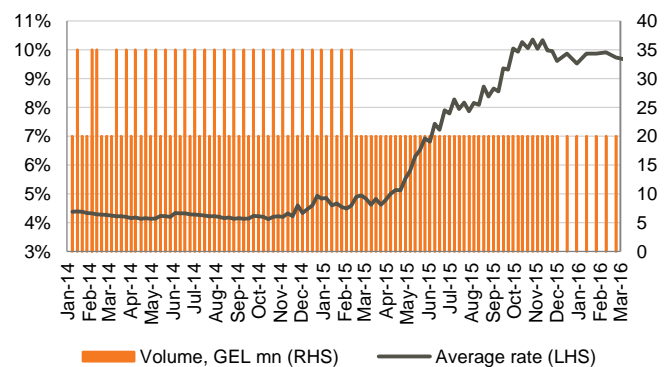
**Ministry of Finance Treasury Notes:** 1-year GEL 40.0mn (US\$ 16.8mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on March 30, 2016. The weighted average yield was fixed at 10.289%. The nearest treasury securities auction is scheduled for April 6, 2016, where GEL 20mn nominal value 2-year T-Notes will be sold.

T-bills / T-notes, yield curve



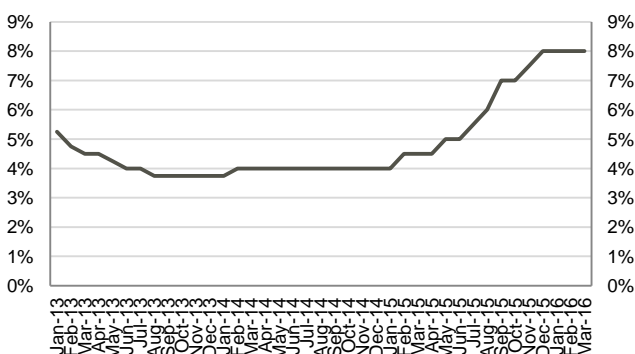
Source: NBG  
\*As of latest auction

Certificates of Deposits (weighted average rate)



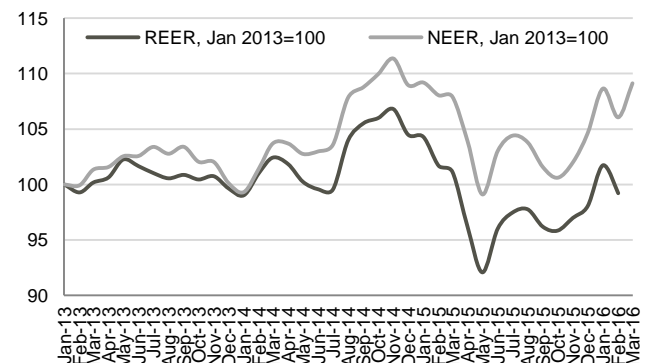
Source: NBG

Monetary policy rate



Source: NBG

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

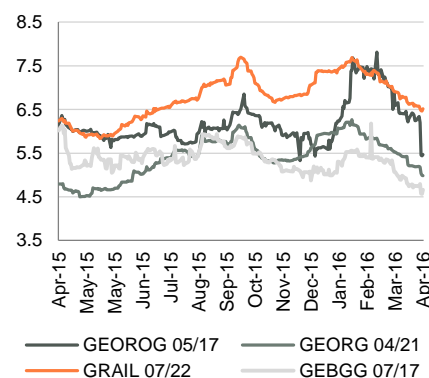


## Fixed income

**Corporate Eurobonds:** Bank of Georgia Eurobonds (GEBGG) closed at 4.7% yield, trading at 103.7 (+0.1% w/w). GOGC Eurobonds (GEOROG) were trading at 100.9 (+0.1 w/w), yielding 6.0%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 106.4 (unchanged w/w), yielding 6.5%.

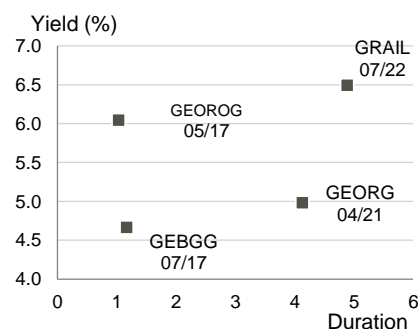
**Georgian Sovereign Eurobonds (GEORG)** closed at 108.3 (+0.8% w/w) at 5.0% yield to maturity.

**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 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	100.9	103.7	108.3	106.4
Mid yield, %	11.0	15.0	7.75	7.75	8.25	6.0	4.7	5.0	6.5
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	490.9	400.8	367.4	508.5

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	108.3	5.0	367.4
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1 -	96.2	5.3	384.6
Bulgaria	323	5.000%	19/07/2021	BBB-/-	119.7	1.2	-238.4
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	102.7	3.4	320.0
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	113.8	3.3	208.2
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	118.7	3.2	189.4
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	105.2	3.6	244.5
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	108.2	3.8	254.9

Source: Bloomberg

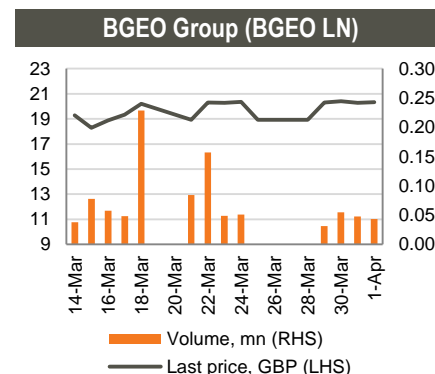
## Equities

**BGEO Group** (BGEO LN) shares closed at GBP 20.33/share (-0.20% w/w and +5.89% m/m). More than 177k shares traded in the range of GBP 19.89 – 20.53/share. Average daily traded volume was 65k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BOGH is a constituent, gained 1.02% w/w and gained 0.32% m/m, respectively. The volume of BOGH shares traded was at 0.45% of its capitalization.

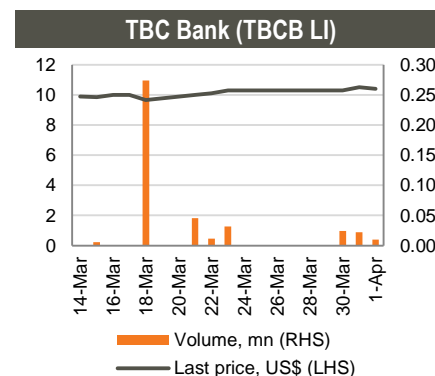
**TBC Bank** (TBCB LI) closed the week at US\$ 10.40 (+0.97 w/w and +9.47% m/m). More than 56k GDRs changed hands in the range of US\$ 10.20 – 10.50/GDR. Average daily traded volume was 29k in the last 4 weeks, more than in the previous month.

**Georgia Healthcare Group** (GHG LN) shares closed at GBP 1.75/share (+6.86% w/w and +12.34% m/m). More than 95k shares were traded in the range of GBP 1.58 – 1.75/share. Average daily traded volume was 86k in the last 4 weeks. The volume of GHG shares traded was at 0.07% of its capitalization.

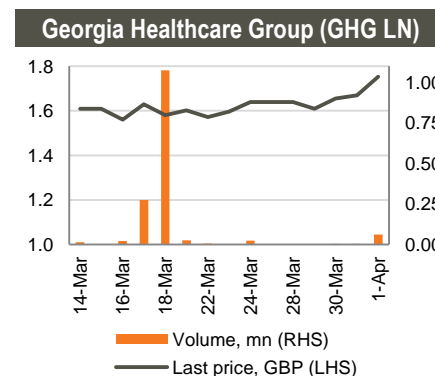
**On the Georgian stock exchange:** Liberty Bank shares were traded at GEL 0.016 (unchanged w/w). As a result, the G&T remained at 886.18 (unchanged w/w).



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	28.87	1,140	7.8%	2.9%	4.1%	-10.7%	10.2%
	TBC	TBC	10.40	509	9.5%	3.0%	17.0%	-17.5%	-9.6%
	Halyk Bank	HSBK	4.20	1,146	15.1%	-15.2%	-34.1%	-50.6%	-40.9%
	KKB	KKB	1.25	498	48.8%	2.0%	-56.7%	-67.1%	-60.9%
	VTB Bank	VTBR	2.13	13,809	11.6%	1.0%	5.5%	-7.3%	3.4%
	Vozrozhdenie Bank	VZRZ	7.41	176	3.7%	-10.2%	-18.7%	0.4%	-0.5%
	Sberbank	SBER	6.70	36,158	6.3%	13.9%	39.6%	65.4%	48.9%

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	2.49	319	14.3%	9.0%	nm	nm	nm
Mouwasat	MOUWASAT	30.39	1,519	0.0%	-9.9%	-5.9%	-7.6%	-13.0%
Fortis	FORH	2.73	1,264	8.5%	-2.4%	4.6%	55.4%	0.7%
Raffles	RFMD	3.37	1,938	8.5%	14.7%	8.2%	14.6%	16.9%
IHH	IHH	1.70	13,963	10.1%	11.1%	25.4%	23.3%	4.3%
Bangkok Chain	BCH	0.31	765	10.2%	22.2%	63.4%	27.6%	21.4%
Netcare	NTC	2.40	3,514	13.7%	9.8%	-7.3%	-26.8%	-30.4%

Source: Bloomberg

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

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