

Weekly Market Watch

 Weekly Market Watch | Georgia
 July 24, 2017

Economy

Exports up 37.4% y/y in June 2017

In June 2017, exports increased 37.4% y/y to US\$ 230.8mn, imports were flat y/y and stood at US\$ 642.2mn and the trade deficit narrowed 13.3% y/y to US\$ 411.4mn, according to GeoStat. Overall in 1H17, the trade deficit was almost flat (+0.2% y/y) at US\$ 2.4bn as exports were up 30.1% to US\$1.2bn, while imports increased 8.8% to US\$ 3.6bn.

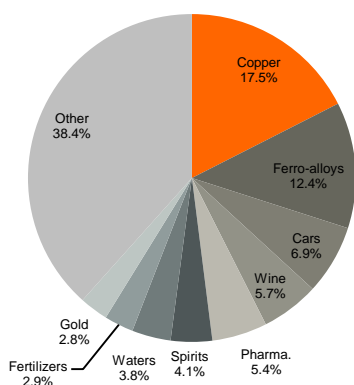
Increased exports of copper (+116.5% y/y), ferro-alloys (+236.3% y/y), cars (+41.8% y/y) and wine (+71.0% y/y) were the major commodities driving export growth in June 2017. Petroleum (-17.4% y/y), cars (-16.9% y/y), pharmaceuticals (-35.3% y/y), copper (+120.8% y/y) and phones (+33.9% y/y) represented the top 5 imported commodities in June 2017.

Producer price index up 0.5% m/m and up 12.3% y/y in June 2017

PPI for industrial goods was up 0.5% m/m in June 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 (+1.8% m/m) and for food, beverages and tobacco (+1.1% m/m).

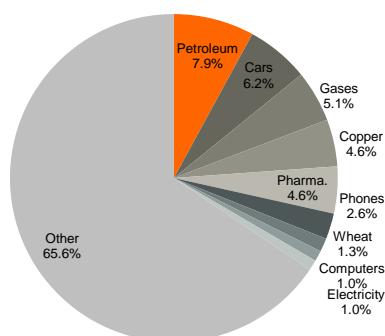
Annual PPI was up 12.3% in June 2017. Rising prices in manufacturing (+12.7% y/y) contributed the most to the overall index change. Prices were also up for supply of electricity, gas and water (+8.1% y/y) and for mining and quarrying (+16.7% y/y).

Exports by commodities, 1H17



Source: GeoStat

Imports by commodities, 1H17



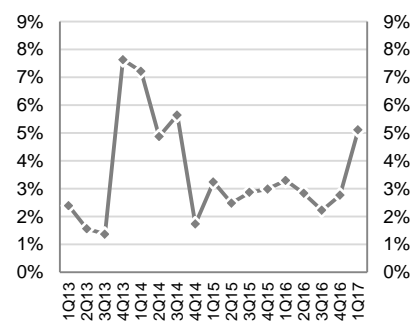
Key macro indicators

	1H17	2016	2015
GDP (% change)	4.5% ⁽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)	7.1%	1.8%	4.9%
Gross reserves (US\$ bn)	3.0	2.8	2.5
CAD (% of GDP)	...	13.5%	12.0%
Fiscal deficit (% of GDP)	...	4.1%	3.7%
Total public debt (% of GDP)	...	44.6%	41.4%

Source: Official data, IMF

1) As of 5M17

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

STANDARD & POOR'S BB- Stable Affirmed May-2017	Moody's INVESTORS SERVICE Ba3 Stable Affirmed Mar-2016	FitchRatings BB- Stable Affirmed Mar-2017
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Source: Rating agencies



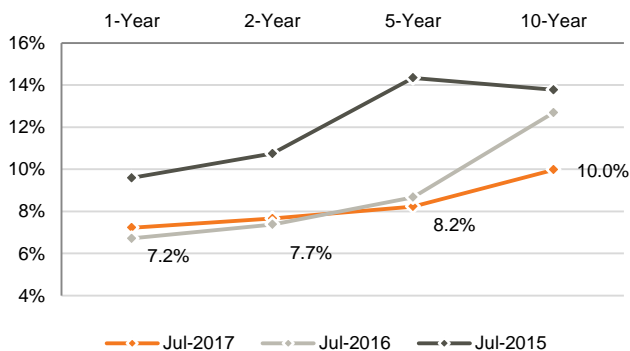
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,170mn (US\$ 487.2mn).

Ministry of Finance Treasury Notes:

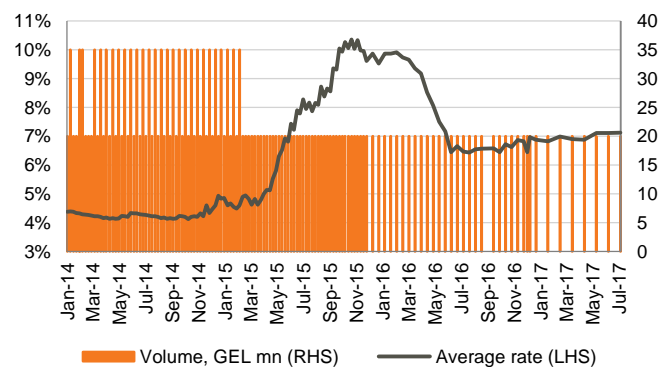
1-year GEL 50.0mn (US\$ 20.8mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on July 19, 2017. The weighted average yield was fixed at 7.222%. The nearest treasury security auction is scheduled for July 26, 2017, where GEL 25.0mn nominal value 5-year T-Notes will be sold.

T-bills / T-notes, yield curve



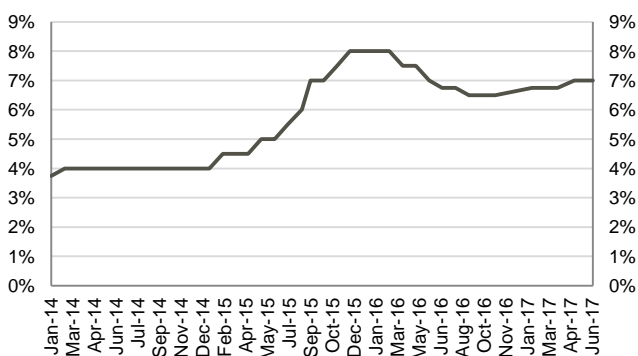
Source: NBG

Certificates of Deposits (weighted average rate)



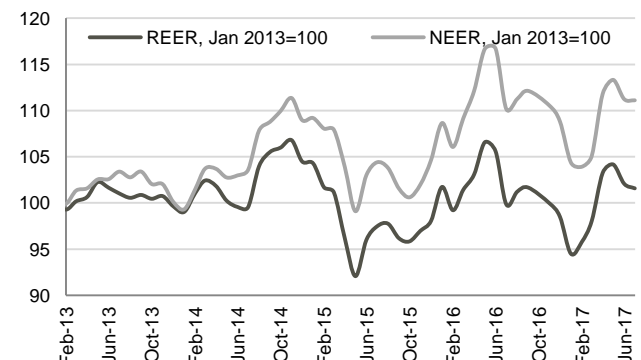
Source: NBG

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

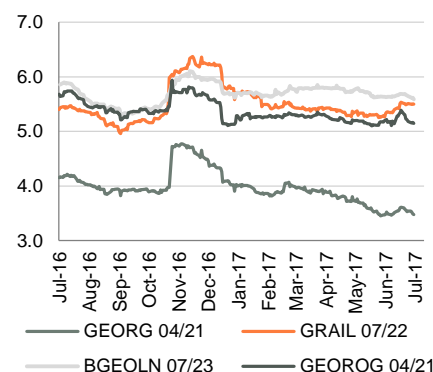


Fixed income

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.6% yield, trading at 102.1 (+0.2% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 99.8 (unchanged w/w), yielding 11.1%. GOGC Eurobonds (GEOROG) were trading at 105.4 (+0.2% w/w), yielding 5.2%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 109.8 (+0.1% w/w), yielding 5.5%.

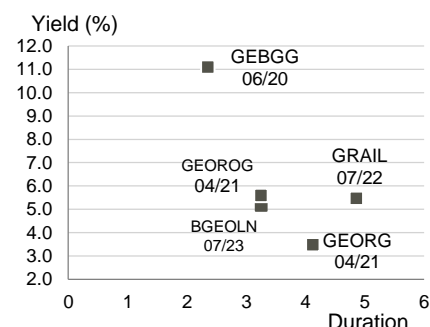
Georgian Sovereign Eurobonds (GEORG) closed at 111.8 (+0.2% w/w) at 3.5% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

	Local bonds			Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	GEBGG 06/20	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	5.0	500*	250	350	500	500
Issue date	12/16	10/16	03/16	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	11.0	11.0	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/-/-	-/-/-	-/-/-	BB-/-/Ba3	BB-/B+/-	BB-/-/B1	BB-/BB-/Ba3	B+/B+/-
Mid price, US\$	n/a	101.5	97.0	99.8	105.4	102.1	111.8	109.8
Mid yield, %	n/a	6.75%	9.0%	11.1	5.2	5.6	3.5	5.5
Z-spread, bps	n/a	n/a	n/a	346.1	339.1	170.5	360.0	364.6

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-/Ba3	111.8	3.5	170.5
Azerbaijan	1,250	4.750%	18/03/2024	BB-/BB+/Ba1	101.7	4.5	245.8
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	119.4	0.1	-176.2
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	111.2	1.5	125.6
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	112.8	2.7	93.1
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	116.3	2.9	105.4
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.1	2.7	101.3
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	106.6	3.7	192.3

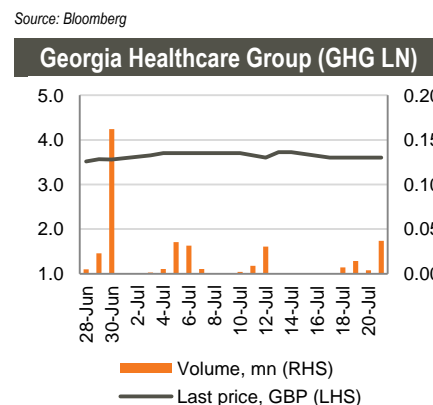
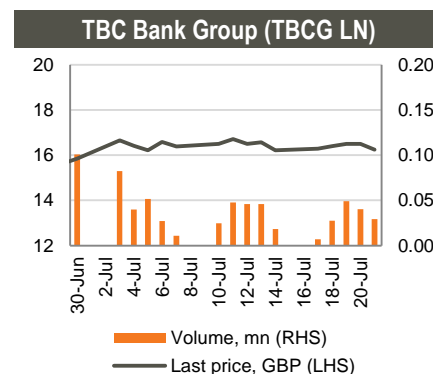
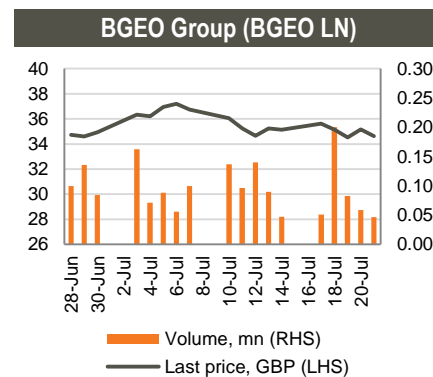
Source: Bloomberg

Equities

BGEO Group (BGEO LN) shares closed at GBP 34.63/share (-1.42% w/w and -3.30% m/m). More than 438k shares traded in the range of GBP 34.25 – 35.90/share. Average daily traded volume was 94k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 1.77% w/w and gained 0.35% m/m. The volume of BGEO shares traded was at 1.11% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 16.24 (+0.19% w/w and -3.56% m/m). More than 152 shares changed hands in the range of GBP 16.00 – 16.81/share. Averaged daily traded volume was 71k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.60/share (-3.36% w/w and -10.00% m/m). More than 62k shares were traded in the range of GBP 3.60 – 3.79/share. Average daily traded volume was 28k in the last 4 weeks. The volume of GHG shares traded was at 0.02% of its capitalization.



Eastern European Banks

	Tick er	Share price, US\$	MCap US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
BGEO*	BGEO	45.83	1,806	-2.4%	3.2%	25.2%	17.7%	27.7%
TBC*	TBC	21.40	1,133	-5.2%	8.1%	13.8%	12.9%	59.7%**
Halyk Bank	HSBK	9.42	2,589	13.4%	30.7%	33.1%	57.3%	67.6%
KKB	KKB	0.75	299	15.4%	-31.8%	-44.4%	-48.1%	-52.8%
VTB Bank	VTBR	2.09	13,544	-2.3%	-5.1%	-7.8%	-12.4%	-2.2%
Vozrozhdenie Bank	VZRZ	12.44	295	-2.6%	-5.2%	-2.6%	1.6%	21.2%
Sberbank	SBER	11.50	62,062	11.3%	3.2%	2.0%	-0.6%	24.2%

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	4.70	618	-8.5%	-0.7%	0.8%	0.8%	6.2%
Mouwasat	MOUWASAT	40.26	2,013	4.1%	1.0%	4.2%	2.2%	9.4%
Fortis	FORH	2.34	1,213	-20.7%	-22.8%	-14.8%	-12.1%	-8.1%
Raffles	RFMD	0.95	1,684	-3.0%	-8.3%	-8.1%	-3.7%	-17.5%
IHH	IHH	1.38	11,358	-1.4%	0.7%	-1.4%	-2.6%	-17.4%
Bangkok Chain	BCH	0.40	1,010	2.6%	7.0%	-7.2%	-1.9%	13.2%
Netcare	NTC	1.95	2,853	3.0%	4.8%	-19.6%	-15.9%	-13.7%

Source: Bloomberg

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

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