

Weekly Market Watch

 Weekly Market Watch | Georgia
 December 28, 2015

Economy

Trade deficit down 11.1% y/y (excluding one-offs) in 11M15

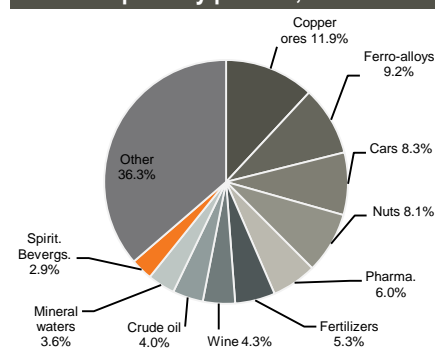
In November 2015, exports decreased 7.7% y/y to US\$ 187.0mn, imports fell 20.0% y/y to US\$ 579.2mn, and the trade deficit shrank 24.8% y/y to US\$ 392.2mn, according to foreign trade data released by GeoStat. The sole reason for the decline in exports was the drop in re-exports (-47.3% y/y and 19.2% of total, mainly cars to CIS countries), while Georgia originated exports increased 12.4% y/y (80.2% of total), mostly on the back of a 52.1% y/y rise in exports to the EU.

In 11M15, exports decreased 23.2% y/y to US\$ 2.0bn, imports fell 15.2% y/y to US\$ 6.6bn, excluding c-hepatitis medicine imports, and the trade deficit narrowed 11.1% y/y to US\$ 4.5bn (in unadjusted terms, the trade deficit decreased 4.9% y/y). 30% of exports were directed to the EU (+5.9% y/y), 38% to the CIS (-44.0% y/y), and 32% to other countries (-6.0% y/y). A 66.1% y/y drop in car exports (8.3% of total) had the largest negative impact. In 11M15, copper ores (+4.9% y/y), nuts (+1.9% y/y), pharmaceuticals (+44.4% y/y), and crude oil (+197.3% y/y) were the major export commodities posting increases. In 11M15, savings from the lower oil import bill amounted to US\$ 226.4mn.

NBG sold US\$ 20mn

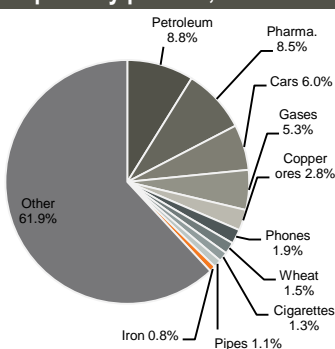
NBG sold US\$ 20mn on the FX market to support the GEL on December 24, 2015. It was NBG's 9th intervention this year, with total net sales of US\$ 287mn. The lari strengthened 0.3% d/d against the dollar on December 25, 2015.

Exports by product, 11M15



Source: GeoStat

Imports by product, 11M15



Key macro indicators

	11M15	2014	2013
GDP (% change)	2.8%***	4.6%	3.3%
GDP per capita (ppp)*	...	9,209	8,526
GDP per capita (US\$)	...	3,676	3,600
Population (mn)	3.7**	4.5	4.5
Inflation (eop)	6.3%	2.0%	2.4%
Gross reserves (US\$ bn)	2.5	2.7	2.8
CAD (% of GDP)	...	10.6%	5.8%
Fiscal deficit (% of GDP)	...	3.0%	2.6%
Total public debt (% of GDP)	...	35.5%	34.7%

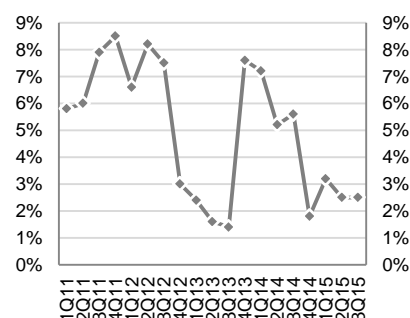
Source: Official data

*Source: IMF

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

***As of 10M15

Real GDP growth, %



Source: GeoStat

Note: 3Q15 figure based on rapid estimates

International ranking of Georgia, 2015-16

Ease of Doing Business # 24 (regional leader)

Economic Freedom Index # 22 (mostly free)

Global Competitiveness Index # 66 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POORS BB- Stable Affirmed May-2015	Moody's INVESTORS SERVICE Ba3 Positive Affirmed Mar-2015	FitchRatings BB- Stable Affirmed Oct-2015
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Source: Rating agencies



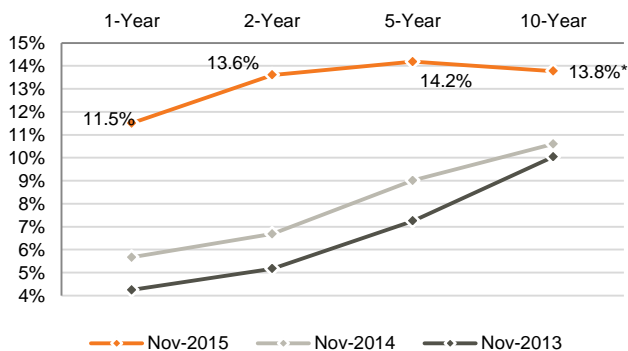
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 290.4mn).

Certificates of deposit: NBG sold 182-day, GEL 20mn (US\$ 8.4mn) certificates of deposit, with an average yield of 9.87% (down by 9bps from previous issue).

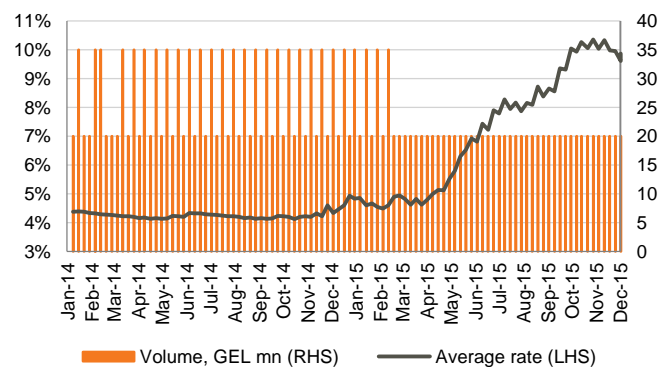
Ministry of Finance Treasury Notes: Treasury notes emissions for 2015 have been completed. The last auction took place on December 2, 2015.

T-bills / T-notes, yield curve



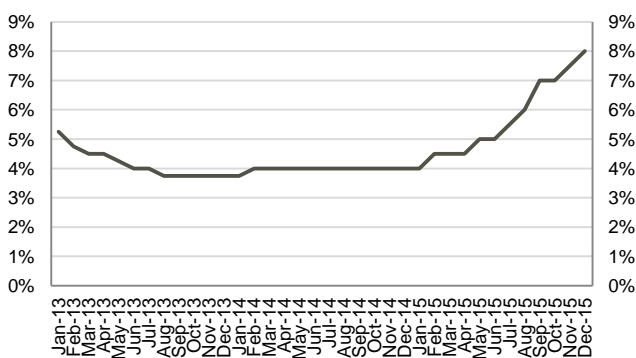
Source: NBG
*As of latest auction

Certificates of Deposits (weighted average rate)



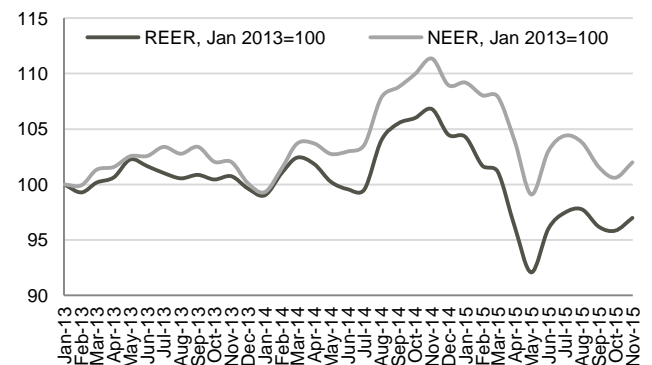
Source: NBG

Monetary policy rate



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG

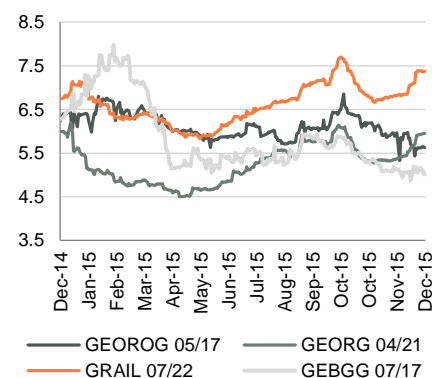
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG) closed at 5.0% yield, trading at 103.9 (unchanged w/w). GOGC Eurobonds (GEOROG) were trading at 101.4 (+0.1% w/w), yielding 5.8%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 102.0 (+0.1% w/w), yielding 7.4%.

Georgian Sovereign Eurobonds (GEORG) closed at 104.1 (-0.2% w/w) at 5.9% yield to maturity.

Georgia Eurobonds, YTM (%)



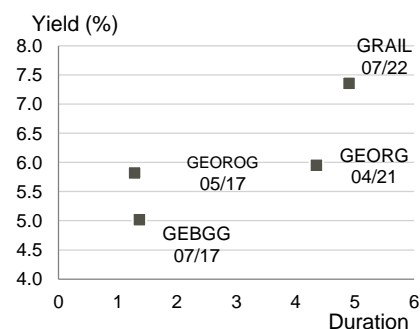
	Local bonds				Eurobonds			
	GWP 11/17	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	6*	20	15	10	250	400	500	500
Issue date	11/15	03/15	05/15	09/14	May-2012	Jul-2012	Apr-2011	Jul-2012
Maturity date	11/17	03/17	05/17	09/17	May-2017	Jul-2017	Apr-2021	Jul-2022
Coupon, %	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*	99.0	100	98.0	101.4	103.9	104.1	102.0
Mid yield, %	15.0	10.1	9.5	9.7	5.8	5.0	5.9	7.4
Z-spread, bps	n/a	n/a	n/a	n/a	534.7	450.1	412.0	548.3

Source: Bloomberg

*GWP 11/17 bonds are in Georgian lari

**Floating rate with 7.5% over the NBG's refinancing rate

Georgian Eurobond universe



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	104.1	5.9	412.0
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	93.6	5.7	362.0
Bulgaria	323	5.000%	19/07/2021	BBB-/	120.1	1.3	-257.0
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa1	100.0	3.9	327.3
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	113.9	3.5	165.6
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	117.6	3.5	166.4
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	103.1	4.2	348.5
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	106.1	4.3	255.0

Source: Bloomberg

Equities

BGEO Group (BGEO LN) shares closed at GBP 18.94/share (-3.37% w/w and +5.40% m/m). More than 345k shares traded in the range of GBP 18.63 – 20.12/share. Average daily traded volume was 74k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BOGH is a constituent, gained 1.88% w/w and 2.09% m/m, respectively. The volume of BOGH shares traded was at 0.88% of its capitalization.

TBC Bank (TBCB LI) closed the week at US\$ 10.10 (+1.00% w/w and +18.82% m/m). More than 57k GDRs changed hands in the range of US\$ 10.00 – 10.20/GDR. Average daily traded volume was 21k in the last 4 weeks, less than in the previous month.

Georgia Healthcare Group (GHG LN) shares closed at GBP 1.64/share (+2.50% w/w and -6.14% m/m). More than 159k shares were traded in the range of GBP 1.60 – 1.67/share. Average daily traded volume was 31k in the last 4 weeks. The volume of GHG shares traded was at 0.12% of its capitalization.

On the Georgian stock exchange: Bank of Georgia shares were traded at GEL 39.00 (unchanged w/w). As a result, the G&T Index remained at 885.86 (unchanged w/w).

Eastern European banks								
Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
BGEO*	BGEO	28.27	1,117	3.2%	0.5%	-8.3%	-12.6%	-11.4%
TBC	TBC	10.10	495	18.8%	9.2%	-6.0%	-19.8%	-20.5%
Halyk Bank	HSBK	4.90	1,337	-19.3%	-20.7%	-45.5%	-42.4%	-32.4%
KKB	KKB	1.41	562	-11.9%	-51.2%	-55.9%	-62.9%	-54.5%
VTB Bank	VTBR	2.15	13,946	-2.5%	7.6%	-22.6%	-6.4%	-2.9%
Vozrozhdenie Bank	VZRZ	8.83	210	-4.3%	-3.0%	3.3%	19.7%	13.4%
Sberbank	SBER	6.08	32,812	-14.5%	25.5%	15.7%	50.1%	52.0%

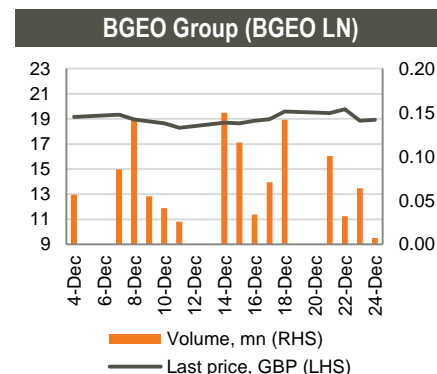
Source: Bloomberg

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

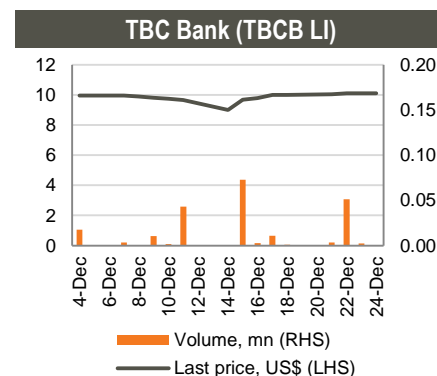
Healthcare sector peers								
Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
GHG*	GHG	2.45	314	-7.3%	nm	nm	nm	nm
Mouwasat	MOUWASAT	31.85	1,593	4.1%	-4.0%	-16.7%	-3.1%	-7.6%
Fortis	FORH	2.69	1,247	11.8%	2.8%	-2.7%	53.3%	63.2%
Raffles	RFMD	2.92	1,681	-2.9%	-8.2%	-13.7%	-0.4%	-1.0%
IHH	IHH	1.49	12,283	-3.9%	10.8%	-0.4%	8.5%	9.9%
Bangkok Chain	BCH	0.25	612	4.8%	29.6%	15.9%	2.1%	-2.3%
Netcare	NTC	2.27	3,306	-14.1%	-15.4%	-29.0%	-30.9%	-28.9%

Source: Bloomberg

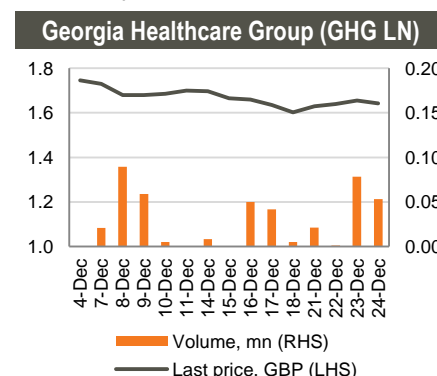
Note: *GHG is traded in GBP and is shown in US\$ equivalent



Source: Bloomberg



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Source: Bloomberg

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