

Weekly Market Watch

Weekly Market Watch | Georgia
March 13, 2017

Economy

FDI up 5.2% y/y in 2016

FDI in Georgia stood at US\$ 1,645.4mn (+5.2% y/y) in 2016, according to GeoStat's preliminary figures. The transport and communication sector was the largest FDI recipient at US\$ 645.0mn (+10.3% y/y, 39.2% of total) in 2016, followed by the energy sector at US\$ 202.8mn (+63.9% y/y, 12.3% of total), construction US\$ 163.5mn (+47.7% y/y, 9.9% of total), and the financial sector at US\$ 135.8mn (-23.9% y/y, 8.25% of total). Azerbaijan topped the list of investors with US\$ 578.4mn, followed by Turkey at US\$ 272.3mn, United Kingdom at US\$ 120.8mn, and Netherlands at US\$ 95.4mn.

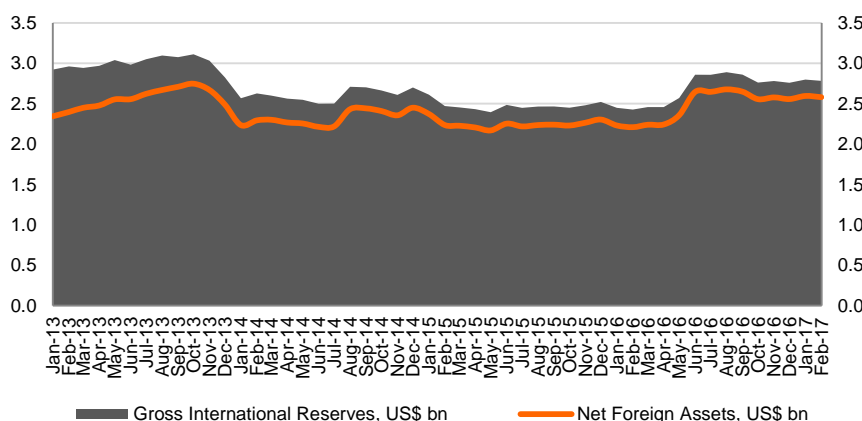
NBG keeps its policy rate unchanged at 6.75%

At its meeting on 7 March 2017, NBG's monetary policy committee decided to keep the policy rate unchanged at 6.75%. NBG still considers appropriate to increase the policy rate to 7.0% in 1H17, subject to more certainty on recent dynamics affecting prices. Annual inflation came in at 5.5% in February 2017 and central bank expects price level to remain above the target level of 4.0% in 2017. Consumer prices were mainly affected by the increases in world commodity prices, excise taxes and the lagged effect of currency depreciation. Meanwhile core inflation (non-food, non-energy) and prices on domestic goods and services remain at low levels. NBG expects inflation to decrease below its target in 2018, when one-off factors affecting price level dissipate. The next committee meeting is scheduled for 2 May 2017.

International reserves up 14.6% y/y in February 2017

Gross international reserves were up 14.6% y/y to US\$ 2.8bn in February 2017, while reserves were almost flat on a monthly bases (-0.6% m/m), according to NBG. The increase in reserves was related to government FX operations and/or asset revaluation.

International reserves



Source: NBG

Key macro indicators

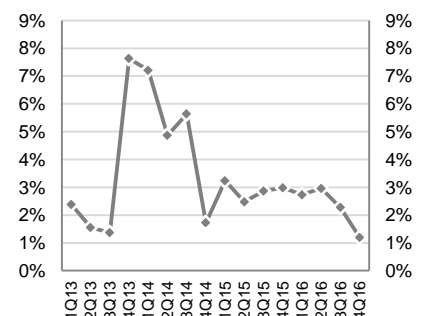
	2M17	2016E	2015
GDP (% change)	5.2% ⁽²⁾	2.2%	2.9%
GDP per capita (ppp)	9,630
GDP per capita (US\$)	3,767
Population (mn)	3.7	3.7	3.7
Inflation (eop)	5.5%	1.8%	4.9%
Gross reserves (US\$ bn)	2.8	2.8	2.5
CAD (% of GDP)	...	8.4% ⁽¹⁾	11.9%
Fiscal deficit (% of GDP)	...	4.0%	3.7%
Total public debt (% of GDP)	41.4%

Source: Official data, IMF, G&T

(1) As of 3Q16

(2) As of 1M17

Real GDP growth, %



Source: GeoStat

Note: rapid estimate for 4Q16

International ranking, 2016-17

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

 BB- Stable Affirmed Nov-2016	 Ba3 Stable Affirmed Mar-2016	 BB- Stable Affirmed Sep-2016
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Source: Rating agencies

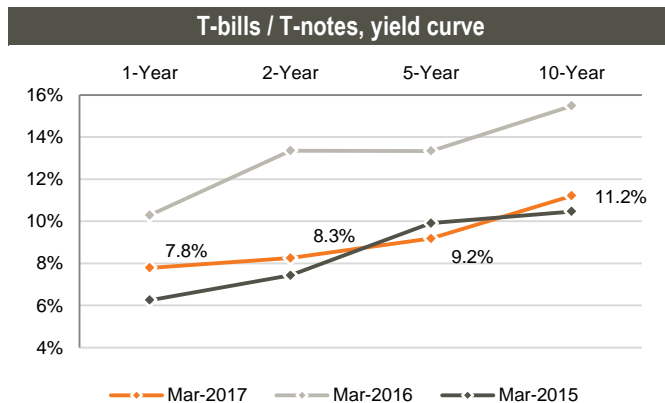


Money market

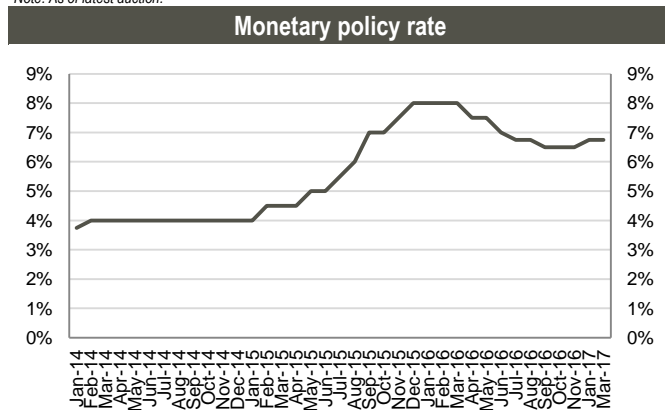
Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,240mn (US\$ 504.1mn).

Ministry of Finance Treasury Notes: 182-days GEL 20.0mn (US\$ 8.1mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on March 7, 2017. The weighted average yield was fixed at 7.128%.

Ministry of Finance Treasury Notes: 2-year GEL 30.0mn (US\$ 12.2mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on March 7, 2017. The weighted average yield was fixed at 8.253%.



Source: NBG
*Note: As of latest auction.

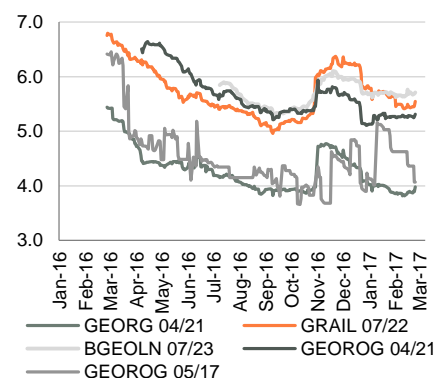


Fixed income

Corporate Eurobonds: Bank of Georgia Eurobond (BGEOLN) closed at 5.7% yield, trading at 101.5 (+0.1% w/w). GOGC Eurobonds - GEOROG 05/17 traded at 100.7 (+0.1% w/w), yielding 2.8% and GEOROG 04/21 traded at 105.3 (-0.2% w/w), yielding 5.3%. Georgian Railway Eurobond (GRAIL) traded at a premium at 110.1 (-0.3 % w/w), yielding 5.5%.

Georgian Sovereign Eurobond (GEORG) closed at 110.6 (-0.5% w/w) at 4.0% yield to maturity.

Georgia Eurobonds, YTM (%)



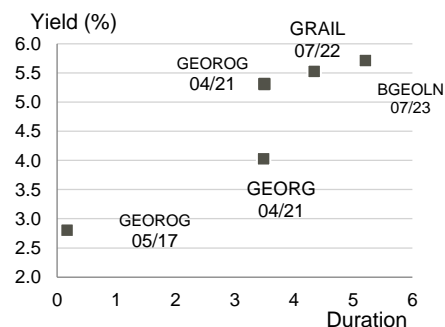
	Local bonds					Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	EVEX 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	15.0	5.0	15.0	10.0	250	53.5	350	500	500
Issue date	12/16	05/15	03/16	05/15	09/14	04/16	05/12	07/16	04/11	07/12
Maturity date	12/21	05/17	03/18	05/17	09/17	04/21	05/17	07/23	04/21	07/22
Coupon, %	3.50**	9.5	11.0	9.5	8.8	6.750	6.875	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/I-/	-/-	-/-	-/-	-/-	BB-/B+/-	BB-/B+/-	BB-/B1	BB-/BB-/Ba3	B+/B+/-
Mid price, US\$	n/a	101.7	101.9	101.2	100.8	105.3	100.7	101.5	110.6	110.1
Mid yield, %	n/a	6.75%	9.00%	2.75%	7.25%	5.3	2.8	5.7	4.0	5.5
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	307.6	-53.8	329.1	183.2	318.1

Source: Bloomberg

*GWP 12/21 bonds are in Georgian lari

**Coupon rate 3.5% 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	110.6	4.0	183.2
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	99.7	4.8	236.5
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	119.9	0.4	-230.2
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	108.9	2.1	179.9
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	111.5	3.3	121.2
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	114.6	3.5	127.3
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.5	2.8	75.2
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	103.6	4.6	247.0

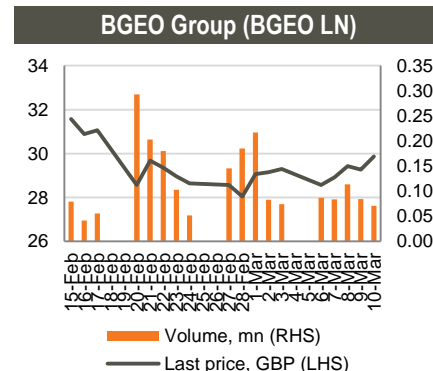
Source: Bloomberg

Equities

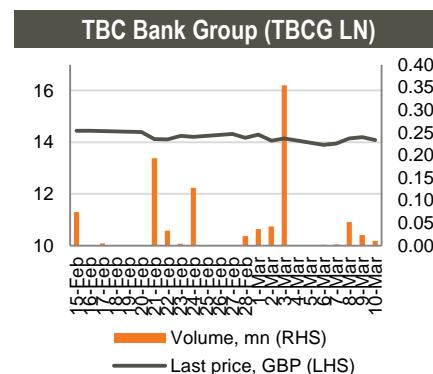
BGEO Group (BGEO LN) shares closed at GBP 29.87/share (+1.95% w/w and -3.33% m/m). More than 439k shares traded in the range of GBP 28.35 – 30.03/share. Average daily traded volume was 113k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.42% w/w and gained 1.31% m/m. The volume of BGEO shares traded was at 1.11% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 14.08 (-0.49% w/w and -2.56% m/m). More than 89k shares changed hands in the range of GBP 13.76 – 14.28/share. Averaged daily traded volume was 50k in the last 4 weeks.

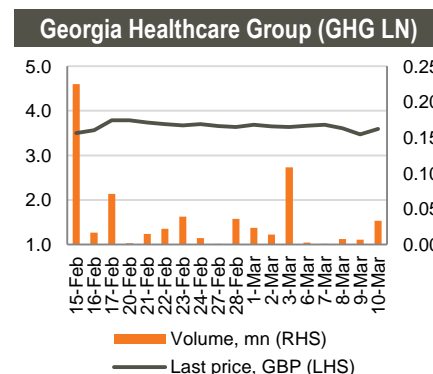
Georgia Healthcare Group (GHG LN) shares closed at GBP 3.59/share (-1.17% w/w and +4.81% m/m). More than 51k shares were traded in the range of GBP 3.43 – 3.70/share. Average daily traded volume was 32k in the last 4 weeks. The volume of GHG shares traded was at 0.04% of its capitalization.



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Eastern European Banks

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
BGEO*	BGEO	36.30	1,434	-6.0%	-14.6%	-10.1%	29.4%	32.1%
TBC*	TBC	17.11	893	-5.2%	49.4%	42.6%	69.4%	71.1%
Halyk Bank	HSBK	6.81	1,872	18.8%	14.6%	7.4%	37.6%	51.3%
KKB	KKB	1.40	558	-5.7%	2.2%	-11.9%	14.3%	40.0%
VTB Bank	VTBR	2.17	14,036	-6.4%	-8.0%	-6.0%	2.7%	4.5%
Vozrozhdenie Bank	VZRZ	12.59	299	-4.1%	11.5%	18.3%	52.6%	72.3%
Sberbank	SBER	11.00	59,337	-4.4%	-1.8%	13.3%	87.0%	66.6%

Source: Bloomberg

*BGEO and TBC are traded in GBP and are shown in US\$ equivalent

Note: 6M, YTD, and 1Y changes in TBC share prices calculated using GDR prices on those dates.

Healthcare Sector Peers

		Financials, US\$ mn						
	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
	GHG*	GHG	4.37	576	1.9%	-7.3%	12.8%	91.4%
	Mouwasat	MOUWASAT	39.43	1,972	6.4%	-0.2%	17.1%	21.5%
	Fortis	FORH	2.67	1,384	-8.1%	4.6%	-0.2%	-1.6%
	Raffles	RFMD	0.99	1,738	-2.0%	-2.2%	-11.8%	1.5%
	IHH	IHH	1.32	10,901	-6.1%	-8.6%	-18.1%	-13.4%
	Bangkok Chain	BCH	0.36	888	-10.1%	-12.3%	11.8%	42.0%
	Netcare	NTC	2.33	3,413	-2.7%	2.6%	0.6%	6.6%

Source: Bloomberg

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

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