

# Weekly Market Watch

Weekly Market Watch | Georgia  
November 14, 2016

## Economy

### International reserves down 3.4% m/m in October 2016

Gross international reserves decreased 3.4% m/m (-US\$ 98.0mn), while reserves were up 12.7% y/y (+US\$ 311.2mn) to US\$ 2.76bn as of end-October 2016, according to NBG. The decrease in reserves on a monthly basis was attributed to NBG's FX interventions.

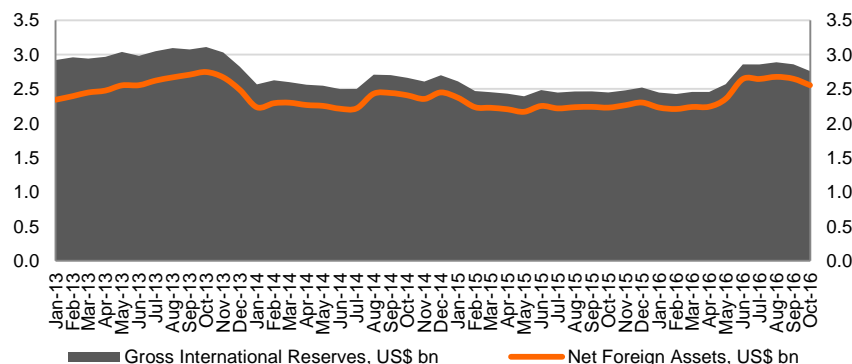
### Property registration up 23.2% y/y in October 2016

Property registration (commercial and residential real estate) increased 23.2% y/y (+5.6% m/m), reaching 57,329 units in October 2016, according to the National Agency of Public Registry. Registration increased for primary (+59.1% y/y, 26.5% of total), as well as secondary (+14.0% y/y, 73.5% of total) properties.

### Company registration up 4.0% y/y in October 2016

In October 2016, company registration increased 4.0% y/y (-9.4% m/m) to 3,830 units, according to National Agency of Public Registry. Out of newly registered companies, 95.5% were business legal entities, while 4.5% comprised non-entrepreneurial (non-commercial) legal entities.

International Reserves



Source: NBG

### Key macro indicators

	10M16	2015	2014
GDP (% change)	2.6% <sup>(3)</sup>	2.8%	4.6%
GDP per capita (ppp)	...	9,630	9,209
GDP per capita (US\$)	...	3,759	3,676
Population (mn)	3.7 <sup>(1)</sup>	3.7 <sup>(1)</sup>	4.5
Inflation (eop)	-0.2%	4.9%	2.0%
Gross reserves (US\$ bn)	2.8	2.5	2.7
CAD (% of GDP)	13.4% <sup>(2)</sup>	11.8%	10.6%
Fiscal deficit (% of GDP)	....	3.8%	3.0%
Total public debt (% of GDP)	...	41.5%	35.5%

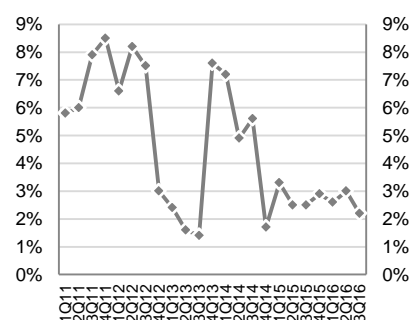
Source: Official data, IMF

(1) Preliminary results of census, previous data is subject to recalculation

(2) As of 2Q16

(3) As of 9M16

### Real GDP growth, %



Source: GeoStat

Note: 3Q16 figure based on rapid estimates

### International ranking of Georgia, 2016

Ease of Doing Business # 16 (Top 20)

Economic Freedom Index # 23 (mostly free)

Global Competitiveness Index # 59 (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 May-2016	<b>Moody's</b> INVESTORS SERVICE  <b>Ba3</b> Stable Affirmed Mar-2016	<b>FitchRatings</b>  <b>BB-</b> Stable Affirmed Sep-2016
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Source: Rating agencies



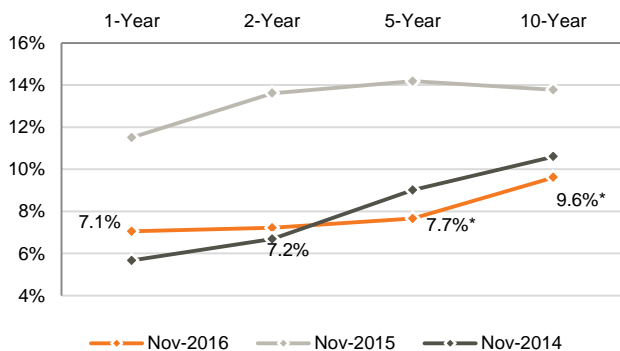
## Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,350mn (US\$ 550.0mn).

**Certificates of deposit:** NBG sold 91-day, GEL 20mn (US\$ 8.3mn) certificates of deposit, with an average yield of 6.62% (up by 17bps from previous issue).

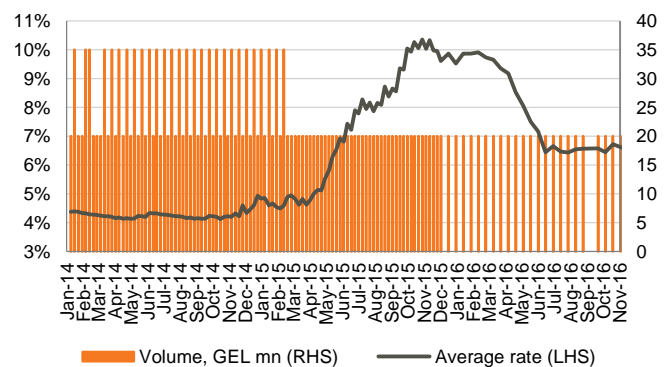
**Ministry of Finance Treasury Notes:** 1-year GEL 33mn (US\$ 13.5mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on November 9, 2016. The weighted average yield was fixed at 7.050%. The nearest treasury securities auction is scheduled for November 16, 2016, where GEL 20mn nominal value 5-year T-Notes will be sold.

**T-bills / T-notes, yield curve**



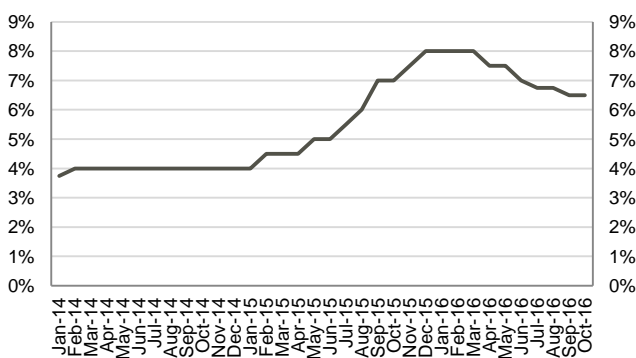
Source: NBG  
\*As of latest auction

**Certificates of Deposits (weighted average rate)**



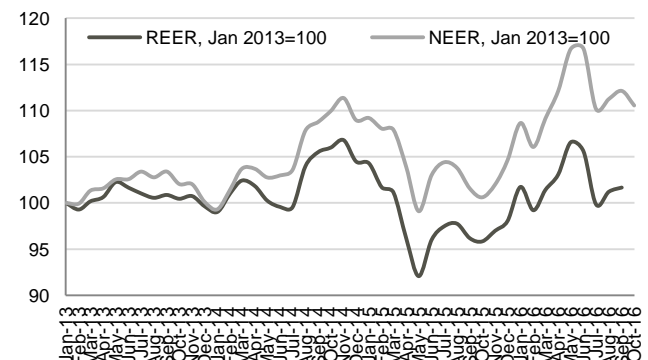
Source: NBG

**Monetary policy rate**



Source: NBG  
Note: Next revision of a monetary policy rate is scheduled for 14 December 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

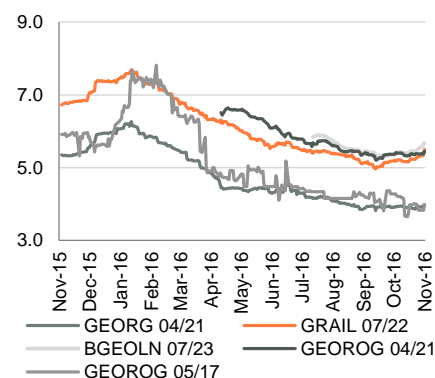


## Fixed income

**Corporate Eurobonds:** Bank of Georgia Eurobond (BGEOLN) closed at 5.7% yield, trading at 101.8 (-0.8% w/w). GOGC Eurobonds - GEOROG 05/17 traded at 101.6 (unchanged w/w), yielding 3.7% and GEOROG 04/21 traded at 105.1 (-0.2% w/w), yielding 5.5%. Georgian Railway Eurobond (GRAIL) traded at a premium at 110.9 (-0.8% w/w), yielding 5.5%.

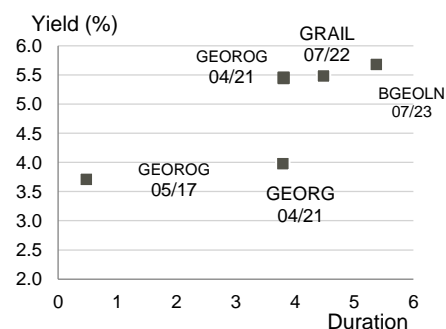
**Georgian Sovereign Eurobond (GEORG)** closed at 111.6 (-0.2% w/w) at 4.0% yield to maturity.

**Georgia Eurobonds, YTM (%)**



Source: Bloomberg

**Georgian Eurobond universe**



Source: Bloomberg

	Local bonds					Eurobonds				
	M2RE 10/19	Nikora 03/18	GWP 12/17	EVEX 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	25	5	6*	15	10	250	53.45	350	500	500
Issue date	10/16	03/16	12/15	05/15	09/14	04/16	05/12	07/16	04/11	07/12
Maturity date	10/19	03/18	12/17	05/17	09/17	04/21	05/17	07/23	04/21	07/22
Coupon, %	7.50	11.00	14.00**	9.50	8.75	6.750	6.875	6.000	6.875	7.750
Fitch/S&P/Moody's	-/-	-/-	BB-/	-/-	-/-	BB-/B+	BB-/B+	BB-/B1	BB-/BB-/Ba3	BB-/BB-/
Mid price, US\$	101.3	102.8	100.0*	101.5	101.3	105.1	101.6	101.8	111.6	110.9
Mid yield, %	7.00	8.750	14.0	6.50	7.25	5.5	3.7	5.7	4.0	5.5
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	410.7	240.3	391.3	291.8	426.5

Source: Bloomberg

\*GWP 12/17 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	111.6	4.0	291.8
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1/-	101.5	4.5	304.7
Bulgaria	323	5.000%	19/07/2021	BBB-/	120.6	0.5	-236.8
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	105.5	2.8	255.2
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	112.8	3.2	109.0
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	114.4	3.7	200.9
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	105.8	3.2	171.1
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	102.9	4.9	329.3

Source: Bloomberg

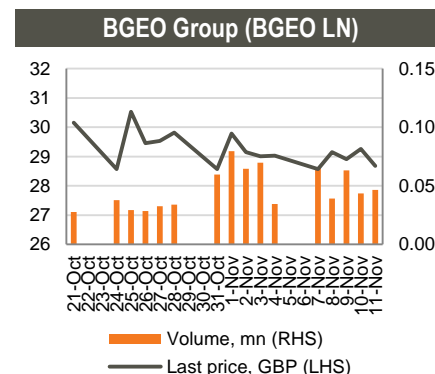
## Equities

**BGEO Group** (BGEO LN) shares closed at GBP 28.68/share (-1.21% w/w and -3.86% m/m). More than 257k shares traded in the range of GBP 28.54 – 29.94/share. Average daily traded volume was 44k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BGEO is a constituent, gained 0.89% w/w and lost 2.95% m/m. The volume of BGEO shares traded was at 0.65% of its capitalization.

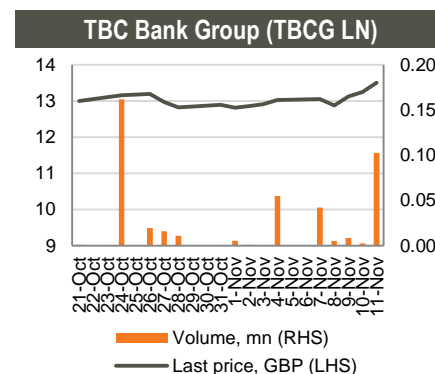
**TBC Bank Group** (TBCG LN) closed the week at GBP 13.50 (+3.65% w/w and +7.14% m/m). More than 160k shares changed hands in the range of GBP 12.75 – 13.60/share. Averaged daily traded volume was 27k in the last 4 weeks.

**Georgia Healthcare Group** (GHG LN) shares closed at GBP 3.53/share (-0.71% w/w and +15.95% m/m). More than 69k shares were traded in the range of GBP 3.40 – 3.60/share. Average daily traded volume was 23k in the last 4 weeks. The volume of GHG shares traded was at 0.05% of its capitalization.

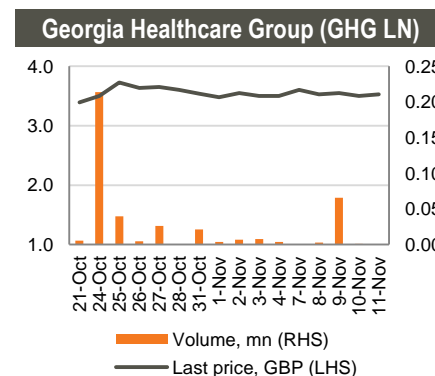
On the Georgian stock exchange, There were no trades. As a result, the G&T Index remained at 908.54 (unchanged w/w).



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*	36.09	1,426	-0.5%	-3.7%	8.7%	28.7%	26.9%
	TBC*	16.99	886	10.9%	30.7%	57.3%	68.2%	97.8%
	Halyk Bank	HSBK	6.42	1,765	-3.3%	16.7%	83.4%	29.7%
	KKB	KKB	1.30	518	-3.7%	-18.2%	-35.0%	6.1%
	VTB Bank	VTBR	2.02	13,103	-7.7%	-1.0%	-2.3%	-4.1%
	Vozrozhdenie Bank	VZRZ	10.69	254	-6.7%	5.7%	31.7%	29.6%
	Sberbank	SBER	9.45	50,999	-5.0%	5.0%	20.0%	60.7%

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

Healthcare Sector - 13%								
Ticker		Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG*	GHG	4.44	584	20.0%	16.0%	54.9%	94.2%	59.9%
Mouwasat	MOUWASAT	38.25	1,912	25.6%	1.9%	9.1%	17.9%	28.9%
Fortis	FORH	2.40	1,114	-8.1%	-16.3%	-6.2%	-11.6%	-4.9%
Raffles	RFMD	1.04	1,811	-5.1%	-8.1%	-10.1%	5.9%	1.5%
IHH	IHH	1.43	11,758	-8.6%	-14.0%	-11.9%	-6.6%	-5.1%
Bangkok Chain	BCH	0.38	937	12.8%	7.7%	31.1%	49.7%	103.9%
Netcare	NTC	2.35	3,438	-5.6%	-2.2%	1.0%	7.4%	-12.8%

Source: Bloomberg

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

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