

# Weekly Market Watch

 Weekly Market Watch | Georgia  
 April 24, 2017

## Economy

### Exports up 36.4% y/y in March 2017

In March 2017, exports increased 36.4% y/y to US\$ 220.8mn, imports were up 12.0% y/y to US\$ 618.4mn, and the trade deficit widened 1.9% y/y to US\$ 397.6mn according to GeoStat. In 3M17, trade deficit was up 8.3% y/y to US\$ 1.1bn, as imports were up 14.9% y/y to US\$ 1.7bn and exports were up 30.3% y/y to US\$ 0.6bn.

Increased exports of copper (+49.7% y/y), ferro-alloys (+67.0% y/y), cars (+8.7% y/y) and wine (+66.5% y/y) were the major commodities driving strong export growth in March 2017. 26.2% of exports were directed to the EU (+73.7% y/y), 34.1% to the CIS (+37.3% y/y), and 39.7% to other countries (+18.9% y/y).

Petroleum (+69.9% y/y), cars (+23.1% y/y), gases (+58.6% y/y), pharmaceuticals (+6.9% y/y), and copper (-54.7% y/y) represented the top 5 imported commodities in March 2017.

### Producer price index down 1.4% m/m and up 9.1% y/y in March 2017

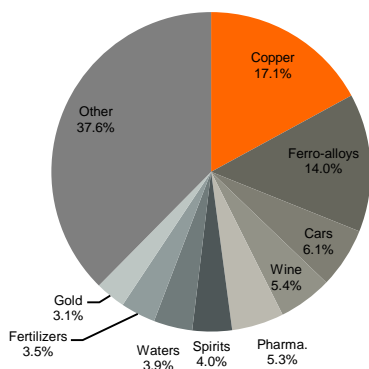
PPI for industrial goods decreased 1.4% m/m in March 2017, according to GeoStat. A 1.3% price decrease for manufacturing contributed the most to the overall index change as prices were down for manufacture of food products, beverages and tobacco (-1.5% m/m), and basic metals and fabricated metal products (-1.0% m/m).

Annual PPI was up 9.4% in March 2017. Rising prices in manufacturing (+8.6% y/y) contributed the most to the overall index change. Prices were also up for supply of electricity, gas and water (+10.6% y/y) and for mining and quarrying (+12.6% y/y).

### NBG Purchased USD\$ 9.75mn

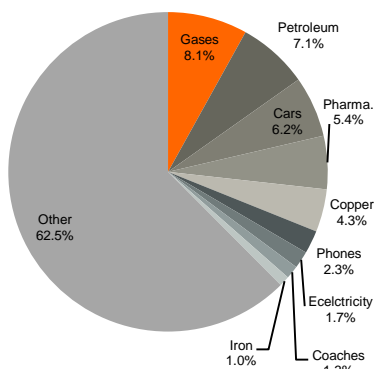
On April 18, 2017, the NBG intervened on the FX market and purchased USD\$ 9.75mn to curb appreciation of the national currency. This was second intervention since the start of the year.

Exports by commodities, 3M17



Source: GeoStat

Imports by commodities, 3M17



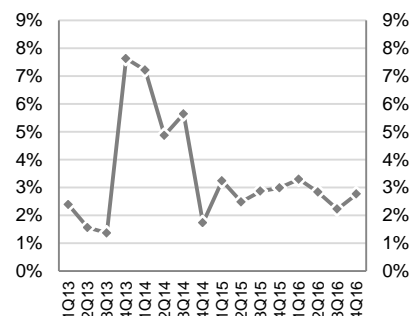
### Key macro indicators

	3M17	2016	2015
GDP (% change)	4.8% <sup>1</sup>	2.7%	2.9%
GDP per capita (ppp)	...	...	9,630
GDP per capita (US\$)	...	3,853	3,767
Population (mn)	3.7	3.7	3.7
Inflation (eop)	5.4%	1.8%	4.9%
Gross reserves (US\$ bn)	2.8	2.8	2.5
CAD (% of GDP)	...	13.3%	11.9%
Fiscal deficit (% of GDP)	...	4.1%	3.7%
Total public debt (% of GDP)	...	44.6%	41.4%

Source: Official data, IMF, G&amp;T

(1) As of 2M17

### 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

<b>STANDARD &amp; POORS</b>  <b>BB-</b> Stable Affirmed Nov-2016	<b>Moody's</b> INVESTORS SERVICE  <b>Ba3</b> Stable Affirmed Mar-2016	<b>FitchRatings</b>  <b>BB-</b> Stable Affirmed Mar-2017
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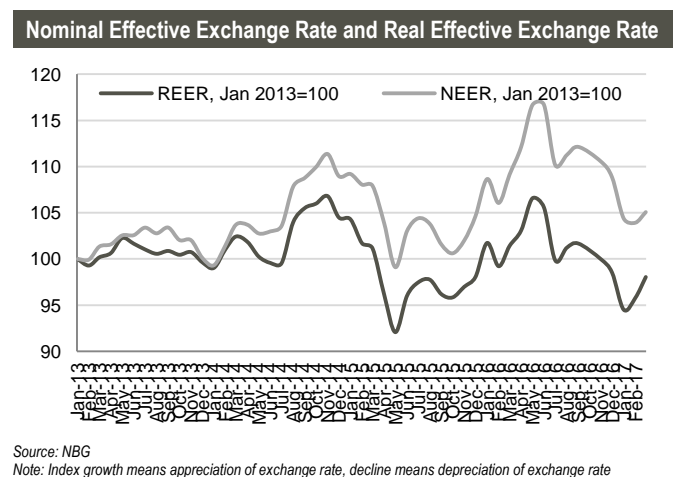
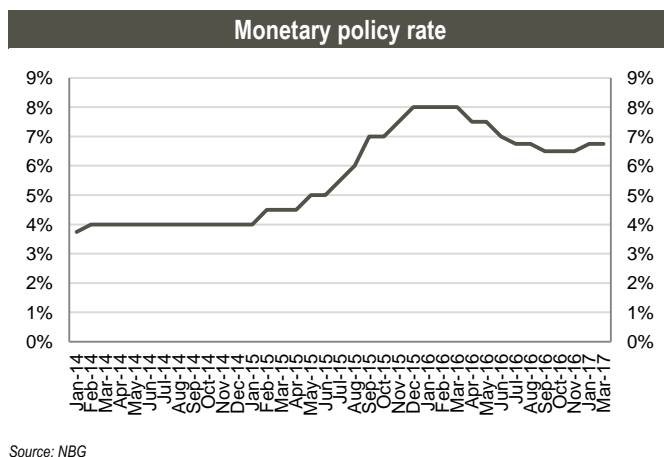
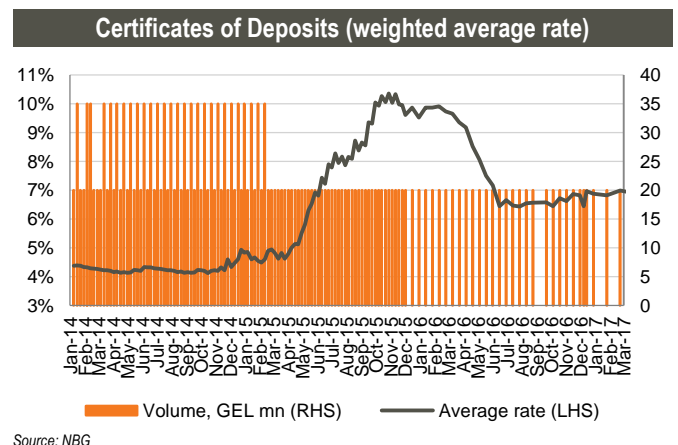
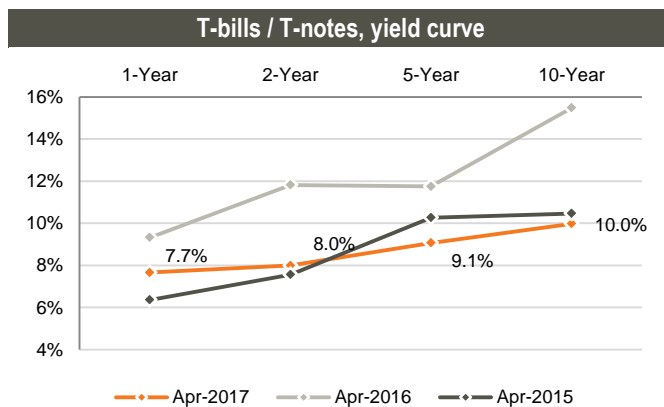
Source: Rating agencies



## Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,270mn (US\$ 530.0mn).

**Ministry of Finance Treasury Notes:** 10-year GEL 20.0mn (US\$ 8.4mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on April 19, 2017. The weighted average yield was fixed at 9.973%. The nearest treasury security auction is scheduled for April 26, 2017, where GEL 25.0mn nominal value 5-years T-Notes will be sold.

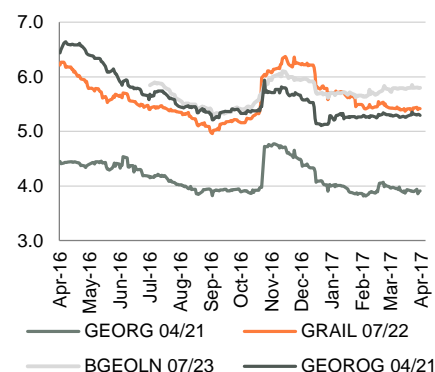


# Fixed income

**Corporate Eurobonds:** BGEO Group Eurobonds (BGEOLN) closed at 5.8% yield, trading at 101.0 (unchanged w/w). GOGC Eurobonds (GEOROG) were trading at 105.2 (+0.1% w/w), yielding 5.3%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 110.4 (+0.1% w/w), yielding 5.4%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 110.9 (+0.1% w/w) at 3.9% yield to maturity.

Georgia Eurobonds, YTM (%)



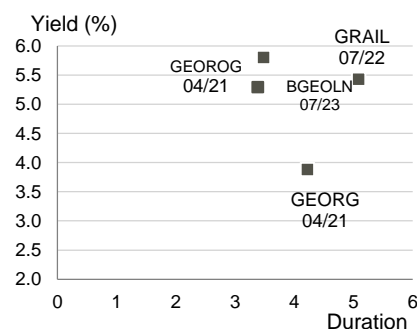
	Local bonds				Eurobonds			
	GWP 12/21	M2RE 10/19	Nikora 03/18	GLC 09/17	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	5.0	10.0	250	350	500	500
Issue date	12/16	10/16	03/16	09/14	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	09/17	04/21	07/23	04/21	07/22
Coupon, %	10.25	7.5	11.0	8.75	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/	-/-	-/-	-/-	BB-/B+	BB-/B1	BB-/BB-/Ba3	B+/B+
Mid price, US\$	n/a	101.7	101.7	101.0	105.2	101.0	110.9	110.4
Mid yield, %	n/a	6.75%	9.0%	6.25%	5.3	5.8	3.9	5.4
Z-spread, bps	n/a	n/a	n/a	n/a	353.0	211.7	356.1	385.0

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	110.9	3.9	211.7
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	101.7	4.5	245.4
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	119.5	0.4	-227.1
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	109.1	2.0	181.8
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	113.2	2.8	104.7
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	116.1	3.1	125.7
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.7	2.7	99.6
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	105.8	4.0	225.9

Source: Bloomberg

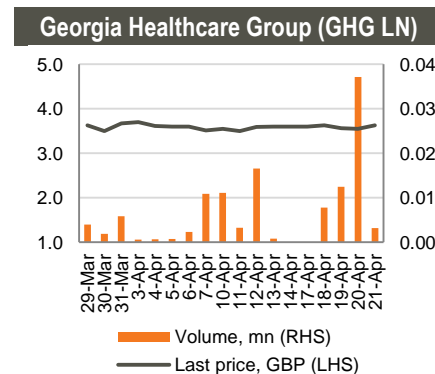
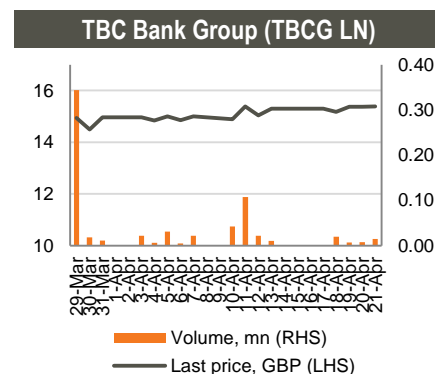
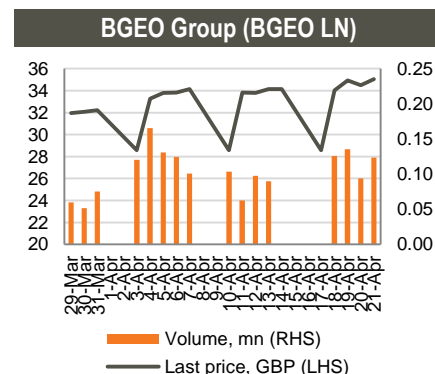


## Equities

**BGEO Group** (BGEO LN) shares closed at GBP 35.06/share (+2.66% w/w and +14.50% m/m). More than 568k shares traded in the range of GBP 33.53 – 35.40/share. Average daily traded volume was 106k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 0.84% w/w and gained 1.97% m/m. The volume of BGEO shares traded was at 1.44% of its capitalization.

**TBC Bank Group** (TBCG LN) closed the week at GBP 15.39 (+0.59% w/w and +4.34% m/m). More than 58k shares changed hands in the range of GBP 15.00 – 15.40/share. Averaged daily traded volume was 39k in the last 4 weeks.

**Georgia Healthcare Group** (GHG LN) shares closed at GBP 3.63/share (+0.69% w/w and +0.69% m/m). More than 61k shares were traded in the range of GBP 3.50 – 3.62/share. Average daily traded volume was 7k in the last 4 weeks. The volume of GHG shares traded was at 0.05% 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	44.81	1,769	17.3%	30.1%	21.4%	59.7%	44.3%
TBC*	TBC	19.67	1,036	6.9%	71.8%	71.8%	94.8%	95.7%
Halyk Bank	HSBK	7.47	2,053	3.9%	24.5%	13.2%	50.9%	91.5%
KKB	KKB	1.10	439	-22.5%	-16.7%	-20.3%	-10.2%	-18.5%
VTB Bank	VTBR	2.27	14,704	0.0%	0.4%	7.3%	7.6%	7.0%
Vozrozhdenie Bank	VZRZ	12.96	308	0.6%	2.7%	16.0%	57.1%	74.7%
Sberbank	SBER	11.56	62,386	0.0%	1.4%	19.3%	96.6%	48.5%

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

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG*	GHG	4.63	610	3.1%	7.3%	11.7%	102.9%	79.6%
Mouwasat	MOUWASAT	38.66	1,933	2.6%	2.4%	21.9%	19.1%	14.9%
Fortis	FORH	3.16	1,634	15.1%	16.8%	19.1%	16.1%	17.0%
Raffles	RFMD	1.02	1,786	1.5%	0.0%	-5.8%	4.2%	-9.9%
IHH	IHH	1.38	11,382	2.2%	-2.5%	-9.9%	-9.6%	-19.4%
Bangkok Chain	BCH	0.39	965	-0.6%	-12.7%	7.9%	54.2%	26.7%
Netcare	NTC	1.89	2,762	-23.1%	-20.7%	-25.9%	-13.7%	-25.3%

Source: Bloomberg

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

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