

Weekly Market Watch

Weekly Market Watch | Georgia
Aug 14, 2017

Economy

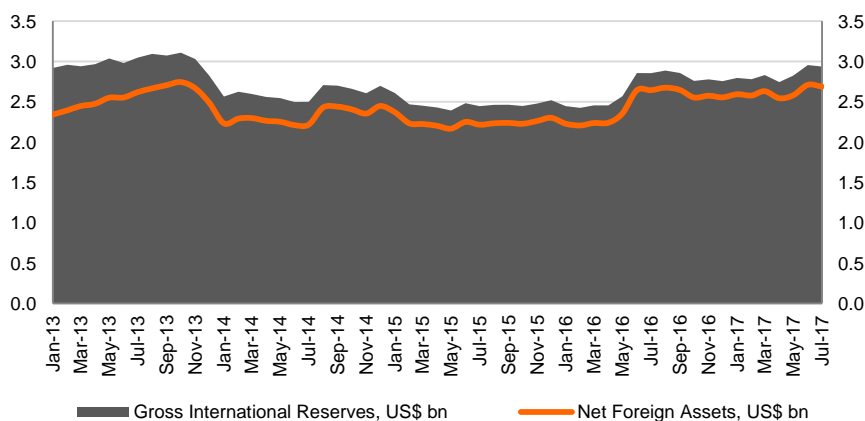
International reserves up 2.9% y/y in July 2017

Gross international reserves were up 2.9% y/y to US\$ 2.9bn in July 2017, while reserves were down 0.6% m/m, according to NBG. There were no FX interventions by central bank in July. Change in reserves was attributed to government FX operations and/or asset revaluation.

NBG purchased US\$ 20.0mn

On 7 August 2017, the NBG intervened on the FX market and purchased US\$ 20.0mn on its foreign exchange auction. YTD, it was NBG's 8th intervention on the purchasing side to curb appreciation of GEL against US\$. The central bank bought total of US\$ 129.8mn in these 8 interventions in a period between April 12 and August 7, 2017. GEL is almost 11% stronger against US\$ since the beginning of the year.

International reserves



Source: NBG

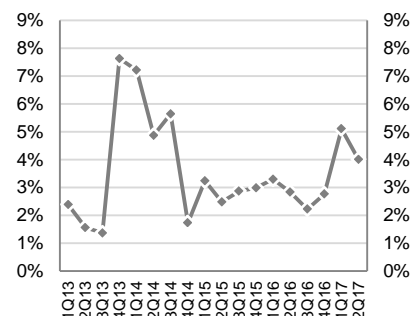
Key macro indicators

	7M17	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)	6.0%	1.8%	4.9%
Gross reserves (US\$ bn)	2.9	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 1H17

Real GDP growth, %



Source: GeoStat

Note: Rapid estimate for 2Q17

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

 BB- Stable Affirmed May-2017	 Ba3 Stable Affirmed Mar-2016	 BB- Stable Affirmed Mar-2017
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Source: Rating agencies



Money market

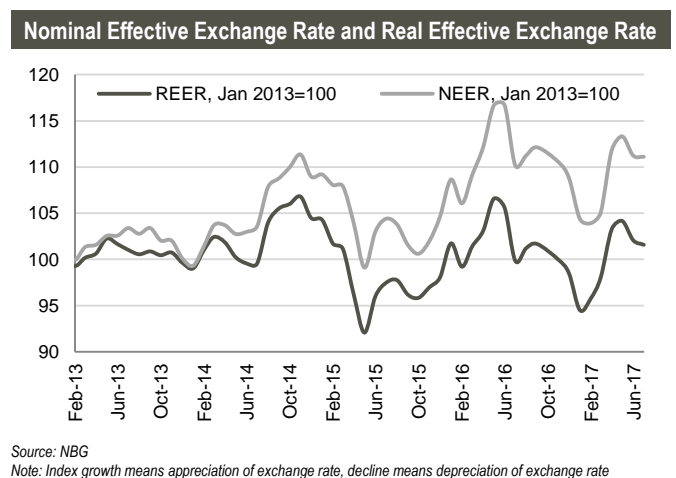
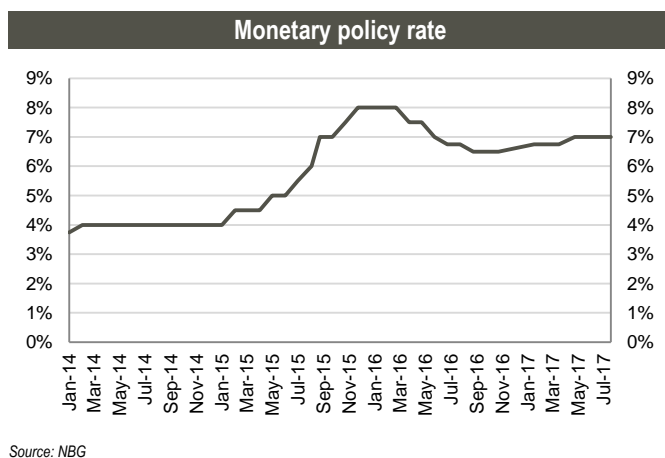
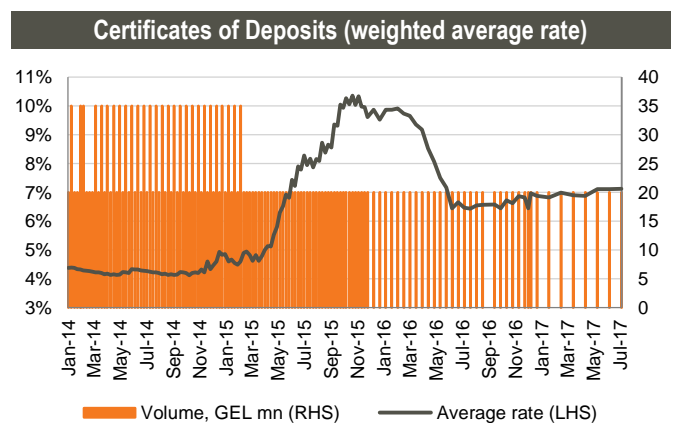
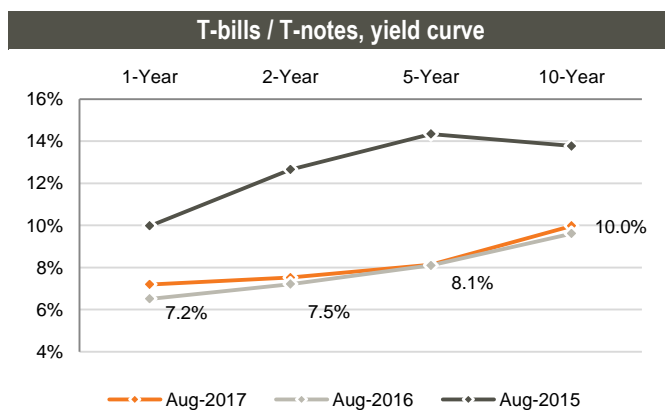
Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 950mn (US\$ 397.5mn).

Ministry of Finance Treasury Bills:

182-days GEL 20.0mn (US\$ 8.4mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on August 9, 2017. The weighted average yield was fixed at 7.126%.

Ministry of Finance Treasury Notes:

2-year GEL 20.0mn (US\$ 8.4mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on August 9, 2017. The weighted average yield was fixed at 7.520%. The nearest treasury security auction is scheduled for August 16, 2017, where GEL 20.0mn nominal value 10-year T-Notes will be sold.

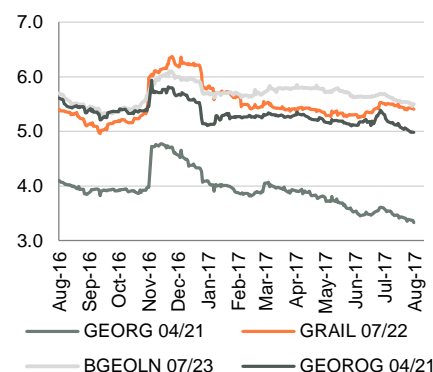


Fixed income

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.7% yield, trading at 101.4 (-0.8% 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 105.7 (unchanged w/w), yielding 5.0%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 109.9 (-0.1% w/w), yielding 5.4%.

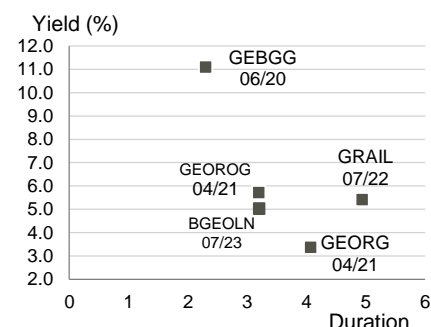
Georgian Sovereign Eurobonds (GEORG) closed at 112.0 (+0.1% w/w) at 3.4% yield to maturity.

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	101.2	99.8	105.7	101.4	112.0	109.9
Mid yield, %	n/a	6.75%	9.0%	11.1	5.0	5.7	3.4	5.4
Z-spread, bps	n/a	n/a	n/a	346.1	332.5	166.1	361.6	383.4

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	112.0	3.4	166.1
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	101.5	4.5	256.1
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	119.0	0.1	-27.1
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	112.0	1.3	112.1
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	112.8	2.6	95.0
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	116.5	2.8	102.2
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.0	2.7	106.3
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	106.9	3.6	187.1

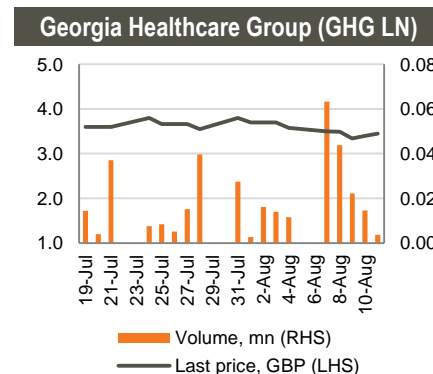
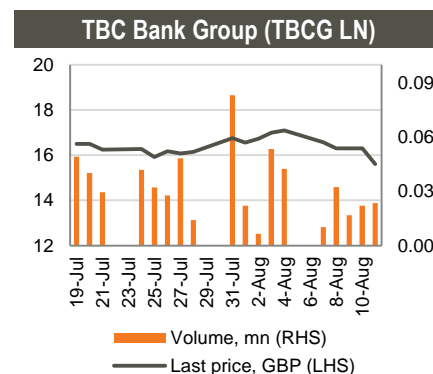
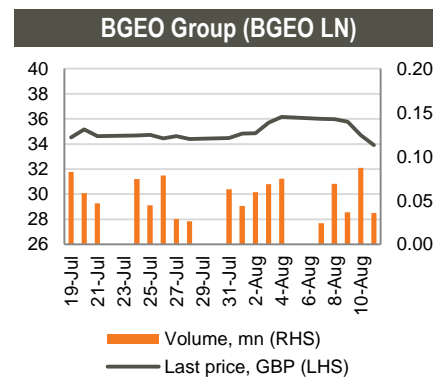
Source: Bloomberg

Equities

BGEO Group (BGEO LN) shares closed at GBP 33.92/share (-6.17% w/w and -3.77% m/m). More than 252k shares traded in the range of GBP 33.76 – 36.20/share. Average daily traded volume was 62k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 2.13% w/w and gained 1.71% m/m. The volume of BGEO shares traded was at 0.64% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 15.60 (-8.72% w/w and -6.64% m/m). More than 104k shares changed hands in the range of GBP 15.45 – 17.05/share. Averaged daily traded volume was 31k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.45/share (-3.46% w/w and -5.48% m/m). More than 147k shares were traded in the range of GBP 3.32 – 3.55/share. Average daily traded volume was 17k in the last 4 weeks. The volume of GHG shares traded was at 0.11% 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	46.72	1,841	-2.0%	-2.9%	18.3%	20.6%	24.1%
TBC*	TBC	21.16	1,120	-0.5%	-1.2%	12.4%	12.3%	62.8%**
Halyk Bank	HSBK	9.58	2,633	0.0%	20.5%	71.1%	59.9%	84.2%
KKB	KKB	0.68	271	7.3%	-36.4%	-52.1%	-52.9%	-57.2%
VTB Bank	VTBR	2.06	13,323	-0.7%	-9.4%	-10.4%	-13.9%	-0.1%
Vozrozhdenie Bank	VZRZ	10.21	242	-17.3%	-19.9%	-21.1%	-16.6%	2.6%
Sberbank	SBER	12.41	66,947	18.3%	5.1%	5.4%	7.2%	38.0%

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	4.53	597	-5.6%	-3.4%	2.0%	-2.2%	17.4%
Mouwasat	MOUWASAT	41.82	2,091	8.8%	6.7%	14.7%	6.1%	9.0%
Fortis	FORH	2.51	1,301	2.1%	-22.9%	-10.8%	-5.7%	-9.8%
Raffles	RFMD	0.85	1,513	-9.5%	-13.9%	-16.6%	-13.5%	-24.2%
IHH	IHH	1.39	11,473	1.3%	-1.8%	-2.3%	-1.6%	-14.8%
Bangkok Chain	BCH	0.42	1,057	8.7%	12.0%	11.5%	2.6%	14.1%
Netcare	NTC	1.87	2,732	-1.5%	-5.8%	-20.7%	-19.4%	-20.6%

Source: Bloomberg

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

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