

Weekly Market Watch

 Weekly Market Watch | Georgia
 Sep 17, 2018

Economy

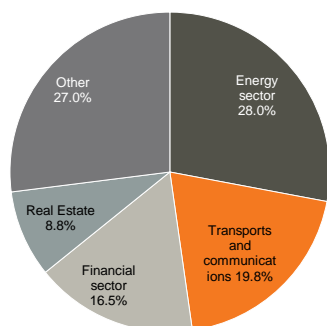
FDI up 9.4% y/y

FDI was up 9.4% y/y to US\$ 389.2mn in 2Q18, according to GeoStat's preliminary figures. A 45.9% of FDI inflows was reinvestments. The energy sector was the largest FDI recipient at US\$ 108.8mn (+651.5% y/y, 28.0% of total), followed by transport and communication sector at US\$ 77.0mn (-33.3% y/y, 19.8% of total), financial sector at US\$ 64.0mn (+3,171.7% y/y, 16.5% of total) and real estate at US\$ 34.3mn (-23.7% y/y, 8.8% of total). Azerbaijan topped the list of investors with US\$ 80.5mn (-34.4% y/y), followed by Czech Republic at US\$ 77.9mn (+231.5% y/y) and Netherlands at US\$ 65.3mn (+30.2% y/y).

Exports up 16.6% y/y in August 2018

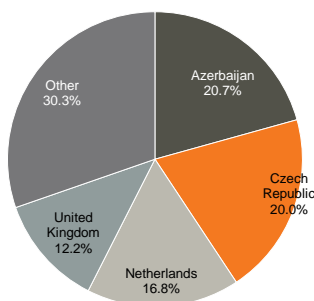
In August 2018, exports increased 16.6% y/y to US\$ 275.6mn, imports grew by 8.3% y/y to US\$ 762.1mn and the trade deficit widened 4.1% y/y to US\$ 486.5mn, according to GeoStat's preliminary figures. In 8M18, trade deficit was up 17.9% to US\$ 3.8bn as exports increased by 27.1% y/y to US\$ 2.1bn and imports were up 21.0% y/y to US\$ 6.0bn. Detailed foreign trade statistics will be available on September 19, 2018.

FDI by sectors, 2Q18



Source: GeoStat

FDI by countries, 2Q18



Key macro indicators

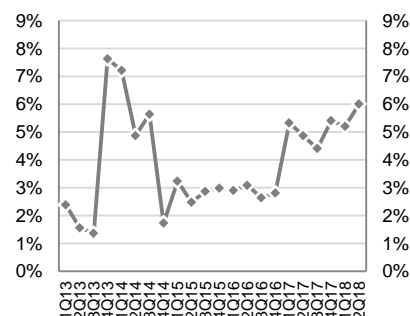
	8M18	2017	2016
GDP (% change)	5.5% ⁽¹⁾	5.0%	2.8%
GDP per capita (ppp)	...	10,747	10,053
GDP per capita (US\$)	...	4,068	3,857
Population (mn)	3.7	3.7	3.7
Inflation (eop)	3.1%	6.7%	1.8%
Gross reserves (US\$ bn)	2.9	3.0	2.8
CAD (% of GDP)	11.6% ⁽²⁾	8.9	13.2%
Fiscal deficit (% of GDP)	...	3.9%	4.1%
Total public debt (% of GDP)	...	44.6%	44.4%

Source: Official data, IMF

1) As of 7M18

2) As of 1Q18

Real GDP growth, %



Source: GeoStat

International ranking, 2017-18

Ease of Doing Business # 9 (Top 10)

Economic Freedom Index # 16 (mostly free)

Global Competitiveness Index # 67

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POOR'S BB- Stable Affirmed May-2018	Moody's INVESTORS SERVICE Ba2 Stable Affirmed Sep-2018	FitchRatings BB- Positive Affirmed Aug-2018
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Source: Rating agencies

Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,230mn (US\$ 470.2mn).

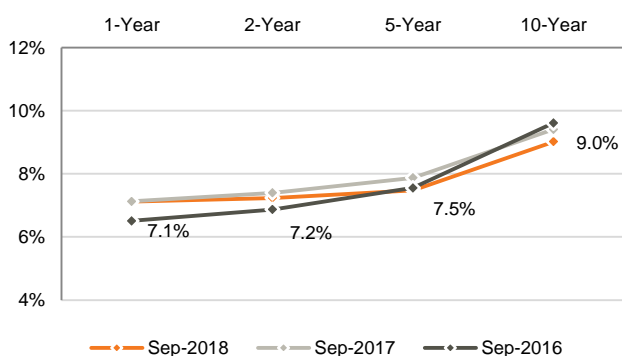
Ministry of Finance Benchmark Bonds:

2-year GEL 40.0mn (US\$ 15.4mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on September 12, 2018. The weighted average yield was fixed at 7.232%.

Ministry of Finance Treasury Bills:

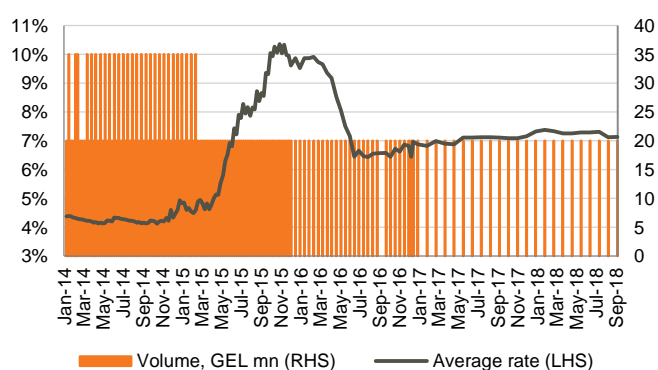
182-days GEL 20.0mn (US\$ 7.7mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on September 12, 2018. The weighted average yield was fixed at 7.139%.

T-bills / T-notes, yield curve



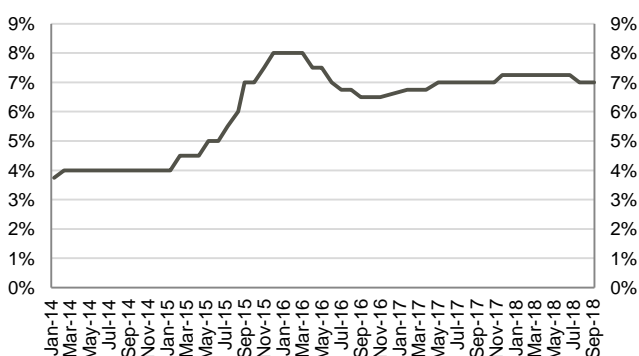
Source: NBG

Certificates of Deposits (weighted average rate)



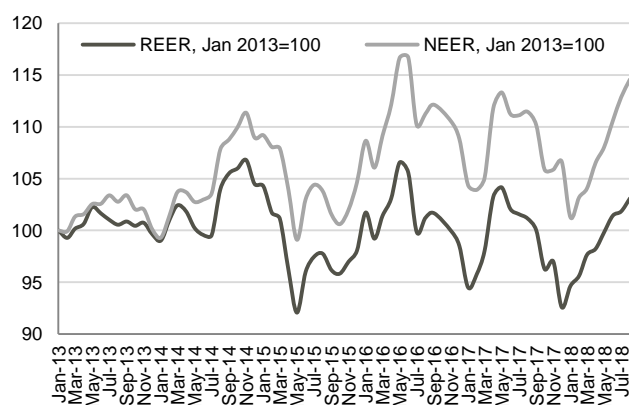
Source: NBG

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



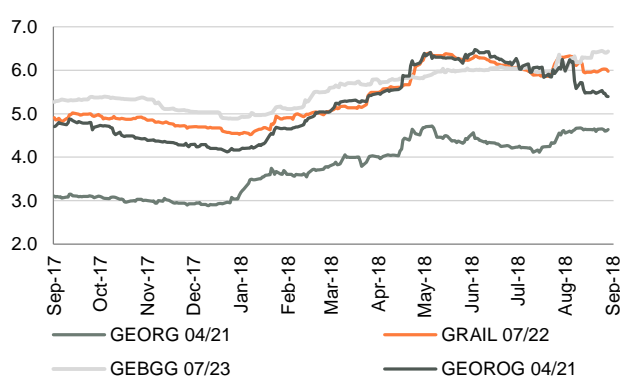
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 6.4% yield, trading at 98.2 (-0.1% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.7%. Georgia Capital Eurobonds (GEOCAP) were trading at 92.1 (-0.01% w/w), yielding 7.9%.

GOGC Eurobonds (GEOROG) were trading at 103.2 (+0.1% w/w), yielding 5.4%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 106.0 (unchanged w/w), yielding 6.0%.

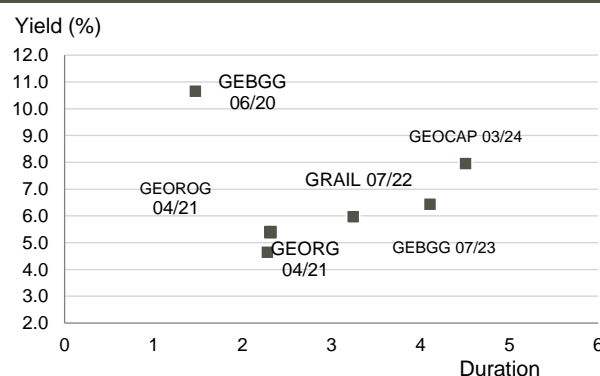
Georgian Sovereign Eurobonds (GEORG) closed at 105.3 (unchanged w/w) at 4.6% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

Georgia bonds performance

Georgia Eurobonds 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-/Ba2	105.35	4.64	165.98
GRAIL 07/22	500	7.750%	18/07/2022	B+/B+/-	105.99	5.97	295.47
GEOROG 04/21	250	6.750%	18/04/2021	BB-/B+/-	103.25	5.39	241.38
GEBGG 06/20	500*	11.000%	18/06/2020	BB-/Ba2	100.50	10.65	n/a
GEBGG 07/23	350	6.000%	18/07/2023	BB-/B2	98.21	6.43	341.37
GEOCAP 03/24	300	6.125%	18/03/2024	-B+/B2	92.06	7.94	492.02

Georgia local bonds performance

GWP 12/21	30*	10.50%**	06/12/2021	BB****/-/-	n/a	n/a	n/a
M2RE 10/19	25	7.500%	07/10/2019	B+/-/-	102.29	5.25	n/a
GLC 08/20	10	7.000%	29/08/2020	-/-/-	101.83	6.00	n/a
GLC 06/21	5	6.500%	22/06/2021	-/-/-	n/a	n/a	n/a
Nikora 06/19	10	9.000%	28/06/2019	-/-/-	n/a	n/a	n/a
Silknet 08/22	34*	10.50%**	18/08/2022	B+****/-/-	n/a	n/a	n/a
Crystal 12/19	10*	11.50%***	28/12/2019	B/-/-	101.01	11.25	n/a

Source: Bloomberg

*GEBGG 06/20 bonds, GWP 12/21 bonds, Silknet 08/22 and Crystal 12/19 bonds are in Georgian lari

**Coupon rate 3.5% over the NBG's refinancing rate

***Coupon rate 4.5% over the NBG's refinancing rate

****Company ratings

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-/Ba2	105.3	4.6	166.0
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba2	100.8	4.6	156.8
Bulgaria	323	5.000%	19/07/2021	BBB-/B2	114.0	0.1	n/a
Croatia	1,250	3.875%	30/05/2022	BB+/BB+/Ba2	112.0	0.6	46.7
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	107.1	3.4	46.2
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	109.4	3.8	76.6
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	101.8	3.9	96.5
Turkey	2,000	5.625%	30/03/2021	BB+/-/Ba2	96.1	7.3	437.3

Source: Bloomberg

Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 17.74/share (+4.16% w/w and +9.54% m/m). More than 178k shares traded in the range of GBP 16.75 – 17.82/share. Average daily traded volume was 40k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.80% w/w and lost 0.67% m/m. The volume of BGEO shares traded was at 0.36% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 10.20/share (-0.78% w/w and +3.56% m/m). More than 200k shares traded in the range of GBP 9.83 – 10.28/share. Average daily traded volume was 47k in the last 4 weeks. The volume of CGEO shares traded was at 0.52% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 15.94 (+0.63% w/w and +2.97% m/m). More than 61k shares changed hands in the range of GBP 15.64 – 16.26/share. Average daily traded volume was 21k in the last 4 weeks. The volume of TBCG shares traded was at 0.11% of its capitalization.

Georgia Healthcare Group (GHG LN) shares closed at GBP 2.36/share (+1.95% w/w and -9.07% m/m). More than 23k shares were traded in the range of GBP 2.30 – 2.40/share. Average daily traded volume was 37k in the last 4 weeks. The volume of GHG shares traded was at 0.02% of its capitalization.

Eastern European Banks

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
Bank of Georgia	BGEO	17.736*	1,141	9.5%	-8.9%	-24.7%	-26.3%	-20.6%
TBC	TBC	15.94*	1,131	3.0%	-7.0%	-12.9%	-8.9%	-1.7%
Halyk Bank	HSBK	10.20	2,997	-4.7%	-13.6%	-29.4%	3.2%	8.3%
KKB	KKB	0.68	712	0.0%	0.0%	0.0%	0.0%	0.0%
VTB Bank	VTBR	1.28	8,301	-3.6%	-8.5%	-37.6%	-30.0%	-41.8%
Vozrozhdenie	VZRZ	6.42	152	-1.6%	0.4%	-21.8%	-26.2%	-32.2%
Sberbank	SBER	11.45	61,793	-3.5%	-19.3%	-38.8%	-32.4%	-17.6%

Source: Bloomberg

*BGEO and TBC share prices traded and shown in GBP

Investment Management Company Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
Georgia Capital	CGEO	10.2*	512	3.6%	-11.7%	N/A	N/A	N/A
Creades	CREDA	28.81	236	-2.3%	-10.0%	-29.9%	-20.9%	-15.0%
CIE du Bois	COMB	470.98	794	4.3%	1.5%	-6.3%	9.5%	15.1%
Tinc Comm	TINC	14.51	396	6.2%	2.3%	-3.1%	-3.9%	-1.9%
Edify	EDIFY	69.95	340	1.9%	-0.6%	-8.8%	2.1%	11.9%

Source: Bloomberg

*CGEO share price traded and shown in GBP

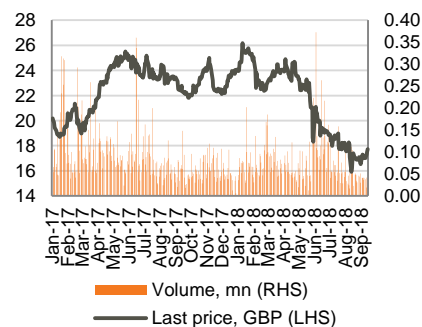
Healthcare Sector Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG	GHG	2.355*	406	-9.1%	0.2%	-26.6%	-33.7%	-24.0%
Mouwasat	MOUWASAT	21.41	2,141	-12.7%	-14.3%	-8.7%	6.0%	-0.1%
Fortis	FORH	2.02	1,045	-3.4%	-0.2%	-17.6%	-19.8%	-14.7%
Raffles	RFMD	0.82	1,467	5.1%	6.3%	-10.2%	-2.6%	1.6%
IHH	IHH	1.28	10,539	-3.4%	-16.5%	-18.0%	-11.4%	-10.4%
Bangkok Chain	BCH	0.59	1,467	10.7%	16.9%	11.7%	18.3%	32.5%
Netcare	NTC	1.86	2,736	-4.3%	-14.3%	-10.8%	-8.4%	4.5%

Source: Bloomberg

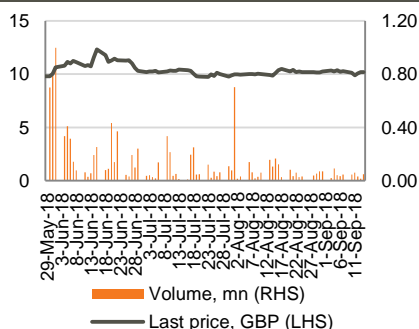
*GHG share price traded and shown in GBP

Bank of Georgia Group (BGEO LN)



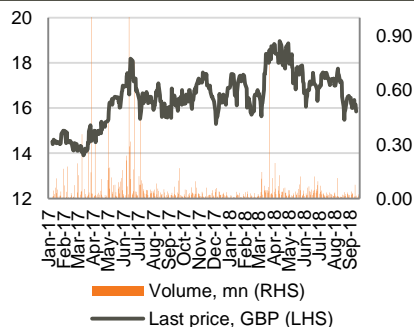
Source: Bloomberg

Georgia Capital (CGEO LN)



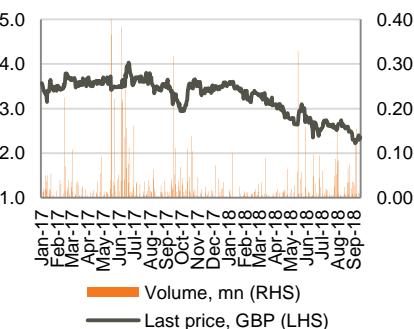
Source: Bloomberg

TBC Bank Group (TBCG LN)



Source: Bloomberg

Georgia Healthcare Group (GHG LN)



Source: Bloomberg

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