

Weekly Market Watch

 Weekly Market Watch | Georgia
 Aug 21, 2017

Economy

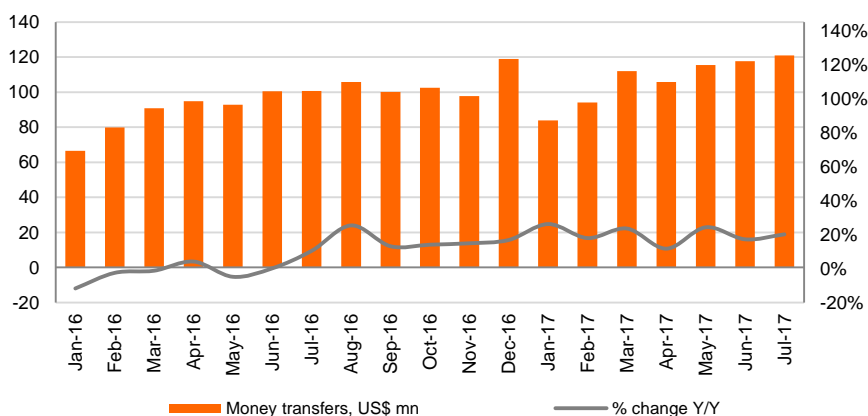
Exports up 22.1% y/y in July 2017

In July 2017, exports increased 22.1% y/y to US\$ 212.0mn, imports were up 6.0% y/y to US\$ 636.2mn and the trade deficit narrowed 0.5% y/y to US\$ 424.2mn according to GeoStat's preliminary figures. In 7M17, trade deficit was almost flat and amounted to US\$ 2.8bn as exports increased 28.9% y/y to US\$ 1.4bn, while imports were up 8.5% y/y to US\$ 4.2bn. Detailed foreign trade statistics will be available on August 21, 2017.

Money transfers up 20.1% y/y in July 2017

In July 2017, money transfers increased 20.1% y/y to US\$ 120.9mn after growing 17.1% y/y in previous month, according to NBG. Money transfers were up from almost all major remitting countries: Russia (+14.3% y/y, 35.6% of total), USA (+15.6% y/y, 10.5% of total), Italy (+21.2% y/y, 10.0% of total), Israel (+112.5% y/y, 8.6% of total) and Turkey (+28.2% y/y, 7.7% of total), while transfers were down from Greece (-3.0% y/y, 8.8% of total). In 7M17 money transfers were up 19.8% y/y to US\$ 749.9mn.

Money transfers



Source: NBG

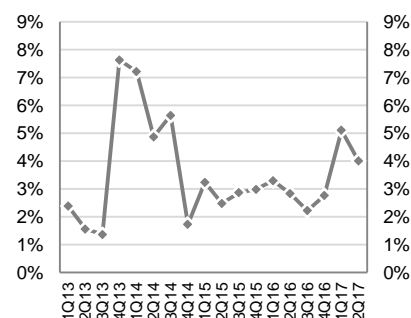
Key macro indicators

	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

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

STANDARD & POOR'S BB- Stable Affirmed May-2017	Moody's INVESTORS SERVICE Ba3 Stable Affirmed Mar-2016	FitchRatings BB- Stable Affirmed Mar-2017
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Source: Rating agencies



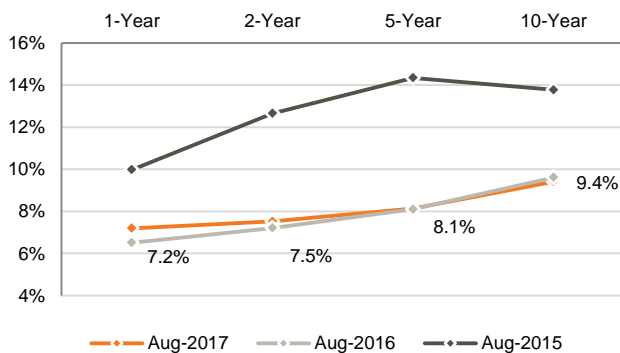
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,000mn (US\$ 418.7mn).

Ministry of Finance Treasury Notes:

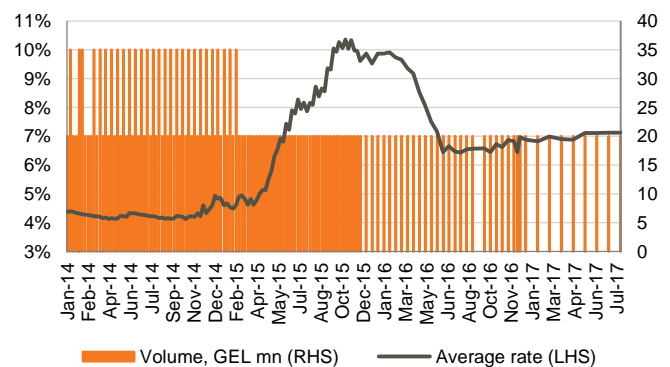
10-year GEL 20.0mn (US\$ 8.4mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on August 16, 2017. The weighted average yield was fixed at 9.410%. The nearest treasury security auction is scheduled for August 30, 2017, where GEL 20.0mn nominal value 5-year T-Notes will be sold.

T-bills / T-notes, yield curve



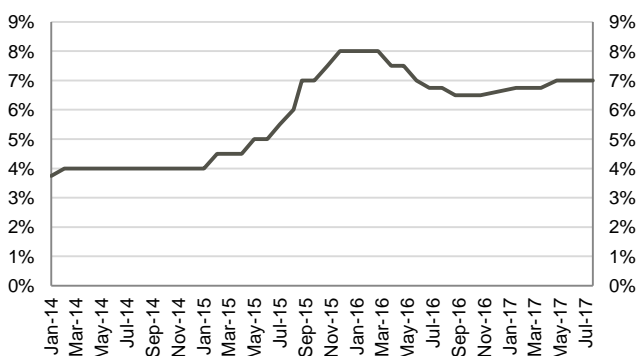
Source: NBG

Certificates of Deposits (weighted average rate)



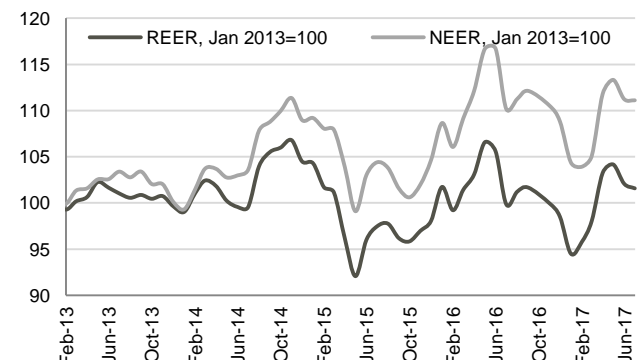
Source: NBG

Monetary policy rate



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG

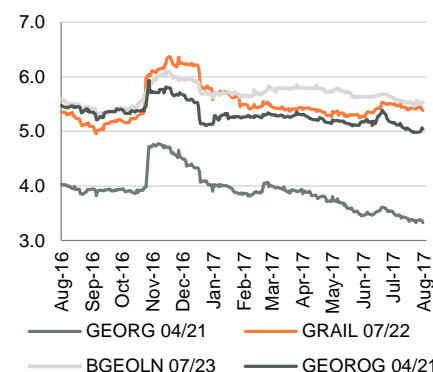
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.5% yield, trading at 102.4 (+1.0% 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 105.5 (-0.5% w/w), yielding 5.1%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 109.9 (unchanged w/w), yielding 5.4%.

Georgian Sovereign Eurobonds (GEORG) closed at 112.1 (+0.1% w/w) at 3.3% yield to maturity.

Georgia Eurobonds, YTM (%)



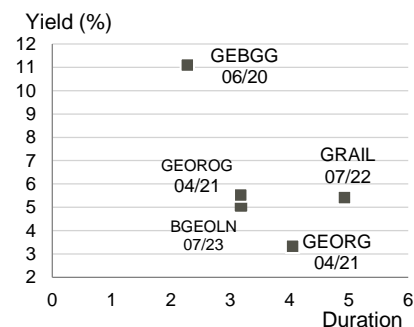
	Local bonds				Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	Nikora 06/19	GEBGG 06/20	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	5.0	10.0	500*	250	350	500	500
Issue date	12/16	10/16	03/16	08/17	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	06/19	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	11.0	9.0	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	101.1	100.0	99.8	105.5	102.4	112.1	109.9
Mid yield, %	n/a	6.75%	9.0%	9.0%	11.1	5.1	5.5	3.3	5.4
Z-spread, bps	n/a	n/a	n/a	n/a	346.1	337.0	160.9	360.6	364.1

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

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	112.1	3.3	160.9
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	102.1	4.4	245.2
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	118.9	0.1	-26.8
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa2	112.0	1.3	111.5
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	113.0	2.6	85.8
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	116.6	2.8	99.4
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.0	2.7	102.0
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Baa1	106.9	3.6	185.2

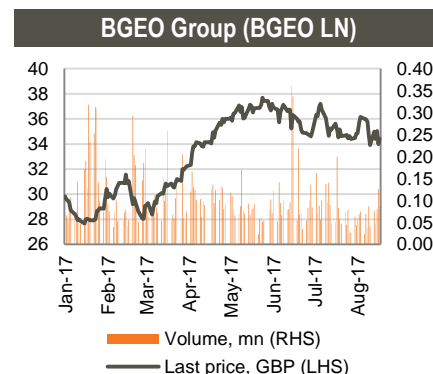
Source: Bloomberg

Equities

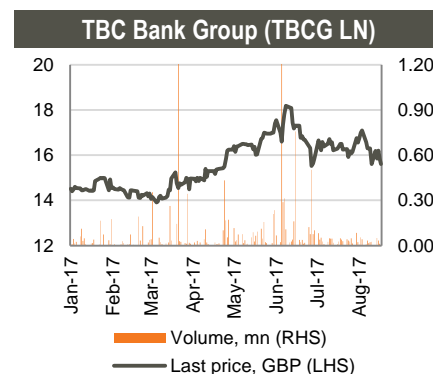
BGEO Group (BGEO LN) shares closed at GBP 34.43/share (+1.50% w/w and -1.99% m/m). More than 403k shares traded in the range of GBP 31.93 – 35.79/share. Average daily traded volume was 61k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.45% w/w and gained 0.10% m/m. The volume of BGEO shares traded was at 1.03% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 15.60 (unchanged w/w and -4.88% m/m). More than 103k shares changed hands in the range of GBP 15.47 – 16.66/share. Averaged daily traded volume was 28k in the last 4 weeks.

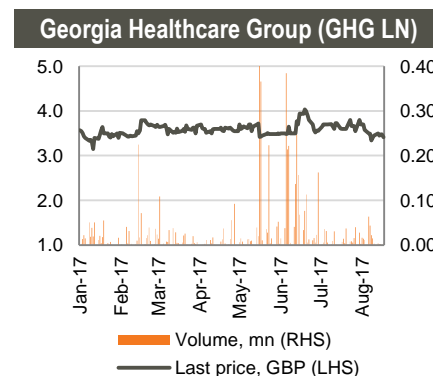
Georgia Healthcare Group (GHG LN) shares closed at GBP 3.42/share (-1.01% w/w and -5.14% m/m). More than 11k shares were traded in the range of GBP 3.30 – 3.50/share. Average daily traded volume was 15k in the last 4 weeks. The volume of GHG shares traded was at 0.01% of its capitalization.



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	44.26	1,744	-2.1%	-6.6%	9.0%	15.3%	16.2%
TBC*	TBC	20.38	1,079	-2.3%	-3.8%	9.6%	9.1%	56.8%**
Halyk Bank	HSBK	9.87	2,713	0.3%	29.0%	49.5%	64.8%	77.8%
KKB	KKB	0.68	271	-9.3%	-43.1%	-54.7%	-52.9%	-57.2%
VTB Bank	VTBR	2.02	13,084	-4.2%	-12.8%	-13.4%	-15.4%	-1.0%
Vozrozhdenie Bank	VZRZ	9.75	231	-21.8%	-26.1%	-26.8%	-20.4%	-3.3%
Sberbank	SBER	12.20	65,813	6.9%	-2.0%	4.9%	5.4%	35.9%

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	4.44	585	-7.4%	-6.8%	-1.4%	-3.4%	12.2%
Mouwasat	MOUWASAT	41.97	2,098	0.4%	7.1%	9.9%	6.5%	14.3%
Fortis	FORH	2.34	1,214	-7.6%	-27.0%	-18.5%	-12.0%	-18.9%
Raffles	RFMD	0.83	1,477	-10.3%	-17.1%	-19.4%	-15.6%	-26.3%
IHH	IHH	1.39	11,488	0.1%	-2.2%	0.1%	-1.5%	-16.2%
Bangkok Chain	BCH	0.41	1,034	7.7%	11.9%	4.5%	0.4%	18.6%
Netcare	NTC	1.92	2,809	-2.0%	-5.0%	-23.4%	-17.2%	-21.7%

Source: Bloomberg

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

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