

Weekly Market Watch

Weekly Market Watch | Georgia
October 24, 2016

Economy

Exports up 8.3% y/y in September 2016

In September 2016, exports increased 8.3% y/y at US\$ 201.7mn, imports were down 1.6% y/y to US\$ 631.1mn excluding donated hepatitis-C medication imports, and the trade deficit narrowed 5.7% y/y to US\$ 429.3mn according to GeoStat. Increased exports of copper ores (+172.9% y/y), nuts (+18.6% y/y), cars (+8.6% y/y), and crude oil (+7.2% y/y) were the major commodities positively affecting exports growth in September 2016, while pharmaceuticals (-15.6% y/y), ferro-alloys (-6.4% y/y), and wine (-14.4% y/y) exports decreased.

Petroleum (-8.4% y/y), cars (+14.0% y/y), copper ores (+20.6% y/y), pharmaceuticals (-0.5% y/y, excluding donated hepatitis-C medicine), and gases (-43.5% y/y) represented the top 5 imported commodities in September 2016.

In 9M16, trade deficit was down 1.1% y/y to US\$ 3.68bn, excluding one-offs, as imports were down 3.3% y/y to US\$ 5.19bn and exports fell 8.1% y/y to US\$ 1.51bn.

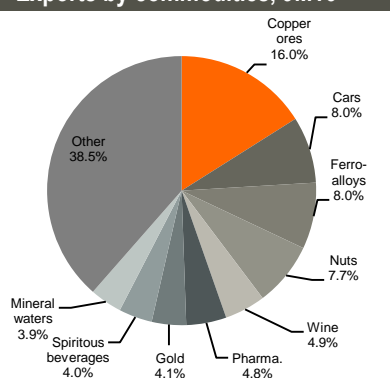
Property registration up 10.6% y/y in September 2016

Property registration (commercial and residential real estate) increased 10.6% y/y (-3.9% m/m), reaching 54,265 units in September 2016, according to the National Agency of Public Registry. Registration increased for primary (+44.0% y/y, 24.6% of total), as well as secondary (+2.8% y/y, 75.4% of total) properties.

Company registration up 9.6% y/y in September 2016

In September 2016, company registration increased 9.6% y/y (+5.7% m/m) to 4,228 units, according to the National Agency of Public Registry. Out of newly registered companies, 96.1% were business legal entities, while 3.9% comprised non-entrepreneurial (non-commercial) legal entities.

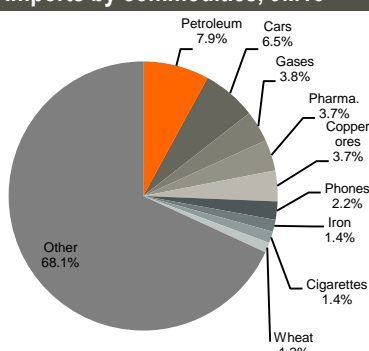
Exports by commodities, 9M16



Source: GeoStat

Note: 9M16 imports provided excluding donated C-hepatitis medicine imports

Imports by commodities, 9M16



Key macro indicators

	9M16	2015	2014
GDP (% change)	2.7% ⁽³⁾	2.8%	4.6%
GDP per capita (ppp)	...	9,630	9,209
GDP per capita (US\$)	...	3,759	3,676
Population (mn)	3.7 ⁽¹⁾	3.7 ⁽¹⁾	4.5
Inflation (eop)	0.1%	4.9%	2.0%
Gross reserves (US\$ bn)	2.9	2.5	2.7
CAD (% of GDP)	13.4% ⁽²⁾	11.8%	10.6%
Fiscal deficit (% of GDP)	...	3.8%	3.0%
Total public debt (% of GDP)	...	41.5%	35.5%

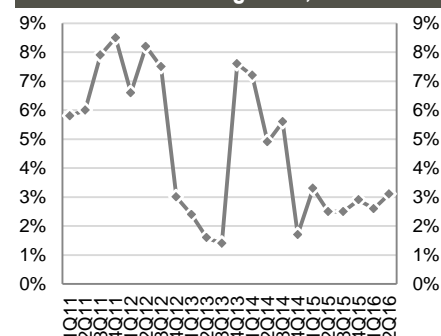
Source: Official data, IMF

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

(2) As of 2Q16

(3) As of 8M16

Real GDP growth, %



Source: GeoStat

International ranking of Georgia, 2016

Ease of Doing Business # 24 (regional leader)
 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

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



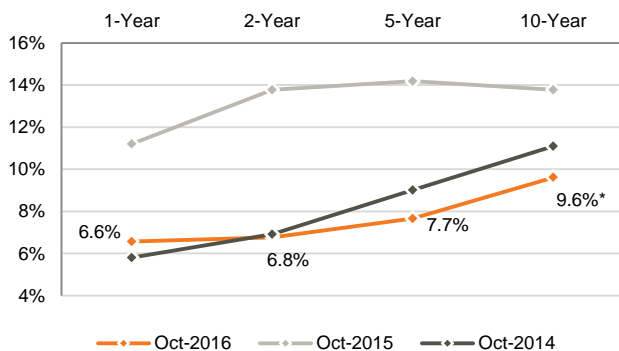
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,330mn (US\$ 561.8mn).

Certificates of deposit: NBG sold 182-day, GEL 20mn (US\$ 8.4mn) certificates of deposit, with an average yield of 6.72% (up by 14bps from previous issue).

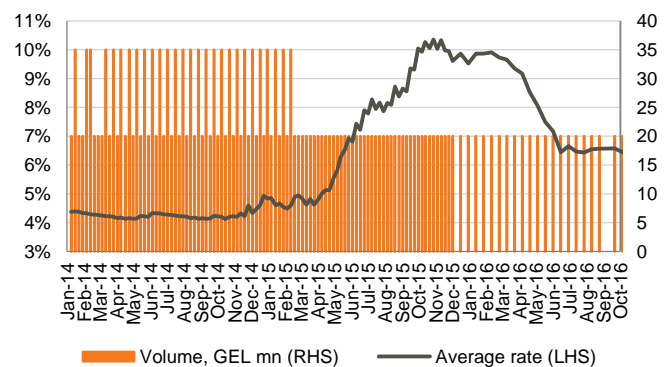
Ministry of Finance Treasury Notes: 5-year GEL 20mn (US\$ 8.4mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on October 19, 2016. The weighted average yield was fixed at 7.654%. The nearest treasury securities auction is scheduled for October 26, 2016, where GEL 50mn nominal value 1-year T-Bills will be sold.

T-bills / T-notes, yield curve



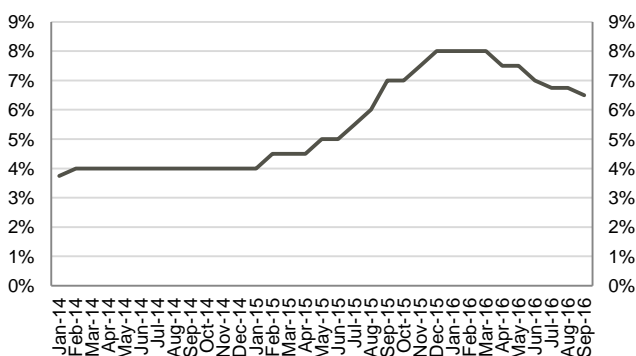
Source: NBG
*As of latest auction

Certificates of Deposits (weighted average rate)



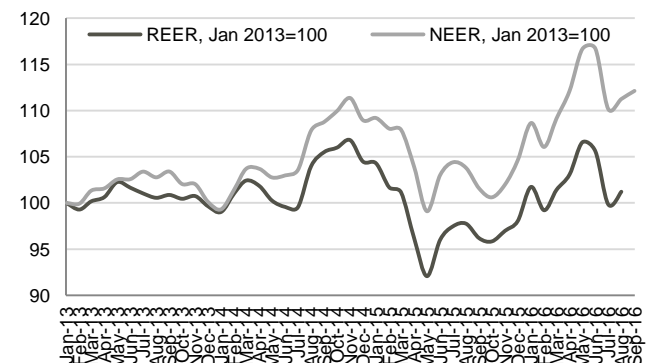
Source: NBG

Monetary policy rate



Source: NBG
Note: Next revision of a monetary policy rate is scheduled for 26 October 2016

Nominal Effective Exchange Rate and Real Effective Exchange Rate



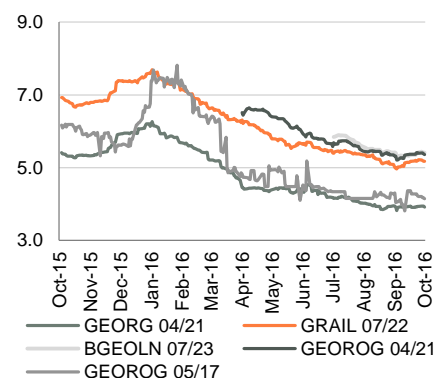
Source: NBG
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

Corporate Eurobonds: Bank of Georgia Eurobond (BGEOLN) closed at 5.4% yield, trading at 103.3 (-0.1% w/w). GOGC Eurobonds - GEOROG 05/17 traded at 101.7 (+0.1% w/w), yielding 3.8% and GEOROG 04/21 traded at 105.63 (+0.3% w/w), yielding 5.3%. Georgian Railway Eurobond (GRAIL) traded at a premium at 112.6 (+0.2% w/w), yielding 5.2%.

Georgian Sovereign Eurobond (GEORG) closed at 112.1 (unchanged w/w) at 3.9% yield to maturity.

Georgia Eurobonds, YTM (%)



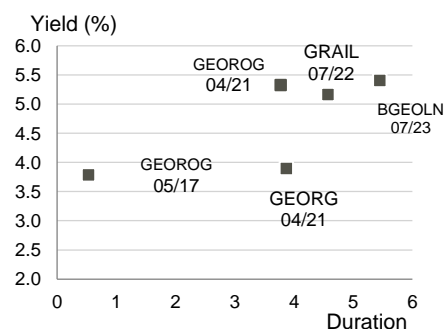
	Local bonds					Eurobonds				
	M2RE 10/19	Nikora 03/18	GWP 11/17	EVEX 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	25	5	6*	15	10	250	250	350	500	500
Issue date	10/16	03/16	12/15	05/15	09/14	04/16	05/12	07/16	04/11	07/12
Maturity date	10/19	03/18	12/17	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\$	100.65	102.93	100.0*	101.63	101.45	105.6	101.7	103.3	112.1	112.6
Mid yield, %	7.25	8.750	15.0	6.50	7.125	5.3	3.8	5.4	3.9	5.2
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	397.2	184.7	395.2	258.9	393.8

Source: Bloomberg

*GWP 11/17 bonds are in Georgian lari

**Floating rate with 7.5% 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	3.9	258.9
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1/-	104.4	4.1	258.4
Bulgaria	323	5.000%	19/07/2021	BBB-/	121.2	0.5	-232.1
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	108.1	2.3	228.9
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	115.1	2.7	149.8
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	119.1	2.8	147.3
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	107.1	2.9	161.0
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	106.6	4.0	270.1

Source: Bloomberg

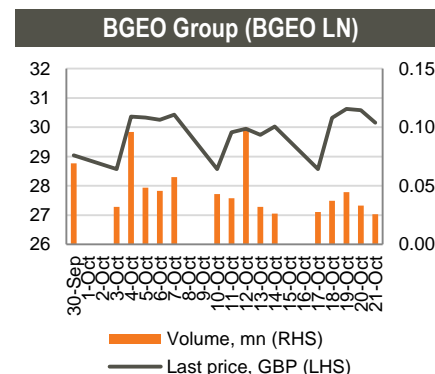
Equities

BGEO Group (BGEO LN) shares closed at GBP 30.16/share (+0.43% w/w and +0.03% m/m). More than 168k shares traded in the range of GBP 29.50 – 30.81/share. Average daily traded volume was 49k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BGEO is a constituent, lost 0.31% w/w and lost 0.05% m/m. The volume of BGEO shares traded was at 0.43% of its capitalization.

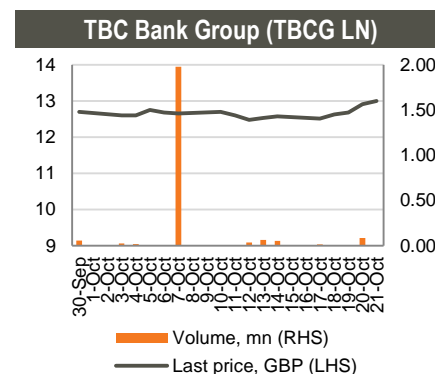
TBC Bank Group (TBCG LN) closed the week at GBP 13.00 (+3.38% w/w and +12.99% m/m). More than 99k shares changed hands in the range of GBP 12.50 – 13.00/share. Averaged daily traded volume was 152k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.39/share (+3.43% w/w and +9.53% m/m). More than 40k shares were traded in the range of GBP 3.25 – 3.43/share. Average daily traded volume was 18k in the last 4 weeks. The volume of GHG shares traded was at 0.03% of its capitalization.

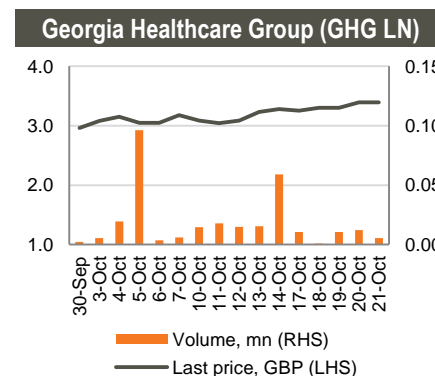
On the Georgian stock exchange, Liberty Bank shares were traded at GEL 0.016 (unchanged w/w). As a result, the G&T Index remained at 908.54 (unchanged w/w).



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*	BGEO	36.80	1,454	-6.0%	0.1%	18.5%	31.2%	13.8%
TBC*	TBC	15.86	827	8.2%	18.4%	57.8%	57.0%	77.2%
Halyk Bank	HSBK	6.60	1,814	4.6%	16.0%	69.2%	33.3%	3.1%
KKB	KKB	1.38	550	-13.2%	-13.2%	2.2%	12.7%	-52.2%
VTB Bank	VTBR	2.11	13,699	-6.5%	2.3%	-0.3%	0.2%	-9.1%
Vozrozhdenie Bank	VZRZ	11.17	265	3.4%	11.8%	50.5%	35.3%	17.2%
Sberbank	SBER	9.69	52,294	0.7%	6.6%	24.5%	64.8%	64.7%

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

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG*	GHG	4.14	545	3.0%	-0.6%	60.4%	81.1%	N/A
Mouwasat	MOUWASAT	31.13	1,556	-4.2%	-14.2%	-7.5%	-4.1%	-1.7%
Fortis	FORH	2.65	1,227	3.0%	-1.5%	-1.8%	-2.6%	4.1%
Raffles	RFMD	1.08	1,891	-3.6%	-8.3%	-4.4%	10.6%	4.0%
IHH	IHH	1.54	12,640	-2.2%	-3.7%	-10.5%	0.4%	1.4%
Bangkok Chain	BCH	0.36	894	6.4%	2.8%	17.4%	42.8%	81.3%
Netcare	NTC	2.55	3,722	9.9%	10.6%	0.7%	16.3%	-11.3%

Source: Bloomberg

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



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