

Weekly Market Watch

 Weekly Market Watch | Georgia
 April 18, 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's preliminary figures. Detailed foreign trade statistics will be available on April 19, 2017.

Money transfers up 23.5% y/y in March 2017

In March 2017, money transfers increased 23.5% y/y to US\$ 112.0mn after growing 17.9% y/y in previous month, according to NBG. Money transfers were up from all major remitting countries: Russia (+27.5% y/y, 34.2% of total), USA (+18.0% y/y, 10.5% of total), Greece (+16.2% y/y, 10.3% of total), Italy (+13.7% y/y, 9.9% of total), and Turkey (+25.0% y/y, 8.3% of total). In 3M17 money transfers were up 22.3% y/y to US\$ 290.1mn.

NBG Purchased USD\$ 10mn

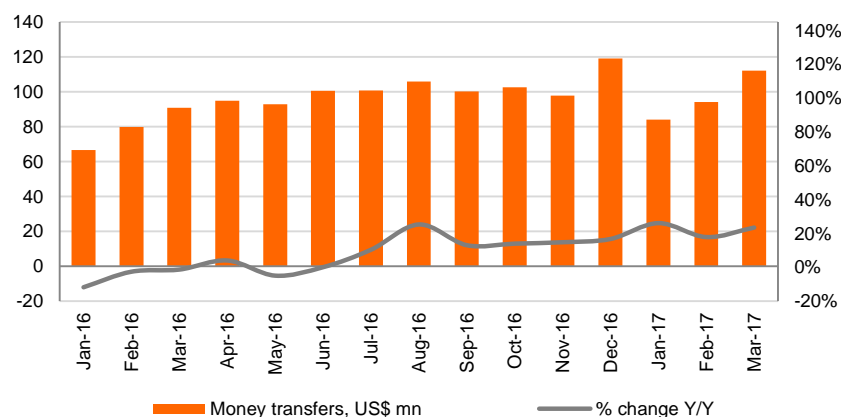
On April 12, 2017, the NBG intervened on the FX market and purchased USD\$ 10mn to curb appreciation of the national currency. This was first intervention since the start of the year. The GEL strengthened 10.8% against the US\$ YTD.

IMF Executive Board Approves US\$ 285.3mn New Program for Georgia

On April 12, 2017, the Executive Board of the International Monetary Fund (IMF) approved a three-year extended arrangement under the Extended Fund Facility (EFF) for Georgia for an amount of SDR 210.4mn (about US\$ 285.3mn or 100% of quota) to support the authorities' economic reform program. The Executive Board's approval allows for an immediate disbursement of SDR 30mn (or about US\$ 40.7mn). The remaining amount will be phased over the duration of the program, subject to six semi-annual reviews.

The program will help Georgia reduce economic vulnerabilities, pursue well-coordinated policies, and promote economic growth. The program includes ambitious structural reforms to generate higher and more inclusive growth, focusing on: improving education; investing in infrastructure; making the public administration more efficient; and improving further the business environment to boost the private sector as a growth engine.

Money transfers



Source: NBG

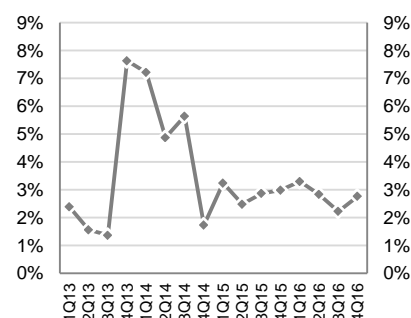
Key macro indicators

	3M17	2016	2015
GDP (% change)	4.8% ¹	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&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

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



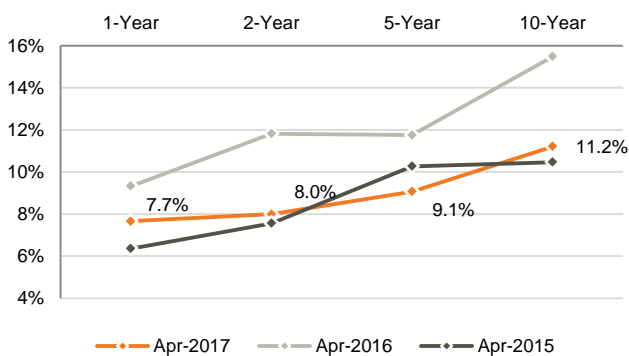
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,370mn (US\$ 572.9mn).

Ministry of Finance Treasury Notes: 2-year GEL 40.0mn (US\$ 16.6mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on April 12, 2017. The weighted average yield was fixed at 7.995%. The nearest treasury security auction is scheduled for April 19, 2017, where GEL 20.0 nominal value 10-years T-Notes will be sold.

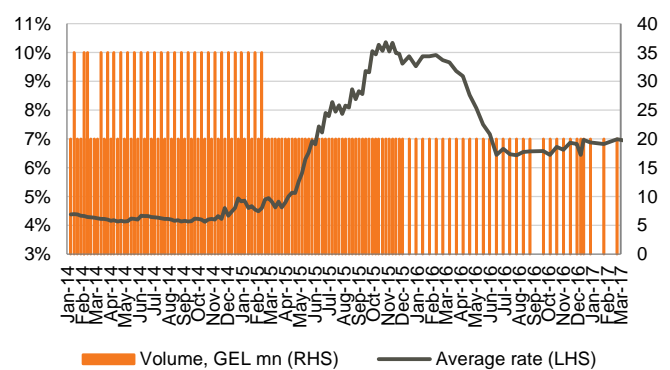
Ministry of Finance Treasury Bills: 182-days GEL 20.0mn (US\$ 8.3mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on April 12, 2017. The weighted average yield was fixed at 6.971%.

T-bills / T-notes, yield curve



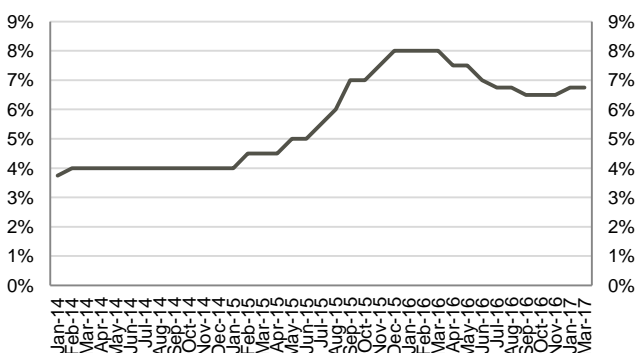
Source: NBG

Certificates of Deposits (weighted average rate)



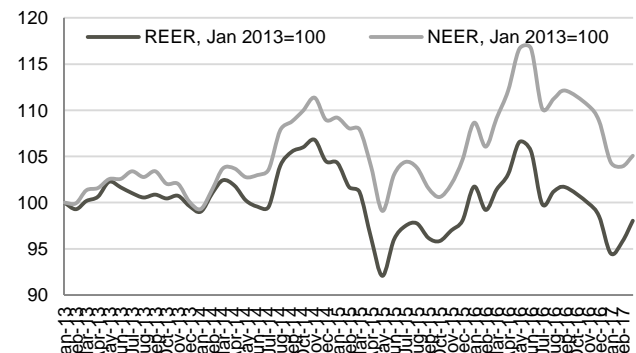
Source: NBG

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

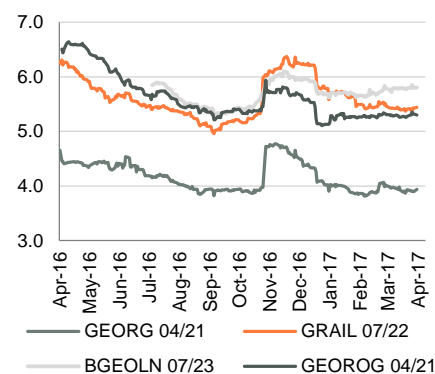


Fixed income

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.8% yield, trading at 101.0 (-0.1% w/w). GOGC Eurobonds (GEOROG) were trading at 105.1 (-0.2% w/w), yielding 5.3%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 110.3 (-0.4% w/w), yielding 5.5%.

Georgian Sovereign Eurobonds (GEORG) closed at 110.8 (-0.2% w/w) at 3.9% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

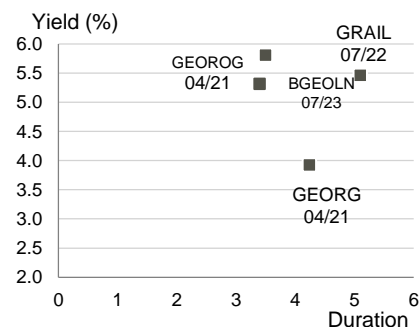
	Local bonds				Eurobonds			
	GWP 12/21	M2RE 10/19	Nikora 03/18	GLC 09/17	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	5.0	10.0	250	350	500	500
Issue date	12/16	10/16	03/16	09/14	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	09/17	04/21	07/23	04/21	07/22
Coupon, %	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	101.8	101.0	105.1	101.0	110.8	110.3
Mid yield, %	n/a	6.75%	9.0%	6.25%	5.3	5.8	3.9	5.5
Z-spread, bps	n/a	n/a	n/a	n/a	355.8	216.9	360.0	386.3

Source: Bloomberg

*GWP 12/21 bonds are in Georgian lari

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

Georgian Eurobond universe



Source: Bloomberg

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	110.8	3.9	216.9
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	101.6	4.5	248.2
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	119.8	0.3	-230.4
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa2	109.1	2.0	187.4
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	113.3	2.8	103.4
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	116.2	3.1	124.8
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.7	2.7	103.2
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Baa1	105.6	4.1	231.9

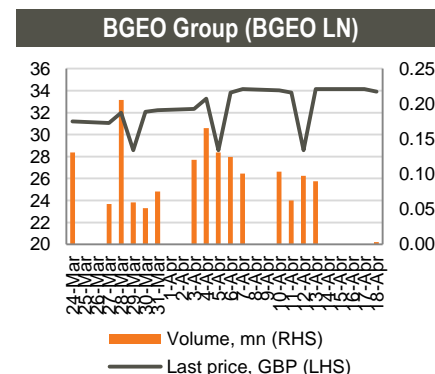
Source: Bloomberg

Equities

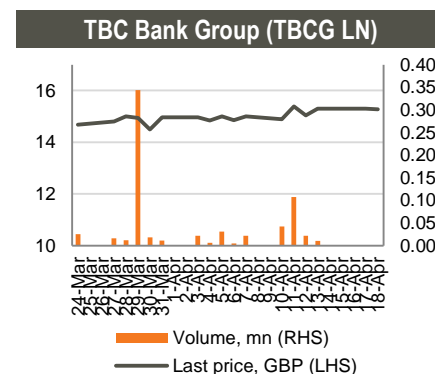
BGEO Group (BGEO LN) shares closed at GBP 34.15/share (+0.03% w/w and +13.68% m/m). More than 454k shares traded in the range of GBP 33.53 – 34.34/share. Average daily traded volume was 93k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 1.54% w/w and gained 3.03% m/m. The volume of BGEO shares traded was at 1.15% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 15.30 (+2.00% w/w and +7.82% m/m). More than 202k shares changed hands in the range of GBP 14.80 – 15.50/share. Averaged daily traded volume was 131k in the last 4 weeks.

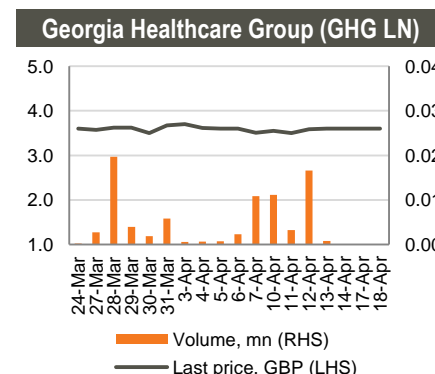
Georgia Healthcare Group (GHG LN) shares closed at GBP 3.60/share (+2.56% w/w and +1.98% m/m). More than 44k shares were traded in the range of GBP 3.50 – 3.60/share. Average daily traded volume was 27k in the last 4 weeks. The volume of GHG shares traded was at 0.03% of its capitalization.



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	42.72	1,686	12.4%	23.7%	14.6%	52.3%	40.9%
TBC*	TBC	19.24	1,013	3.7%	68.0%	53.9%	90.5%	92.4%
Halyk Bank	HSBK	7.19	1,976	0.7%	1.6%	10.1%	45.3%	84.1%
KKB	KKB	1.10	439	-23.3%	-18.5%	-20.3%	-10.2%	19.6%
VTB Bank	VTBR	2.22	14,380	-1.2%	-2.1%	5.2%	5.2%	4.1%
Vozrozhdenie Bank	VZRZ	12.92	307	0.0%	1.2%	12.9%	56.6%	80.1%
Sberbank	SBER	11.16	60,201	-2.0%	-1.1%	16.4%	89.7%	50.5%

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	4.51	593	3.2%	2.5%	11.1%	97.3%	77.8%
Mouwasat	MOUWASAT	40.66	2,033	8.0%	5.2%	33.2%	25.3%	27.6%
Fortis	FORH	3.13	1,621	11.8%	14.0%	14.3%	15.2%	16.1%
Raffles	RFMD	1.03	1,809	2.3%	-0.2%	-5.8%	5.6%	-8.3%
IHH	IHH	1.36	11,201	1.0%	-2.6%	-11.3%	-11.0%	-20.5%
Bangkok Chain	BCH	0.38	950	1.3%	-12.6%	5.1%	51.8%	21.2%
Netcare	NTC	1.88	2,750	-22.3%	-22.5%	-25.1%	-14.1%	-24.8%

Source: Bloomberg

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

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