

Weekly Market Watch

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Nov 20, 2017

Economy

2016 and 1H17 real GDP growth revised upwards

Based on GeoStat's annual adjustment, real GDP growth was 2.8% in 2016 up by 0.1ppts from preliminary estimate. 1H17 data was also adjusted; 1H17 real GDP growth was revised up to 5.1% (5.3% in 1Q and 4.9% in 2Q) from 4.9% preliminary estimate.

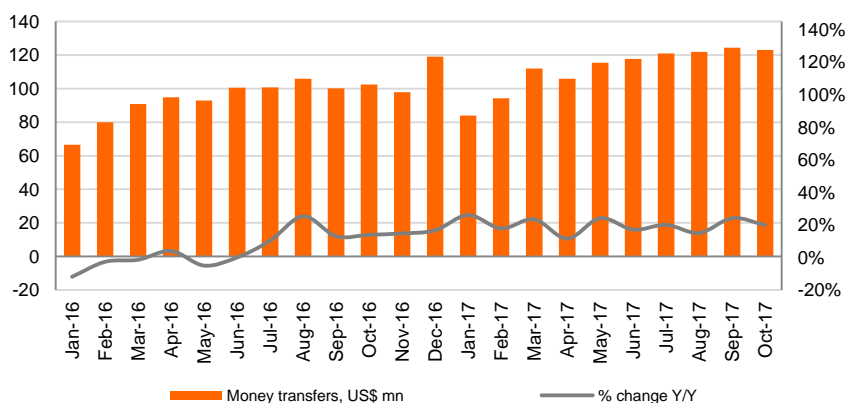
Exports up 38.3% y/y in October 2017

In October 2017, exports increased 38.3% y/y to US\$ 262.8mn, imports were up 10.4% y/y to US\$ 730.8mn and the trade deficit narrowed 0.9% y/y to US\$ 468.0mn according to GeoStat's preliminary figures. In 10M17, trade deficit was down 0.9% to US\$ 4.2bn as exports increased 29.4% y/y to US\$ 2.2bn, while imports were up 7.8% y/y to US\$ 6.4bn. Detailed foreign trade statistics will be available on November 20, 2017.

Money transfers up 20.0% y/y in October 2017

In October 2017, money transfers increased 20.0% y/y to US\$ 123.0mn after growing 24.2% y/y in previous month, according to NBG. Money transfers were up from all major remitting countries: Russia (+13.4% y/y, 31.9% of total), Greece (+17.1% y/y, 10.8% of total), Italy (+24.2% y/y, 10.3% of total), USA (+6.1% y/y, 10.0% of total), Israel (+96.9% y/y, 9.0% of total) and Turkey (+15.3% y/y, 8.2% of total). In 10M17 money transfers were up 19.7% y/y to US\$ 1.1bn.

Money transfers



Source: NBG

Key macro indicators

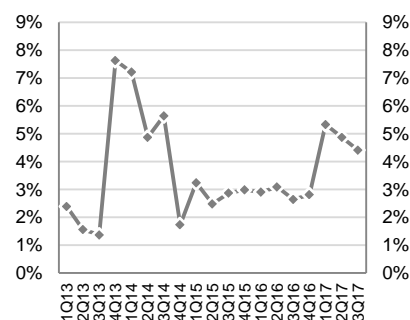
	10M17	2016	2015
GDP (% change)	4.8% ⁽¹⁾	2.8%	2.9%
GDP per capita (ppp)	...	10,044	9,601
GDP per capita (US\$)	...	3,865	3,767
Population (mn)	3.7	3.7	3.7
Inflation (eop)	6.4%	1.8%	4.9%
Gross reserves (US\$ bn)	2.9	2.8	2.5
CAD (% of GDP)	9.3% ⁽²⁾	12.8%	12.0%
Fiscal deficit (% of GDP)	...	4.1%	3.7%
Total public debt (% of GDP)	...	44.6%	41.4%

Source: Official data, IMF

(1) As of 9M17

(2) As of 1H17

Real GDP growth, %



Source: GeoStat

Note: Rapid estimate for 3Q17

International ranking, 2017-18

Ease of Doing Business # 9 (Top 10)

Economic Freedom Index # 13 (mostly free)

Global Competitiveness Index # 67

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POORS BB- Stable Affirmed May-2017	Moody's INVESTORS SERVICE Ba2 Stable Affirmed Sep-2017	FitchRatings BB- Stable Affirmed Sep-2017
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Source: Rating agencies



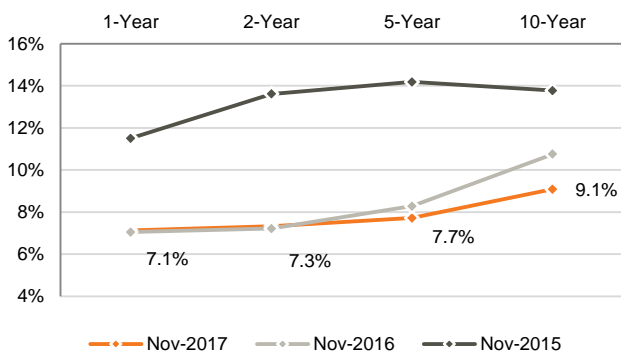
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,050mn (US\$ 390.0mn).

Ministry of Finance Treasury Notes:

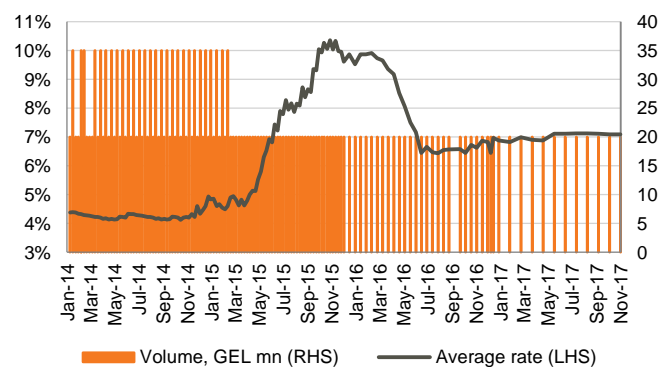
2-year GEL 20.0mn (US\$ 7.7mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on November 8, 2017. The weighted average yield was fixed at 7.327%. The nearest treasury security auction is scheduled for November 29, 2017, where GEL 20.0mn nominal value 5-year T-Notes will be sold.

T-bills / T-notes, yield curve



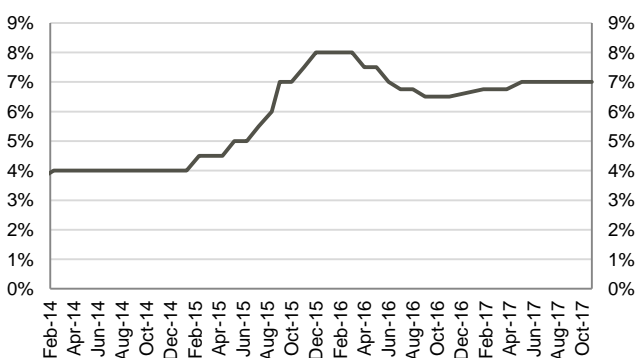
Source: NBG

Certificates of Deposits (weighted average rate)



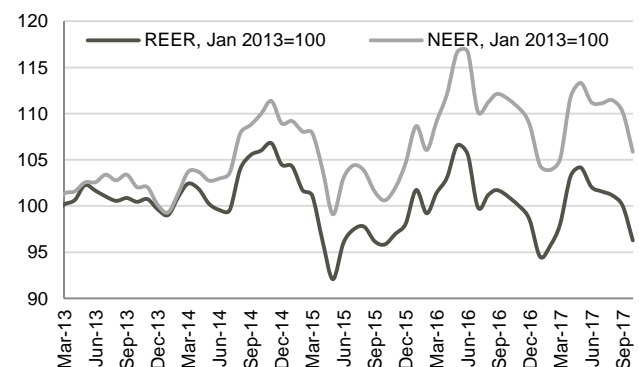
Source: NBG

Monetary policy rate



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG

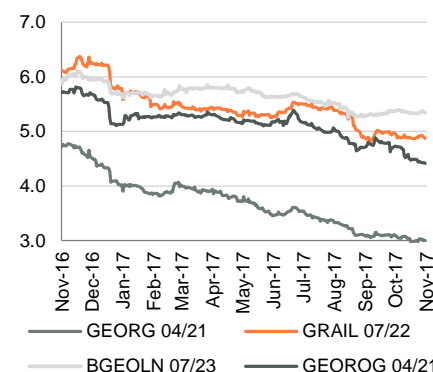
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.3% yield, trading at 103.2 (unchanged w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.8%. GOGC Eurobonds (GEOROG) were trading at 107.4 (+0.1% w/w), yielding 4.4%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 111.8 (+0.1% w/w), yielding 4.9%.

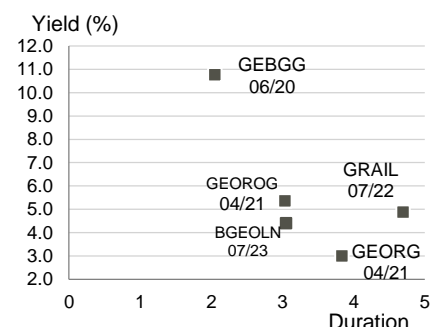
Georgian Sovereign Eurobonds (GEORG) closed at 112.5 (+0.1% w/w) at 3.0% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

	Local bonds					Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	Nikora 06/19	GLC 08/20	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	10.0	500*	250	350	500	500
Issue date	12/16	10/16	03/16	08/17	8/17	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	06/19	8/20	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	11.0	9.0	7.00	11.0	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/	-/-	-/-	-/-	n/a	BB-/Ba2	BB-/B+	BB-/B1	BB-/BB-/Ba2	B+/B+
Mid price, US\$	n/a	101.4	101.2	100.0	101.73	100.5	107.4	103.2	112.5	111.8
Mid yield, %	n/a	6.75%	8.5%	9.0%	6.50%	10.8	4.4	5.3	3.0	4.9
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	346.1	240.2	98.2	279.6	321.5

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-/Ba2	112.5	3.0	98.2
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	102.5	4.3	212.7
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	118.3	0.0	-39.2
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa2	112.0	1.1	101.2
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	111.8	2.7	66.3
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	114.7	3.0	93.9
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	105.6	2.6	67.3
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Baa1	104.7	4.1	210.1

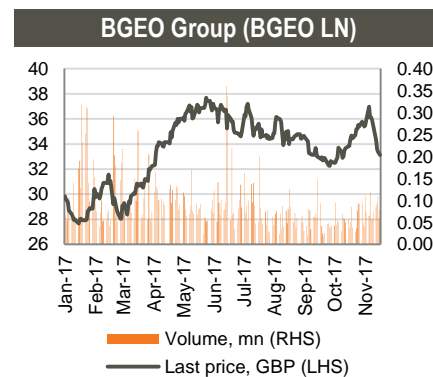
Source: Bloomberg

Equities

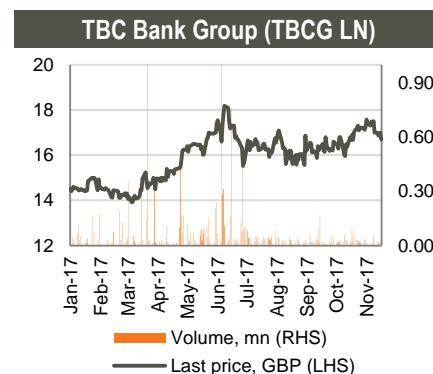
BGEO Group (BGEO LN) shares closed at GBP 33.13/share (-6.86% w/w and -2.10% m/m). More than 424k shares traded in the range of GBP 32.95 – 35.59/share. Average daily traded volume was 74k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 1.10% w/w and lost 1.64% m/m. The volume of BGEO shares traded was at 1.08% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 16.70 (-1.76% w/w and +0.18% m/m). More than 81k shares changed hands in the range of GBP 16.63 – 17.29/share. Averaged daily traded volume was 18k in the last 4 weeks.

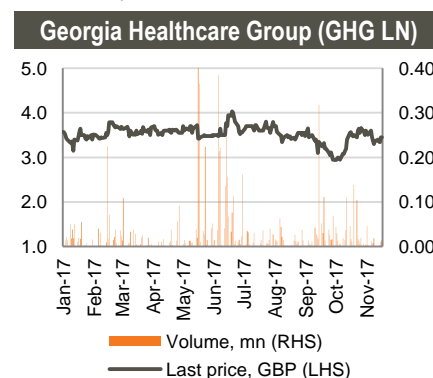
Georgia Healthcare Group (GHG LN) shares closed at GBP 3.45/share (+2.45% w/w and -3.23% m/m). More than 28k shares were traded in the range of GBP 3.34 – 3.45/share. Average daily traded volume was 14k in the last 4 weeks. The volume of GHG shares traded was at 0.02% of its capitalization.



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Eastern European Banks

	Tick er	Share price, US\$	MCap US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
BGEO*	BGEO	44.26	1,743	-0.2%	-4.0%	-8.8%	12.5%	16.4%
TBC*	TBC	22.22	1,176	3.1%	4.1%	2.4%	16.1%	34.9%
Halyk Bank	HSBK	9.46	2,600	-0.4%	-4.9%	23.7%	57.9%	46.7%
KKB	KKB	0.68	712	0.0%	0.0%	-43.1%	-52.9%	-51.4%
VTB Bank	VTBR	1.99	12,902	-6.6%	-1.3%	-14.0%	-16.6%	-1.0%
Vozrozhdenie Bank	VZRZ	9.97	237	-2.4%	0.7%	-24.4%	-18.6%	-6.5%
Sberbank	SBER	15.71	84,783	7.0%	28.0%	26.3%	35.7%	68.7%

Source: Bloomberg

*BGEO and TBC are traded in GBP and are shown in US\$ equivalent

Healthcare Sector Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG*	GHG	4.41	581	-1.4%	-4.2%	-9.5%	-6.2%	-4.3%
Mouwasat	MOUWASAT	44.00	2,200	3.1%	2.5%	12.2%	11.7%	24.6%
Fortis	FORH	1.99	1,034	-15.0%	-14.8%	-37.8%	-25.0%	-17.3%
Raffles	RFMD	0.83	1,472	-2.8%	-0.7%	-17.3%	-15.9%	-20.2%
IHH	IHH	1.36	11,197	-1.7%	-2.8%	-4.7%	-4.0%	-5.6%
Bangkok Chain	BCH	0.49	1,230	-0.5%	19.5%	33.1%	19.5%	31.5%
Netcare	NTC	1.76	2,571	-9.1%	-8.2%	-13.0%	-24.2%	-24.1%

Source: Bloomberg

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

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