

Weekly Market Watch

Weekly Market Watch | Georgia
Oct 15, 2018

Economy

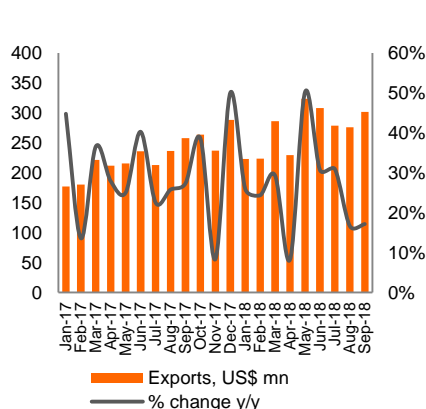
Trade deficit down 4.9% y/y in September 2018

In September 2018, the trade deficit decreased 4.9% y/y to US\$ 409.7mn as exports increased 17.1% y/y to US\$ 301.7mn, while imports growth moderated to 3.3% y/y to US\$ 711.4mn, according to GeoStat's preliminary figures. In 9M18, trade deficit was up 15.5% to US\$ 4.2bn as exports increased by 25.7% y/y to US\$ 2.4bn and imports were up 19.1% y/y to US\$ 6.7bn. Detailed foreign trade statistics will be available on October 19, 2018.

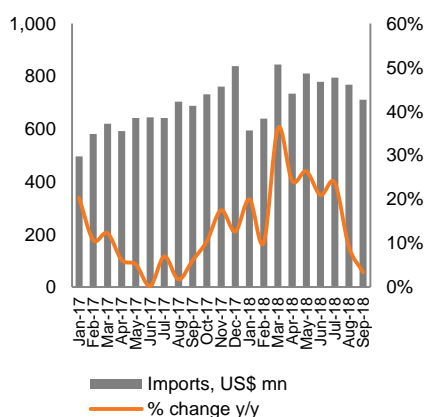
IMF expects 5.5% real GDP growth in Georgia for 2018

IMF has updated its World Economic Outlook and projects global growth at 3.7% for 2018 and 2019, which is 0.2ppts lower for both years compared to projections of April 2018. This downward revision reflects the negative effects of the trade measures, as well as a weaker outlook for some key economies arising from country-specific factors, tighter financial conditions, geopolitical tensions, and higher oil import bills. Notably, IMF has revised Georgia's economic growth projection upwards to 5.5% for 2018 from 4.5% and expects 5.1% annual average real GDP growth in Georgia over 2019-23.

Goods exports



Goods imports



Source: GeoStat

Key macro indicators

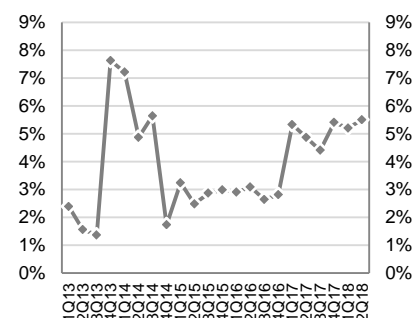
	9M18	2017	2016
GDP (% change)	4.8% ⁽¹⁾	5.0%	2.8%
GDP per capita (ppp)	...	10,747	10,053
GDP per capita (US\$)	...	4,068	3,857
Population (mn)	3.7	3.7	3.7
Inflation (eop)	2.7%	6.7%	1.8%
Gross reserves (US\$ bn)	3.2	3.0	2.8
CAD (% of GDP)	10.3% ⁽²⁾	8.8%	13.1%
Fiscal deficit (% of GDP)	...	3.9%	4.1%
Total public debt (% of GDP)	...	44.6%	44.4%

Source: Official data, IMF

1) As of 8M18

2) As of 1H18

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

 BB- Stable Affirmed May-2018	 Ba2 Stable Affirmed Sep-2018	 BB- Positive Affirmed Aug-2018
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Source: Rating agencies



Money market

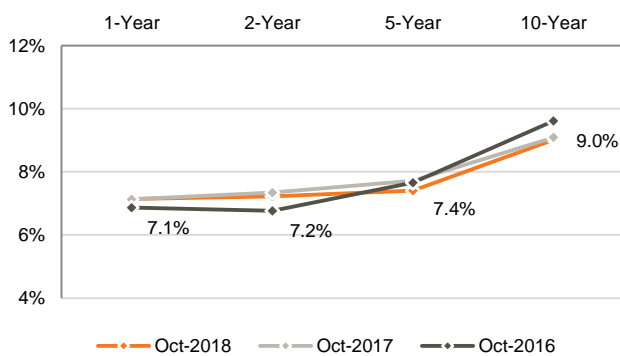
Ministry of Finance Benchmark Bonds:

2-year GEL 40.0mn (US\$ 15.2mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on October 10, 2018. The weighted average yield was fixed at 7.217%. The nearest treasury security auction is scheduled for October 17, 2018, where GEL 20.0mn nominal value 10-year Benchmark Bonds will be sold.

Ministry of Finance Treasury Bills:

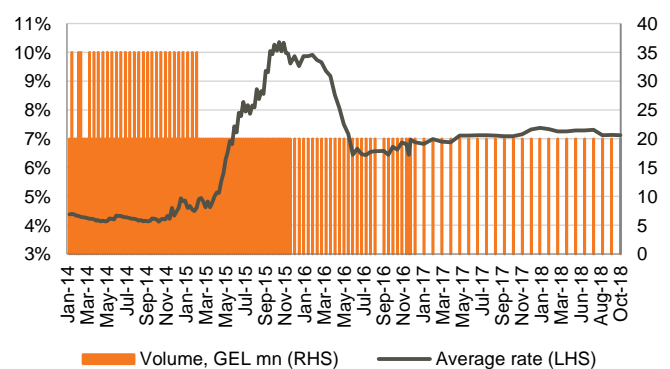
182-days GEL 20.0mn (US\$ 7.6mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on October 10, 2018. The weighted average yield was fixed at 7.131%.

T-bills / T-notes, yield curve



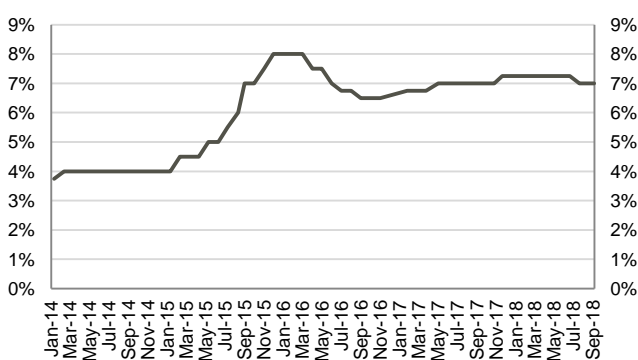
Source: NBG

Certificates of Deposits (weighted average rate)



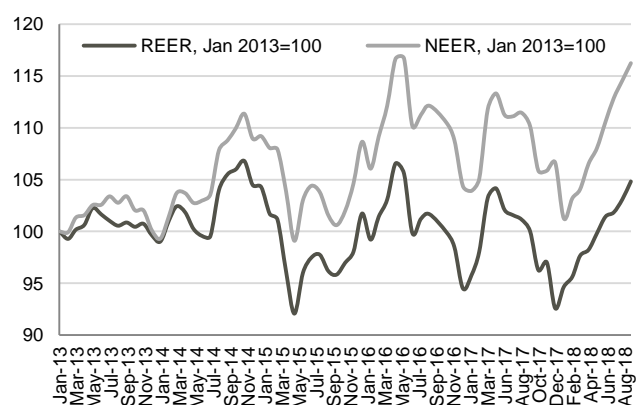
Source: NBG

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



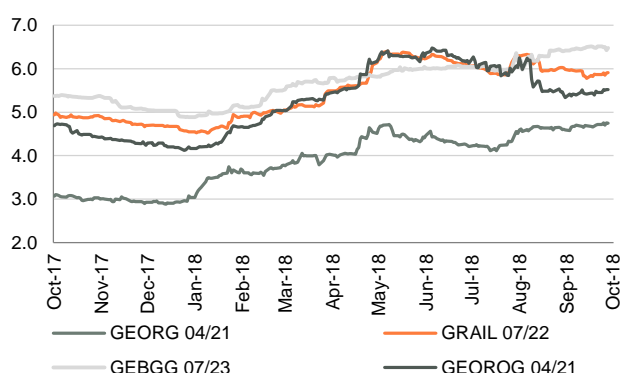
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 6.4% yield, trading at 98.1 (+0.3% 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 92.3 (-0.1% w/w), yielding 7.9%.

GOGC Eurobonds (GEOROG) were trading at 102.7 (-0.3% w/w), yielding 5.6%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 106.2 (+0.1% w/w), yielding 5.9%.

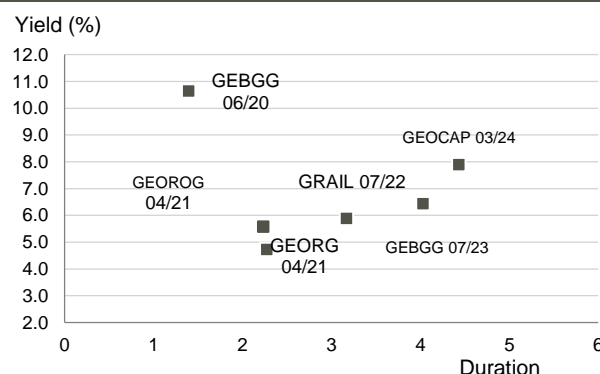
Georgian Sovereign Eurobonds (GEORG) closed at 105.0 (-0.1% w/w) at 4.7% yield to maturity.

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	105.05	4.71	161.27
GRAIL 07/22	500	7.750%	18/07/2022	B+/B+/-	106.14	5.90	273.77
GEOROG 04/21	250	6.750%	18/04/2021	BB-/B+/-	103.05	5.45	234.52
GEBGG 06/20	500*	11.000%	18/06/2020	BB-/Baa2	100.50	10.64	n/a
GEBGG 07/23	350	6.000%	18/07/2023	BB-/B2	97.94	6.51	332.52
GEOCAP 03/24	300	6.125%	18/03/2024	-/B+/B2	92.41	7.87	468.26

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	105.1	4.7	161.3
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba2	101.2	4.5	130.3
Bulgaria	323	5.000%	19/07/2021	BBB-/B2	113.7	0.1	n/a
Croatia	1,250	3.875%	30/05/2022	BB+/BB+/Ba2	111.4	0.7	47.2
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	106.5	3.6	48.9
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	108.9	3.9	70.3
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	101.8	3.8	83.6
Turkey	2,000	5.625%	30/03/2021	BB+/-/Ba2	96.6	7.2	406.4

Source: Bloomberg

Equities

Bank of Georgia Group (B GEO LN) shares closed at GBP 15.40/share (-10.40% w/w and -13.17% m/m). More than 372k shares traded in the range of GBP 15.96 – 17.82/share. Average daily traded volume was 66k in the last 4 weeks. FTSE 250 Index, of which B GEO is a constituent, lost 3.99% w/w and lost 7.42% m/m. The volume of B GEO shares traded was at 0.76% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 11.43/share (-2.67% w/w and +12.06% m/m). More than 198k shares traded in the range of GBP 11.33 – 11.74/share. Average daily traded volume was 50k 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 16.10 (-3.59% w/w and +1.00% m/m). More than 156k shares changed hands in the range of GBP 16.48 – 17.28/share. Average daily traded volume was 22k in the last 4 weeks. The volume of TBCG shares traded was at 0.29% of its capitalization.

Georgia Healthcare Group (GHG LN) shares closed at GBP 2.25/share (+4.65% w/w and -4.46% m/m). More than 263k shares were traded in the range of GBP 2.05 – 2.20/share. Average daily traded volume was 29k in the last 4 weeks. The volume of GHG shares traded was at 0.20% 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	B GEO	15.4*	994	-13.2%	-17.7%	-33.9%	-36.0%	-32.7%
TBC	TBC	16.1*	1,146	1.0%	-5.4%	-10.7%	-8.0%	-4.2%
Halyk Bank	HSBK	10.95	3,218	7.4%	-5.6%	-10.6%	10.8%	16.9%
KKB	KKB	0.68	712	0.0%	0.0%	0.0%	0.0%	0.0%
VTB Bank	VTBR	1.29	8,347	0.5%	-18.9%	-32.8%	-29.6%	-39.6%
Vozrozhdenie	VZRZ	7.00	166	9.3%	13.0%	28.8%	-19.6%	-31.7%
Sberbank	SBER	11.91	64,275	4.0%	-20.7%	-10.3%	-29.7%	-19.0%

Source: Bloomberg

*B GEO 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	11.43*	575	12.1%	10.3%	N/A	N/A	N/A
Creades	CREDA	29.21	239	1.4%	-3.9%	-16.2%	-19.8%	-17.7%
CIE du Bois	COMB	448.68	756	-5.3%	-3.2%	-8.3%	4.3%	7.3%
Tinc Comm	TINC	14.17	386	-2.6%	-0.4%	-3.5%	-6.2%	-6.9%
Edify	EDIFY	67.65	329	-3.9%	-5.3%	-12.6%	-1.3%	8.5%

Source: Bloomberg

*CGEO share price traded and shown in GBP

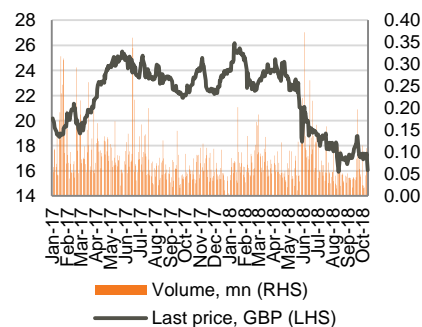
Healthcare Sector Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG	GHG	2.25*	389	-4.5%	-14.1%	-26.2%	-36.6%	-36.6%
Mouwasat	MOUWASAT	18.92	1,892	-11.6%	-25.7%	-26.2%	-6.3%	-10.3%
Fortis	FORH	1.84	955	-8.6%	-13.2%	-19.0%	-26.8%	-21.1%
Raffles	RFMD	0.76	1,370	-6.5%	-3.0%	-13.1%	-9.0%	-11.6%
IHH	IHH	1.21	9,975	-5.3%	-18.8%	-22.9%	-16.1%	-12.0%
Bangkok Chain	BCH	0.58	1,446	-1.3%	24.5%	2.8%	16.6%	16.1%
Netcare	NTC	1.67	2,454	-9.9%	-18.9%	-25.9%	-17.8%	-13.2%

Source: Bloomberg

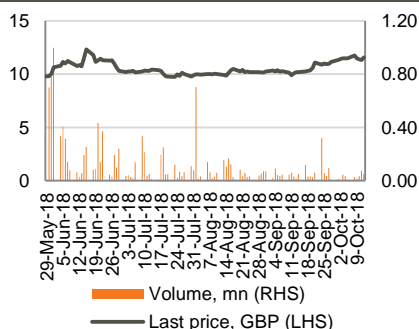
*GHG share price traded and shown in GBP

Bank of Georgia Group (B GEO LN)



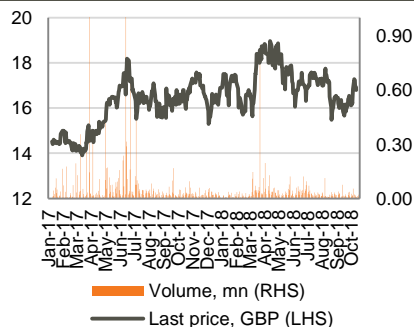
Source: Bloomberg

Georgia Capital (CGEO LN)



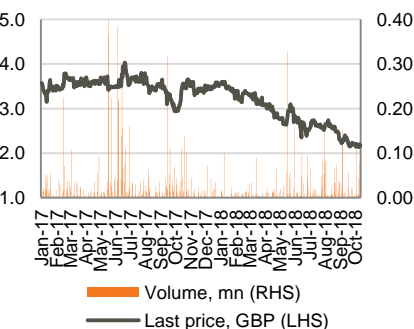
Source: Bloomberg

TBC Bank Group (TBCG LN)



Source: Bloomberg

Georgia Healthcare Group (GHG LN)



Source: Bloomberg



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