

Weekly Market Watch

 Weekly Market Watch | Georgia
 July 25, 2016

Economy

Trade deficit down 4.6% y/y in 1H16, excluding one-offs

In June 2016, exports decreased 15.5% y/y to US\$ 167.9mn, imports were up 3.0% y/y to US\$ 625.0mn (excluding donated C-hepatitis medication imports totaling US\$ 840mn), and the trade deficit was up 12.0% y/y to US\$ 457.1mn, according to GeoStat.

Reduced copper exports (-13.5% y/y) and ferro-alloys exports (-63.4% y/y) were the major commodities weighing on export growth in June 2016, while car exports (+7.9% y/y), nuts (+235.4% y/y), mineral waters (+8.6% y/y), wine (+12.2% y/y), gold (+47.4% y/y) and spirituous beverages (+130.5% y/y) posted strong increases.

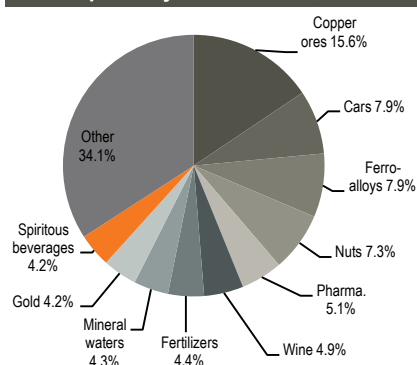
Petroleum (-8.5% y/y), cars (+19.5% y/y), pharmaceuticals (-9.9% y/y, excluding one-offs), phones (-0.8% y/y), and copper (+7.3%) represented the top 5 imported commodities in June 2016.

In 1H16, the trade deficit was down 4.6% y/y to US\$ 2.32bn excluding one-offs, as imports fell 7.0% y/y to US\$ 3.27bn and exports fell 12.4% y/y to US\$ 948.2mn.

In 1H16, 24% of exports were directed to the EU (-22% y/y), 31% to the CIS (-29% y/y), and 45% to other countries (+15% y/y), out of which Turkey (11.1% of total), and China (9.4% of total) were the largest export destinations.

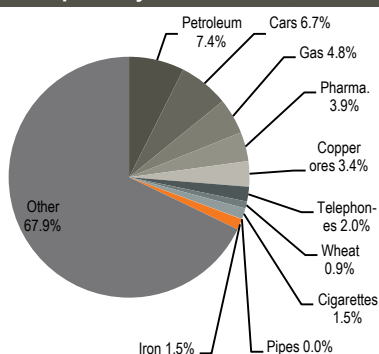
In 1H16, 29% of imports came from the EU (-16.7% y/y), 26% from the CIS (-8.3% y/y), and 45% from other countries (-8.3% y/y), with Turkey (20.6% of total), and China (7.9% of total) being the largest trading partners (calculations exclude C-hepatitis medication imports).

Exports by commodities, 1H16



Source: GeoStat
 Note: 1H16 imports provided excluding donated C-hepatitis medicine imports

Imports by commodities, 1H16



Key macro indicators

	6M16	2015	2014
GDP (% change)	2.9%*	2.8%	4.6%
GDP per capita (ppp)	...	9,566	9,209
GDP per capita (US\$)	...	3,743	3,676
Population (mn)	3.7**	3.7**	4.5
Inflation (eop)	1.1%	4.9%	2.0%
Gross reserves (US\$ bn)	2.9	2.5	2.7
CAD (% of GDP)	13.1%***	11.8%	10.6%
Fiscal deficit (% of GDP)	3.8%	3.0%
Total public debt (% of GDP)	...	41.5%	35.5%

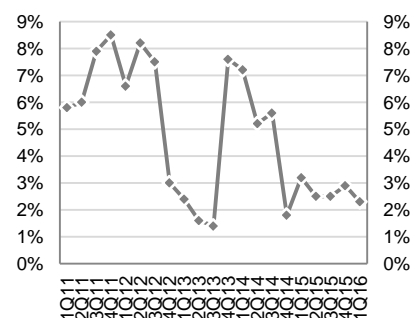
Source: Official data, IMF, G&T

*As of 5M16

**Preliminary results of census, previous data is subject to recalculation

***As of 1Q16

Real GDP growth, %



Source: GeoStat

Note: 1Q16 figure based on rapid estimates

International ranking of Georgia, 2016

Ease of Doing Business # 24 (regional leader)

Economic Freedom Index # 23 (mostly free)

Global Competitiveness Index # 66 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POOR'S BB- Stable Affirmed Nov-2015	Moody's INVESTORS SERVICE Ba3 Stable Affirmed Mar-2016	FitchRatings BB- Stable Affirmed Apr-2016
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Source: Rating agencies

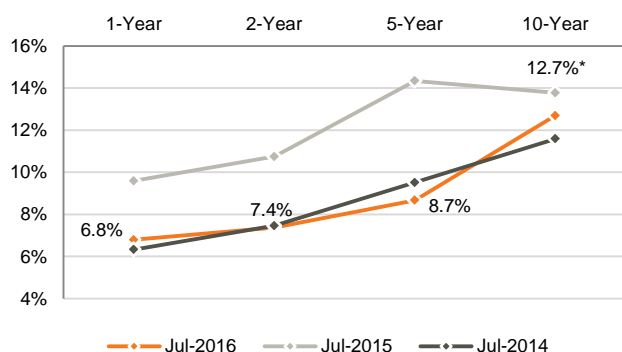
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 625.5mn (US\$ 266.4mn).

Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 8.5mn) certificates of deposit, with an average yield of 6.47% (up 2bps from previous issue).

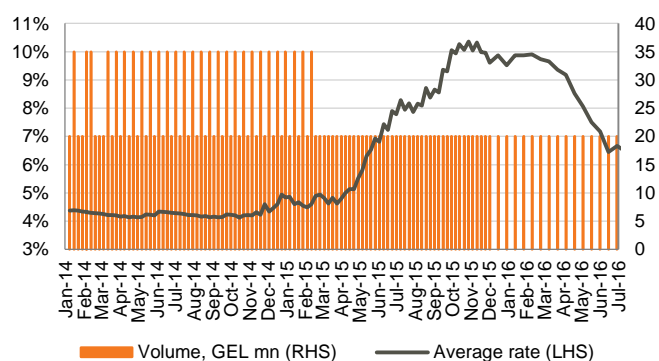
Ministry of Finance Treasury Notes: 5-year GEL 20mn (US\$ 8.5mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on July 20, 2016. The weighted average yield was fixed at 8.669%. The nearest treasury securities auction is scheduled for July 27, 2016, where GEL 30mn nominal value 1-year T-Bills will be sold.

T-bills / T-notes, yield curve



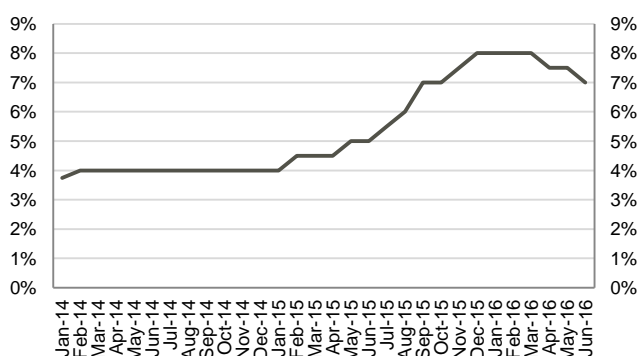
Source: NBG
*As of latest auction

Certificates of Deposits (weighted average rate)



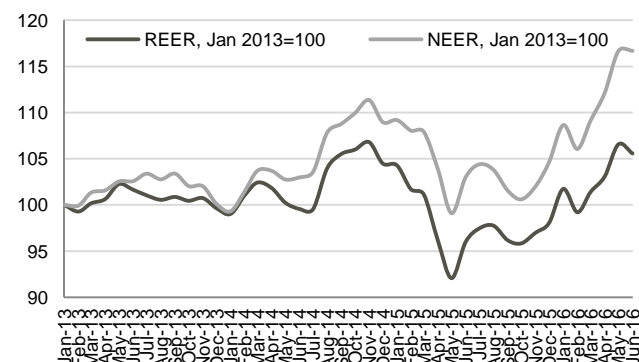
Source: NBG

Monetary policy rate



Source: NBG
Note: Next revision of a monetary policy rate is scheduled for 15 June 2016

Nominal Effective Exchange Rate and Real Effective Exchange Rate



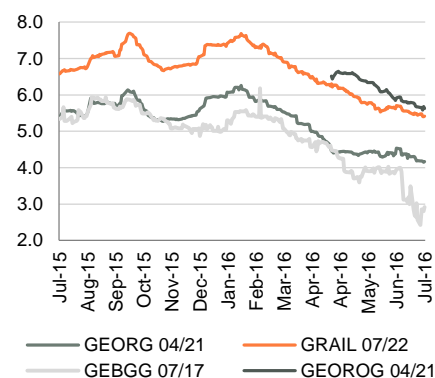
Source: NBG
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG) closed at 2.9% yield, trading at 104.4 (+0.3% w/w). GOGC's Eurobonds (GEOROG 05/17) were trading at 101.9 (unchanged w/w), yielding 4.5% and (GEOROG 04/21) were trading at 104.6 (+0.2% w/w), yielding 5.6%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 111.5 (+0.1% w/w), yielding 5.5%.

Georgian Sovereign Eurobonds (GEORG) closed at 111.5 (unchanged w/w) at 4.2% yield to maturity.

Georgia Eurobonds, YTM (%)



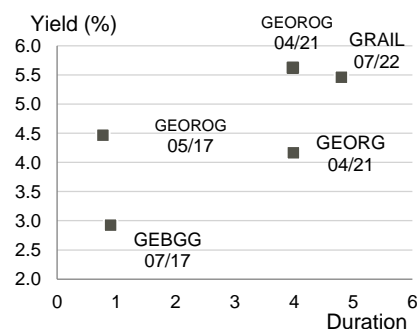
	Local bonds					Eurobonds				
	Nikora 03/18	GWP 11/17	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	5	6*	20	15	10	250	250	400	500	500
Issue date	03/16	12/15	03/15	05/15	09/14	Apr-2016	May-2012	Jul-2012	Apr-2011	Jul-2012
Maturity date	03/18	12/17	03/17	05/17	09/17	Apr-2021	May-2017	Jul-2017	Apr-2021	Jul-2022
Coupon, %	11.000	15.000**	9.500	9.500	8.750	6.750%	6.875%	7.750%	6.875%	7.750%
Fitch/S&P/Moody's	-/-	BB-/-	-/-	-/-	-/-	BB-/-	BB-/-	BB-/BB- /Ba3	BB-/BB- /Ba3	BB- /BB-/-
Mid price, US\$	100.0	100.0*	101.6	101.87	100.65	104.6	101.9	104.4	111.5	111.5
Mid yield, %	11.0	15.0	7.75	7.75	8.25	5.6	4.5	2.9	4.2	5.5
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	443.2	300.3	289.4	292.9	425.3

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	111.5	4.2	292.9
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1	104.2	4.1	274.3
Bulgaria	323	5.000%	19/07/2021	BBB-/-	119.9	0.9	-237.2
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa2	104.2	3.1	308.2
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	114.6	3.0	183.3
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	119.5	2.9	180.7
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	107.3	2.9	176.9
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	106.7	4.0	279.9

Source: Bloomberg

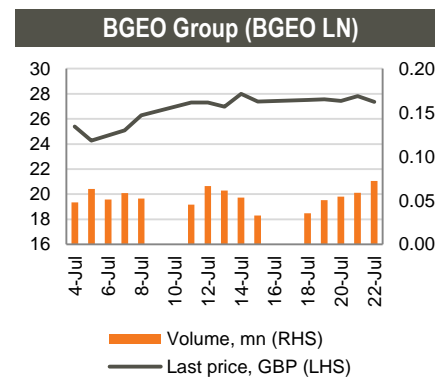
Equities

BGEO Group (BGEO LN) shares closed at GBP 27.36/share (-0.11% w/w and +6.25% m/m). More than 271k shares traded in the range of GBP 25.95 – 28.24/share. Average daily traded volume was 62k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BGEO is a constituent, gained 1.42% w/w and lost 0.47% m/m. The volume of BGEO shares traded was at 0.69% of its capitalization.

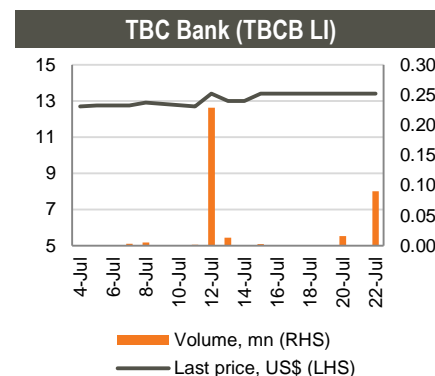
TBC Bank (TBCB LI) closed the week at US\$ 13.40 (unchanged w/w and -0.74% m/m). More than 106k GDRs changed hands in the range of US\$ 13.20 – 13.40/GDR. Average daily traded volume was 31k in the last 4 weeks, more than in the previous month.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.02/share (-11.14% w/w and +6.01% m/m). More than 59k shares were traded in the range of GBP 2.87 – 3.40/share. Average daily traded volume was 28k in the last 4 weeks. The volume of GHG shares traded was at 0.02% of its capitalization.

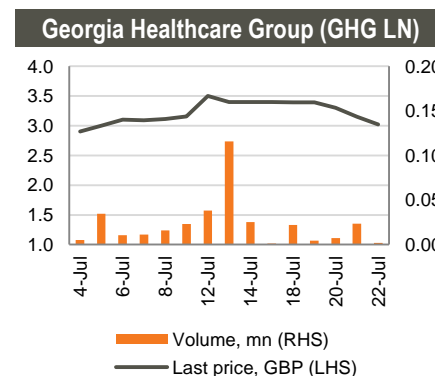
On the Georgian stock exchange, Bank of Georgia shares were traded at GEL 37.00 (-2.6% w/w). As a result, the G&T Index went down to 841.36 (-2.6% w/w).



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Eastern European banks

Eastern European Banks								
Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
BGEO*	BGEO	35.79	1,414	-5.5%	14.0%	45.6%	10.7%	14.0%
TBC	TBC	13.40	671	-0.7%	31.4%	48.2%	6.3%	34.0%
Halyk Bank	HSBK	5.69	1,564	28.3%	45.9%	38.6%	-33.1%	-30.2%
KKB	KKB	1.59	634	0.0%	17.8%	76.7%	-58.2%	-45.2%
VTB Bank	VTBR	2.03	13,155	-3.8%	-4.0%	18.1%	-11.7%	-19.3%
Vozrozhdenie Bank	VZRZ	9.90	235	-0.8%	32.0%	50.1%	34.2%	-1.6%
Sberbank	SBER	8.88	47,923	1.0%	13.6%	79.3%	119.3%	66.9%

Source: Bloomberg

Note: * BGEO is traded in GBP and is 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	3.95	520	-5.7%	53.4%	60.3%	nm	nm
Mouwasat	MOUWASAT	36.26	1,813	6.3%	5.3%	28.4%	10.3%	-10.2%
Fortis	FORH	2.69	1,244	12.4%	-0.6%	0.9%	52.9%	-8.6%
Raffles	RFMD	1.19	2,082	5.3%	5.5%	29.7%	21.8%	-2.1%
IHH	IHH	1.59	13,105	-1.3%	-7.3%	3.8%	15.7%	2.4%
Bangkok Chain	BCH	0.35	871	1.5%	15.5%	47.1%	45.3%	73.1%
Netcare	NTC	2.28	3,335	3.6%	-8.2%	19.6%	-30.6%	-27.6%

Source: Bloomberg

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

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