

# Weekly Market Watch

 Weekly Market Watch | Georgia  
 September 12, 2016

## Economy

### FDI up 10.6% y/y in 1H16

FDI in Georgia hit US\$ 445mn (-3.8% y/y) in 2Q16, according to GeoStat's preliminary figures. Similar to previous quarters, the transport and communications sector was the largest FDI recipient at US\$ 175mn (-15.8% y/y, 39.3% of total) in 2Q, followed by the financial sector at US\$ 60mn (+15.3% y/y, 13.5% of total), the energy sector at US\$ 46mn (+41.2% y/y, 10.3% of total), and the construction sector at US\$ 19mn (+69.4% y/y, 4.3% of total). Azerbaijan topped the list of investors with US\$ 146mn, followed by United Kingdom at US\$ 64mn, Czech Republic at US\$ 36mn, and Turkey at US\$ 28mn. Overall, FDI in 1H16 stood at US\$ 834mn, up 10.6% y/y.

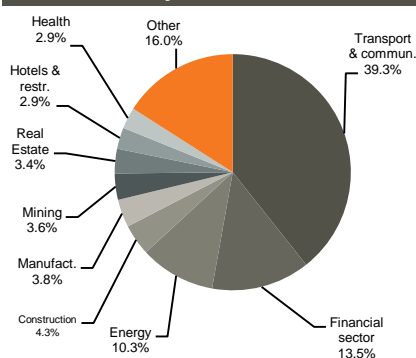
### International reserves up 1.1% m/m in August 2016

Gross international reserves increased 1.1% m/m (+US\$ 32.1mn) and 17.3% y/y (+US\$ 425.2mn) to US\$ 2.89bn as of end-August 2016, according to NBG. The increase in reserves was attributed to NBG's FX interventions and operations with commercial banks.

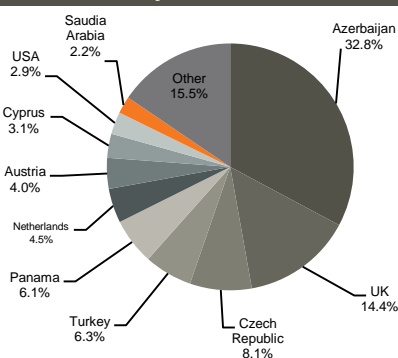
### NBG cut its policy rate to 6.50%

At its meeting on September 7, 2016, NBG's monetary policy committee cut its policy rate by 25 basis points to 6.50%, citing that the monetary policy decision is based on the macroeconomic forecast, according to which the phasing out of tight monetary policy must continue in order for inflation to reach its target rate of 5.0%. The next committee meeting is scheduled for October 26, 2016.

FDI by sectors, 2Q16



FDI by countries, 2Q16



Source: GeoStat

### Key macro indicators

	7M16	2015	2014
GDP (% change)	2.7%	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)	0.9%**	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%

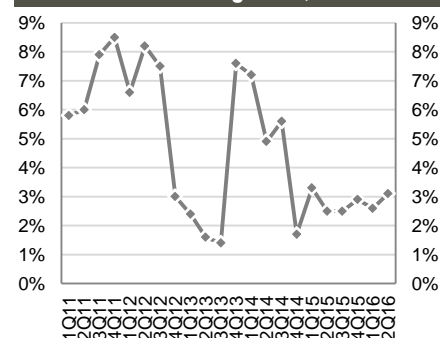
Source: Official data, IMF

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

\*\*As of 8M16

\*\*\*As of 1Q16

### Real GDP growth, %



Source: GeoStat




Note: 2Q16 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

 <b>BB-</b> Stable Affirmed Nov-2015	 <b>Ba3</b> Stable Affirmed Mar-2016	 <b>BB-</b> Stable Affirmed Apr-2016
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Source: Rating agencies



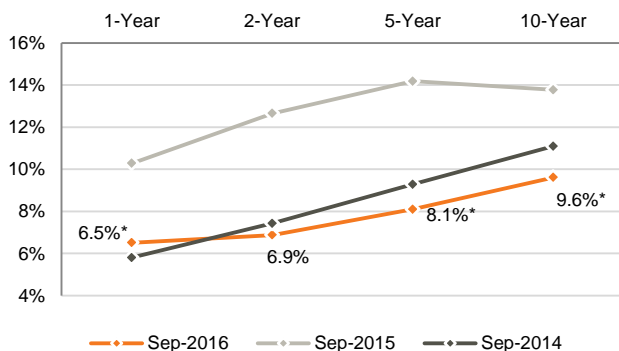
## Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 800mn (US\$ 346.9mn).

**Certificates of deposit:** NBG sold 91-day, GEL 20mn (US\$ 8.7mn) certificates of deposit, with an average yield of 6.45% (down 10bps from previous issue).

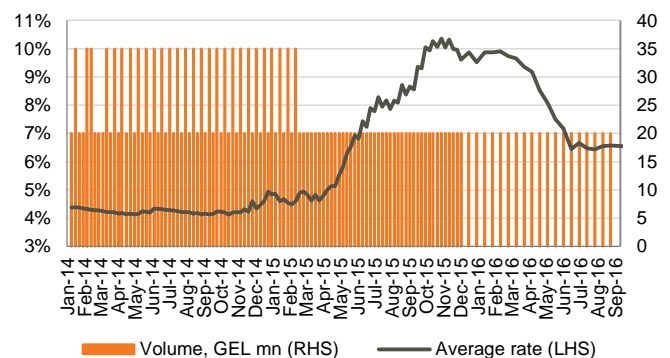
**Ministry of Finance Treasury Notes:** 2-year GEL 10mn (US\$ 4.3mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on September 7, 2016. The weighted average yield was fixed at 6.871%. The nearest treasury securities auction is scheduled for September 21, 2016, where GEL 10mn nominal value 5-year T-Notes will be sold.

**T-bills / T-notes, yield curve**



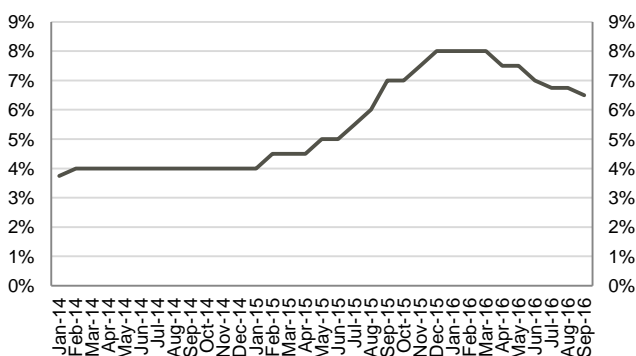
Source: NBG  
\*As of latest auction

**Certificates of Deposits (weighted average rate)**



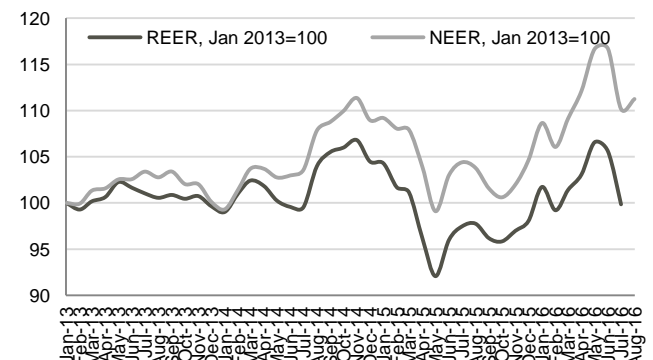
Source: NBG

**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

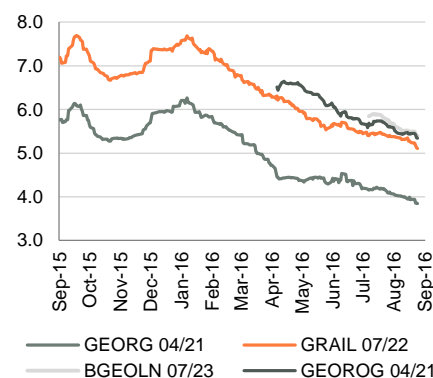


## Fixed income

**Corporate Eurobonds:** Bank of Georgia Eurobonds (BGEOLN) closed at 5.4% yield, trading at 103.3 (+0.4% w/w). GOGC's Eurobonds (GEOROG 05/17) were trading at 101.9 (unchanged w/w), yielding 4.0% and (GEOROG 04/21) were trading at 105.7 (+0.4% w/w), yielding 5.3%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 113.1 (+0.7% w/w), yielding 5.1%.

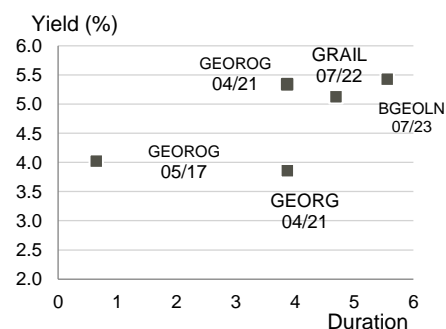
**Georgian Sovereign Eurobonds (GEORG)** closed at 112.5 (+0.3% w/w) at 3.9% yield to maturity.

**Georgia Eurobonds, YTM (%)**



Source: Bloomberg

**Georgian Eurobond universe**



Source: Bloomberg

	Local bonds					Eurobonds				
	Nikora 03/18	GWP 11/17	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	5	6*	20	15	10	250	250	350	500	500
Issue date	03/16	12/15	03/15	05/15	09/14	Apr-2016	May-2012	Jul-2016	Apr-2011	Jul-2012
Maturity date	03/18	12/17	03/17	05/17	09/17	Apr-2021	May-2017	Jul-2023	Apr-2021	Jul-2022
Coupon, %	11.00	14.00**	9.50	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\$	102.73	100.0*	101.9	102.45	101.94	105.7	101.9	103.3	112.5	113.1
Mid yield, %	9.0	15.0	5.75	5.75	6.75	5.3	4.0	5.4	3.9	5.1
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	405.8	308.4	402.6	260.1	383.3

Source: Bloomberg

\*GWP 11/17 bonds are in Georgian lari

\*\*Floating rate with 7.5% 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-/Ba3	112.5	3.9	260.1
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1/-	103.7	4.2	275.3
Bulgaria	323	5.000%	19/07/2021	BBB-/	121.3	0.5	-240.3
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	108.1	2.3	235.9
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	115.3	2.8	142.3
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	121.0	2.6	131.5
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	108.2	2.6	141.9
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	107.7	3.8	252.3

Source: Bloomberg

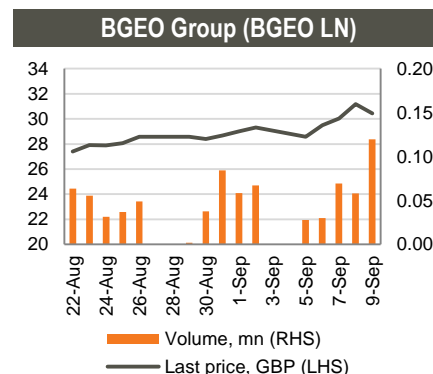
## Equities

**BGEO Group** (BGEO LN) shares closed at GBP 30.44/share (+3.82% w/w and +3.61% m/m). More than 304k shares traded in the range of GBP 29.35 – 31.19/share. Average daily traded volume was 62k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BGEO is a constituent, gained 1.17% w/w and lost 0.60% m/m. The volume of BGEO shares traded was at 0.77% of its capitalization.

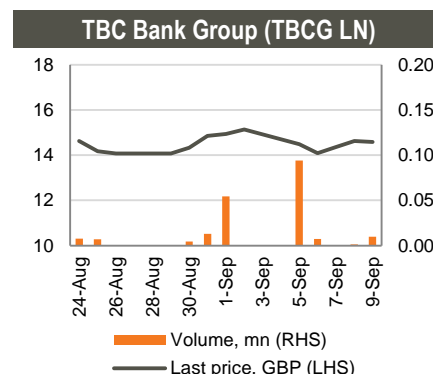
**TBC Bank Group** (TBCG LN) closed the week at GBP 11.00 (-3.30% w/w). More than 112k shares changed hands in the range of GBP 9.80 – 11.10/share.

**Georgia Healthcare Group** (GHG LN) shares closed at GBP 2.92/share (-0.93% w/w and -3.23% m/m). More than 169k shares were traded in the range of GBP 2.90 – 3.05/share. Average daily traded volume was 30k in the last 4 weeks. The volume of GHG shares traded was at 0.13% of its capitalization.

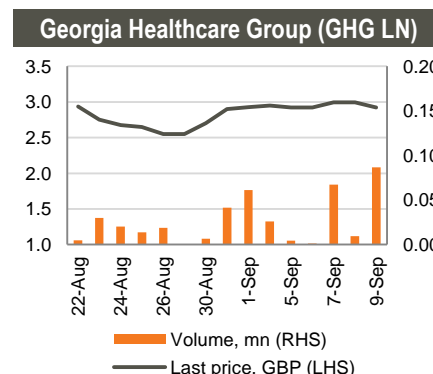
**On the Georgian stock exchange**, Bank of Georgia shares were traded at GEL 37.00 (+5.7% w/w), Teliani Valley shares were traded at GEL 0.13 (-27.8% w/w), Liberty Consumer shares were traded at GEL 0.11 (unchanged w/w), and Liberty Bank shares were traded at GEL 0.016 (+6.7% w/w). As a result, the G&T Index went down to 841.5 (-0.1% 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	40.37	1,595	5.6%	7.9%	44.1%	24.8%	40.9%
TBC	TBC	14.59	717	N/A	N/A	N/A	N/A	N/A
Halyk Bank	HSBK	6.34	1,743	17.6%	26.8%	45.7%	-25.4%	-7.4%
KKB	KKB	1.59	634	0.0%	0.0%	59.0%	-58.2%	-41.5%
VTB Bank	VTBR	2.31	14,937	11.9%	4.6%	8.7%	0.2%	15.1%
Vozrozhdenie Bank	VZRZ	10.64	253	6.9%	5.7%	45.1%	44.3%	20.3%
Sberbank	SBER	9.71	52,375	8.1%	7.8%	48.6%	139.6%	108.7%

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	3.88	510	-1.3%	2.7%	72.4%	N/A	N/A
Mouwasat	MOUWASAT	33.68	1,684	-12.3%	-2.3%	9.8%	2.4%	1.6%
Fortis	FORH	2.68	1,241	-6.3%	8.7%	4.5%	52.6%	13.6%
Raffles	RFMD	1.13	1,967	-0.2%	-5.7%	5.9%	15.0%	2.2%
IHH	IHH	1.62	13,297	-0.9%	1.7%	3.0%	17.3%	18.0%
Bangkok Chain	BCH	0.32	794	-12.4%	-8.2%	14.1%	32.6%	57.7%
Netcare	NTC	2.33	3,409	-0.8%	7.2%	7.2%	-29.0%	-15.5%

Source: Bloomberg

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

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