

Weekly Market Watch

Weekly Market Watch | Georgia
February 13, 2017

Economy

Tourist arrivals up 32.4% y/y in January 2017

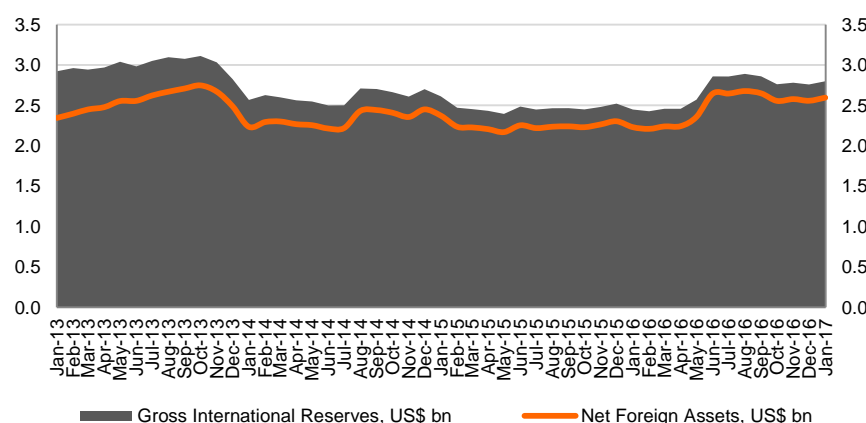
Total international arrivals to Georgia increased 19.8% y/y to 0.39mn visitors in January 2017, according to the Ministry of Internal Affairs. Arrival growth was mainly driven by surge in tourist arrivals increasing 32.4% y/y to 0.15mn persons (39.8% of total) in January 2017 after posting a 19.0% y/y growth in 2016. Out of top countries by arrivals, in January 2017 visitors continued to increase from Armenia (+31.4% y/y), Azerbaijan (+7.1% y/y), Russia (+40.3% y/y), and Ukraine (+14.0% y/y), while arrivals were flat from Turkey (-0.8% y/y). Arrivals from EU were up 26.1% y/y.

International reserves up 14.3% y/y in January 2017

Gross international reserves were up 14.3% y/y to US\$ 2.8bn in January 2017, while reserves were up 1.4% m/m (+US\$ 39.7mn), according to NBG. The increase in reserves was related to government FX operations and/or asset revaluation.

Galt & Taggart tops the arrangers' league table for domestic bond issuances in the Caucasus states, published by Cbonds Information Agency. In 2016 Galt & Taggart completed seven deals, which involved the issuance of 311 million in GEL-denominated and 30 million in US dollar-denominated bonds for Georgian corporations and international financial institutions.

International reserves



Source: NBG

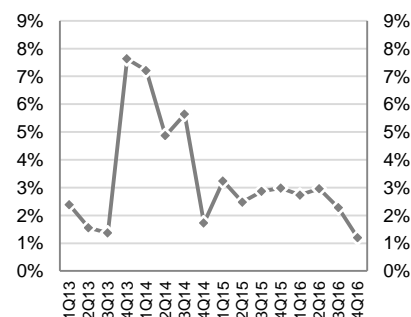
Key macro indicators

	1M17	2016	2015
GDP (% change)	...	2.2%	2.9%
GDP per capita (ppp)	9,630
GDP per capita (US\$)	3,767
Population (mn)	3.7	3.7	3.7
Inflation (eop)	3.9%	1.8%	4.9%
Gross reserves (US\$ bn)	2.8	2.8	2.5
CAD (% of GDP)	...	8.4%(1)	11.9%
Fiscal deficit (% of GDP)	...	4.1%	3.7%
Total public debt (% of GDP)	41.4%

Source: Official data, IMF, G&T

(1) As of 3Q16

Real GDP growth, %



Source: GeoStat




Note: rapid estimate for 4Q16

International ranking, 2016-17

Ease of Doing Business # 16 (Top 20)
 Economic Freedom Index # 23 (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 Sep-2016
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Source: Rating agencies

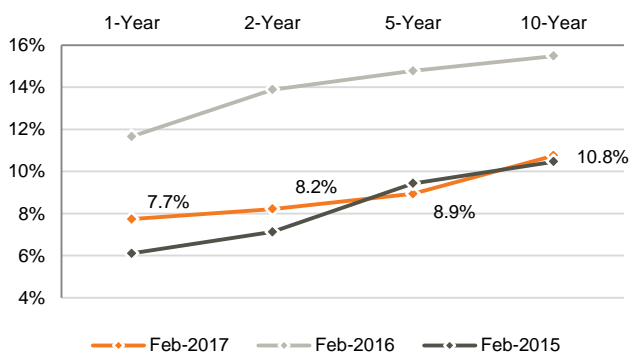
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,058mn (US\$ 397.2mn).

Ministry of Finance Treasury Bills: 182-days GEL 20.0mn (US\$ 7.5mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on February 8, 2017. The weighted average yield was fixed at 7.040%.

Ministry of Finance Treasury Notes: 2-year GEL 40.0mn (US\$ 15.0mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on February 8, 2017. The weighted average yield was fixed at 8.210%. The nearest treasury security auction is scheduled for February 15, 2017, where GEL 20.0mn nominal value 10-year T-Notes will be sold.

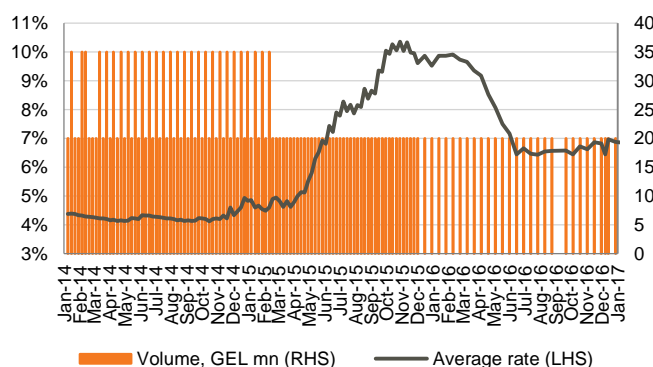
T-bills / T-notes, yield curve



Source: NBG

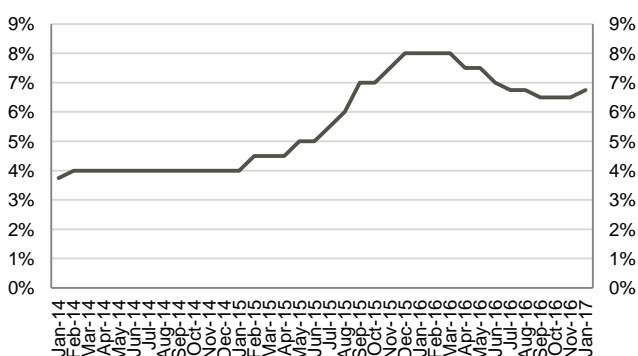
*Note: As of latest auction.

Certificates of Deposits (weighted average rate)



Source: NBG

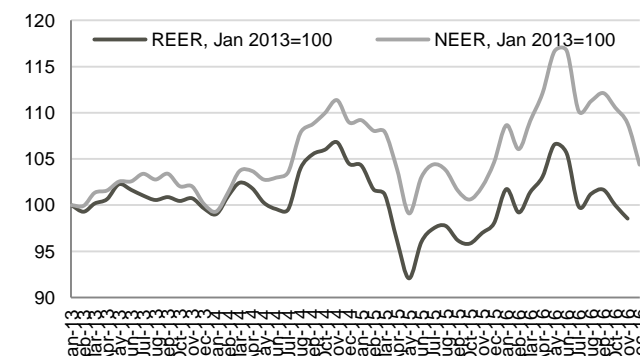
Monetary policy rate



Source: NBG

Note: Next revision of a monetary policy rate is scheduled for 7 March 2017

Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG

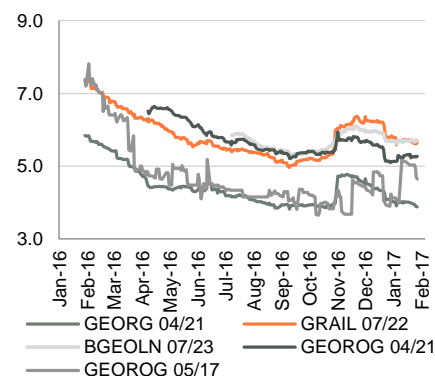
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

Corporate Eurobonds: Bank of Georgia Eurobond (BGEOLN) closed at 5.7% yield, trading at 101.6 (+0.1% w/w). GOGC Eurobonds - GEOROG 05/17 traded at 100.7 (+0.1% w/w), yielding 4.1% and GEOROG 04/21 traded at 105.4 (-0.2% w/w), yielding 5.3%. Georgian Railway Eurobond (GRAIL) traded at a premium at 109.8 (+0.4 % w/w), yielding 5.7%.

Georgian Sovereign Eurobond (GEORG) closed at 111.3 (+0.3% w/w) at 3.3% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

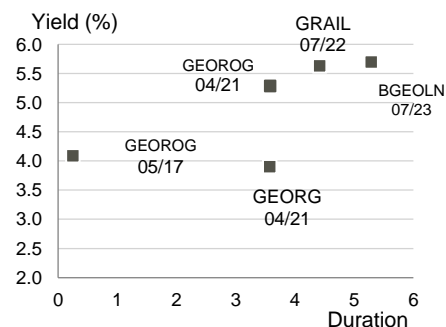
	Local bonds					Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	EVEX 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25	5	15	10	250	53.5	350	500	500
Issue date	12/16	10/16	03/16	05/15	09/14	04/16	05/12	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	05/17	09/17	04/21	05/17	07/23	04/21	07/22
Coupon, %	3.50**	7.50	11.00	9.50	8.75	6.750	6.875	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/B1	-/-	-/-	-/-	-/-	BB-/B+	BB-/B+	BB-/B1	BB-/BB-/Ba3	B+/B+
Mid price, US\$	n/a	101.80	102.06	101.23	100.76	105.4	100.7	101.6	111.3	109.8
Mid yield, %	n/a	6.750	9.000	4.500	7.500	5.3	4.1	5.7	3.9	5.6
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	332.6	157.3	349.1	193.3	355.9

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	111.3	3.9	193.3
Azerbaijan	1,250	4.750%	18/03/2024	BB-/BB+/Ba1	101.1	4.6	237.4
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	120.1	0.4	-237.8
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa2	108.6	2.1	192.5
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	112.4	3.2	123.5
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	115.2	3.4	139.6
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	107.5	2.5	73.1
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Baa1	104.0	4.5	261.9

Source: Bloomberg

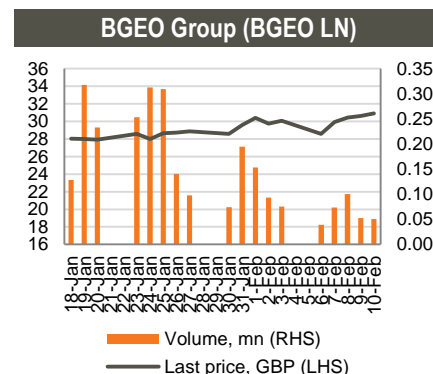
Equities

BGEO Group (BGEO LN) shares closed at GBP 30.92/share (+2.76% w/w and +9.46% m/m). More than 315k shares traded in the range of GBP 29.52 – 31.06/share. Average daily traded volume was 153k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BGEO is a constituent, gained 1.61% w/w and gained 1.61% m/m. The volume of BGEO shares traded was at 0.80% of its capitalization.

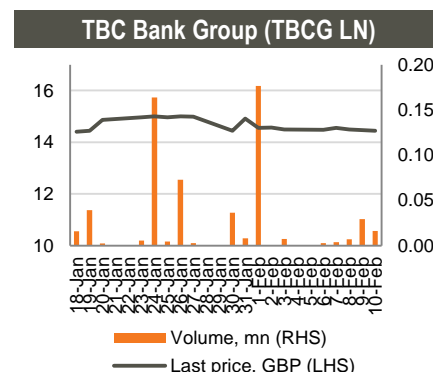
TBC Bank Group (TBCG LN) closed the week at GBP 14.45 (-0.34% w/w and unchanged m/m). More than 58k shares changed hands in the range of GBP 14.20 – 14.80/share. Averaged daily traded volume was 30k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.50/share (-2.14% w/w and +2.31% m/m). More than 76k shares were traded in the range of GBP 3.40 – 3.50/share. Average daily traded volume was 12k in the last 4 weeks. The volume of GHG shares traded was at 0.06% of its capitalization.

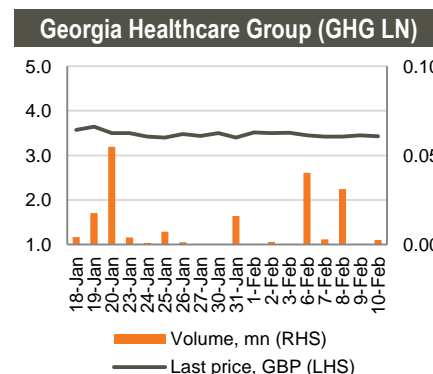
On the Georgian stock exchange, There were no trades. As a result, the G&T Index remained at 1,177.93 (unchanged w/w).



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	38.63	1,526	12.5%	5.3%	1.9%	37.7%	60.4%
TBC*	TBC	18.07	942	2.8%	57.8%	39.0%	78.9%	95.3%
Halyk Bank	HSBK	5.73	1,575	-4.5%	-11.8%	4.2%	15.8%	50.8%
KKB	KKB	1.49	592	6.1%	14.2%	-6.6%	21.2%	110.6%
VTB Bank	VTBR	2.31	14,989	-0.6%	11.5%	12.6%	9.7%	33.7%
Vozrozhdenie Bank	VZRZ	13.13	312	6.1%	20.8%	31.7%	59.1%	98.3%
Sberbank	SBER	11.51	62,089	-1.1%	17.6%	28.9%	95.7%	116.7%

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	4.29	565	5.2%	-2.2%	9.3%	87.9%	72.3%
Mouwasat	MOUWASAT	36.52	1,826	2.9%	-4.5%	-2.9%	12.6%	20.7%
Fortis	FORH	2.91	1,403	-0.8%	18.3%	3.3%	7.2%	19.8%
Raffles	RFMD	1.01	1,775	-0.5%	-3.8%	-10.2%	3.7%	4.2%
IHH	IHH	1.41	11,612	-1.1%	-4.1%	-14.4%	-7.7%	-10.9%
Bangkok Chain	BCH	0.40	988	-9.7%	2.6%	9.4%	57.9%	63.7%
Netcare	NTC	2.40	3,503	2.3%	-1.6%	-0.3%	9.4%	15.4%

Source: Bloomberg

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

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