

# Weekly Market Watch

Weekly Market Watch | Georgia  
Oct 22, 2018

## Economy

### Exports up 17.1% y/y in September 2018

In September 2018, exports increased by 17.1% y/y to US\$ 301.7mn, imports were up 3.3% y/y to US\$ 711.4mn and the trade deficit was down 4.9% y/y to US\$ 409.7mn, according to GeoStat.

In September 2018, copper (+63.9% y/y), ferro-alloys (+52.5% y/y), cars (+36.8% y/y), cigarettes (+213.3% y/y) and wine (-3.3% y/y) were the top 5 exported commodities. A 25.6% of exports was directed to the EU (+25.4% y/y), 45.1% to the CIS (+22.1% y/y) and 29.3% to other countries (+4.6% y/y).

In September 2018, petroleum (-4.0% y/y), cars (-7.6% y/y), copper (+41.7% y/y), pharmaceuticals (-11.9% y/y) and phones (+9.5% y/y) represented the top 5 imported commodities.

Overall, in 9M18, the trade deficit was up 15.5% y/y at US\$ 4.2bn as exports were up 25.7% y/y to US\$ 2.4bn and imports increased by 19.1% y/y to US\$ 6.7bn.

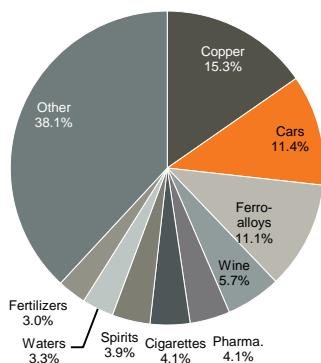
### Money transfers up 5.6% y/y in September 2018

In September 2018, money transfers increased 5.6% y/y to US\$ 131.3mn, after growing 11.4% y/y in the previous month, according to NBG. From major remitting countries, money transfers were up from Italy (+25.9% y/y, 12.5% of total), USA (+12.9% y/y, 10.8% of total), Greece (+8.7% y/y, 10.8% of total) and Israel (+7.6% y/y, 9.5% of total), while remittances were down from Russia (-7.5% y/y, 28.7% of total) and Turkey (-24.1% y/y, 5.5% of total). Overall, in 9M18 money transfers were up 16.0% y/y to US\$ 1.2bn.

### Producer price index up 5.5% y/y in September 2018

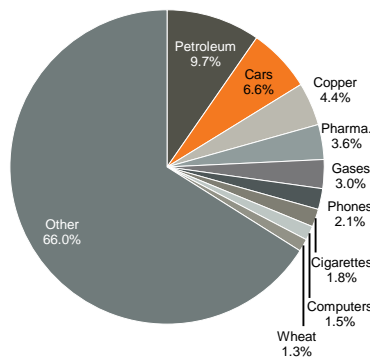
Annual PPI for industrial goods was up 5.5% in September 2018, according to GeoStat. Rising prices in manufacturing (+4.5% y/y) and supply of electricity, gas and water (+14.1% y/y) contributed the most to the overall index change.

Exports by commodities, 9M18



Source: GeoStat

Imports by commodities, 9M18



### Key macro indicators

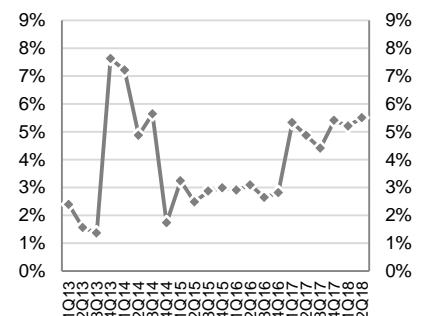
	9M18	2017	2016
GDP (% change)	4.8% <sup>(1)</sup>	5.0%	2.8%
GDP per capita (ppp)	...	10,747	10,053
GDP per capita (US\$)	...	4,068	3,857
Population (mn)	3.7	3.7	3.7
Inflation (eop)	2.7%	6.7%	1.8%
Gross reserves (US\$ bn)	3.2	3.0	2.8
CAD (% of GDP)	10.3% <sup>(2)</sup>	8.8%	13.1%
Fiscal deficit (% of 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 # 66

Source: World Bank, Heritage Foundation and World Economic Forum

### Georgia sovereign credit ratings

 <b>BB-</b> Stable Affirmed May-2018	 <b>Ba2</b> Stable Affirmed Sep-2018	 <b>BB-</b> Positive Affirmed Aug-2018
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Source: Rating agencies

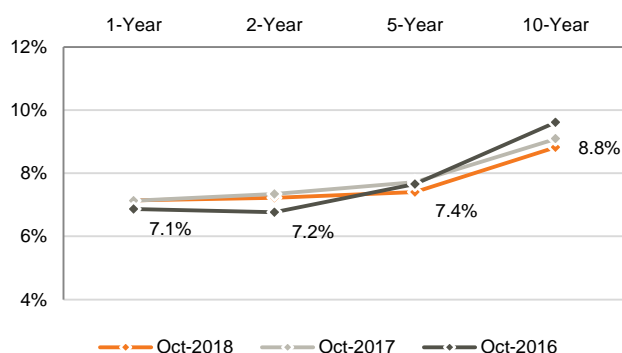
# Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,380mn (US\$ 514.2mn).

## Ministry of Finance Benchmark Bonds:

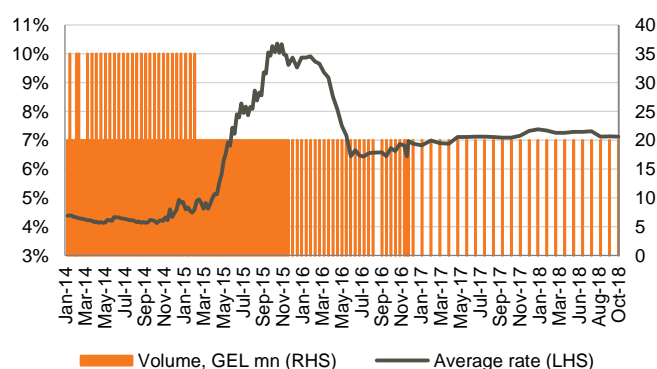
10-year GEL 25.0mn (US\$ 9.3mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on October 17, 2018. The weighted average yield was fixed at 8.822%. The nearest treasury security auction is scheduled for October 24, 2018, where GEL 30.0mn nominal value 5-year Benchmark Bonds will be sold.

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



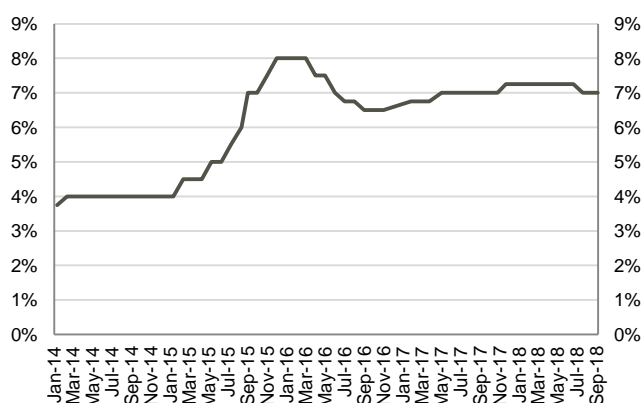
Source: NBG

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



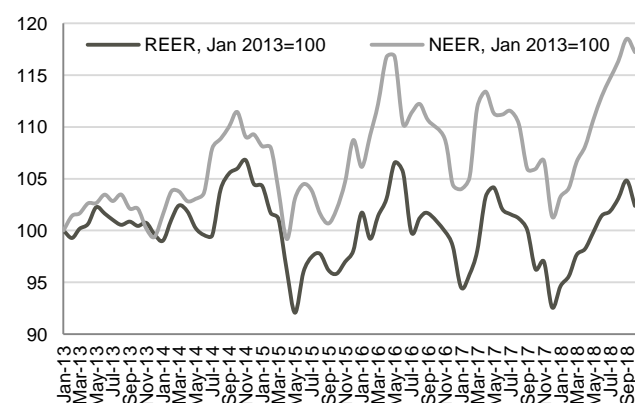
Source: NBG

**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

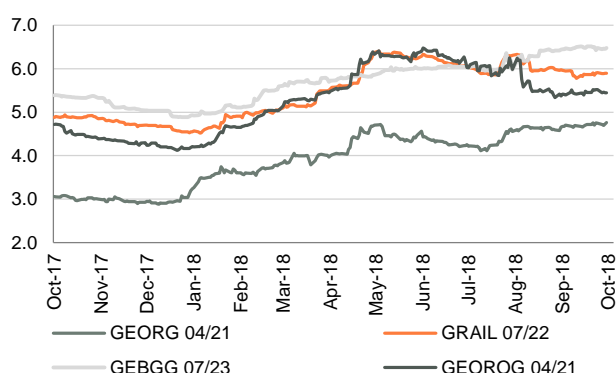
# Fixed income

**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 6.5% yield, trading at 98.1 (+0.2% 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 103.0 (unchanged w/w), yielding 5.5%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 106.1 (unchanged w/w), yielding 5.9%.

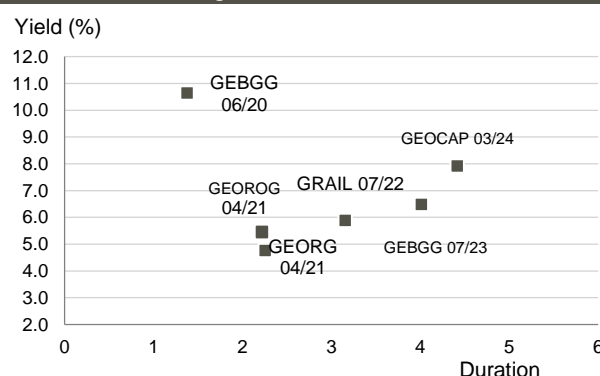
**Georgian Sovereign Eurobonds (GEORG)** closed at 104.9 (-0.2% w/w) at 4.8% yield to maturity.

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	104.87	4.76	162.68
GRAIL 07/22	500	7.750%	18/07/2022	B+/B+/-	106.15	5.88	270.65
GEOROG 04/21	250	6.750%	18/04/2021	BB-/B+/-	103.01	5.45	231.77
GEBGG 06/20	500*	11.000%	18/06/2020	BB-/B+/-	100.50	10.64	n/a
GEBGG 07/23	350	6.000%	18/07/2023	BB-/B+/-	98.06	6.48	329.15
GEOCAP 03/24	300	6.125%	18/03/2024	-/B+/B2	92.29	7.91	471.90

### 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	104.9	4.8	162.7
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba2	99.8	4.8	160.7
Bulgaria	323	5.000%	19/07/2021	BBB-/B+/-	113.6	0.0	n/a
Croatia	1,250	3.875%	30/05/2022	BB+/BB+/Ba2	110.8	0.8	66.5
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	106.3	3.7	53.0
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	108.0	4.1	93.5
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	101.7	3.8	76.8
Turkey	2,000	5.625%	30/03/2021	BB+/-/Ba2	97.4	6.8	366.5

Source: Bloomberg

## Equities

**Bank of Georgia Group (B GEO LN)** shares closed at GBP 16.08/share (+0.20% w/w and -12.38% m/m). More than 280k shares traded in the range of GBP 15.31 – 17.05/share. Average daily traded volume was 60k in the last 4 weeks. FTSE 250 Index, of which B GEO is a constituent, lost 0.79% w/w and lost 8.18% m/m. The volume of B GEO shares traded was at 0.57% of its capitalization.

**Georgia Capital (CGEO LN)** shares closed at GBP 11.46/share (-1.02% w/w and +10.62% m/m). More than 424k shares traded in the range of GBP 11.35 – 11.70/share. Average daily traded volume was 62k in the last 4 weeks. The volume of CGEO shares traded was at 1.11% of its capitalization.

**TBC Bank Group (TBCG LN)** closed the week at GBP 15.18 (-8.33% w/w and -7.66% m/m). More than 149k shares changed hands in the range of GBP 15.02 – 16.58/share. Average daily traded volume was 24k in the last 4 weeks. The volume of TBCG shares traded was at 0.28% of its capitalization.

**Georgia Healthcare Group (GHG LN)** shares closed at GBP 2.20/share (+0.92% w/w and -1.12% m/m). More than 157k shares were traded in the range of GBP 2.14 – 2.30/share. Average daily traded volume was 25k in the last 4 weeks. The volume of GHG shares traded was at 0.12% 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	16.082*	1,031	-12.4%	-10.7%	-34.6%	-33.2%	-31.4%
TBC	TBC	15.18*	1,074	-7.7%	-12.2%	-19.0%	-13.3%	-9.0%
Halyk Bank	HSBK	11.60	3,409	11.0%	-2.9%	-5.7%	17.4%	23.4%
KKB	KKB	0.68	712	0.0%	0.0%	0.0%	0.0%	0.0%
VTB Bank	VTBR	1.28	8,314	-3.8%	-14.5%	-33.5%	-29.9%	-39.2%
Vozrozhdenie	VZRZ	7.10	169	11.2%	21.1%	30.1%	-18.4%	-33.2%
Sberbank	SBER	11.38	61,415	-5.0%	-15.1%	-23.7%	-32.8%	-20.6%

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	11.46*	573	10.6%	16.8%	N/A	N/A	N/A
Creades	CREDA	30.54	250	3.4%	4.4%	-9.6%	-16.2%	-12.1%
CIE du Bois	COMB	445.89	751	-6.5%	-3.0%	-9.7%	3.7%	5.7%
Tinc Comm	TINC	14.25	389	-0.8%	1.5%	-2.6%	-5.7%	-7.0%
Edify	EDIFY	67.23	327	-4.9%	-5.0%	-12.9%	-1.9%	5.6%

Source: Bloomberg

\*CGEO share price traded and shown in GBP

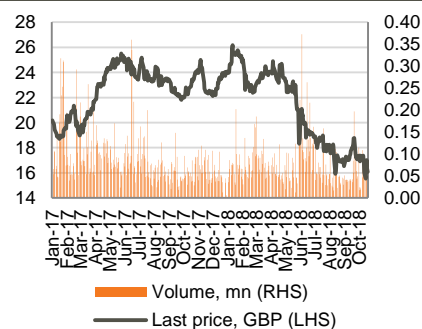
### Healthcare Sector Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG	GHG	2.2*	378	-1.1%	-15.9%	-24.1%	-38.0%	-36.6%
Mouwasat	MOUWASAT	18.27	1,827	-11.5%	-28.1%	-29.7%	-9.5%	-13.3%
Fortis	FORH	1.79	928	-9.2%	-10.0%	-20.3%	-28.8%	-20.3%
Raffles	RFMD	0.77	1,382	-3.4%	-3.9%	-13.1%	-8.2%	-8.8%
IHH	IHH	1.19	9,837	-4.9%	-19.0%	-23.9%	-17.3%	-13.1%
Bangkok Chain	BCH	0.59	1,476	-4.1%	23.8%	5.1%	19.0%	23.3%
Netcare	NTC	1.66	2,439	-12.2%	-16.5%	-32.3%	-18.3%	-11.3%

Source: Bloomberg

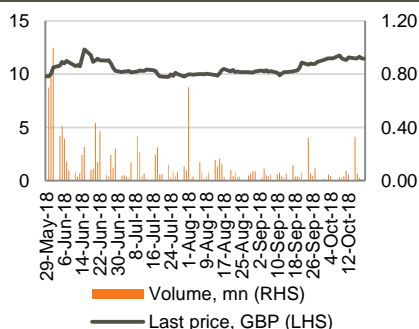
\*GHG share price traded and shown in GBP

### Bank of Georgia Group (B GEO LN)



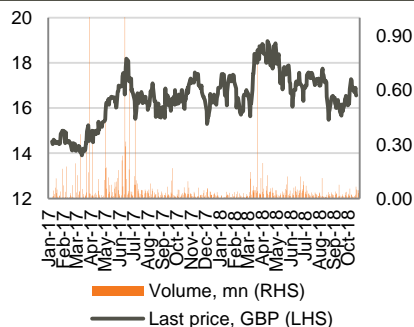
Source: Bloomberg

### Georgia Capital (CGEO LN)



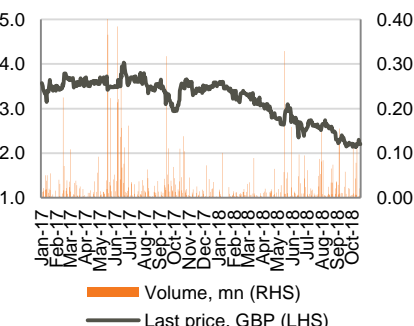
Source: Bloomberg

### TBC Bank Group (TBCG LN)



Source: Bloomberg

### Georgia Healthcare Group (GHG LN)



Source: Bloomberg

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### **Galt & Taggart**

**Address:** 79 D. Agmashenebeli Avenue, Tbilisi 0102, Georgia

**Tel:** + (995) 32 2401 111

**Email:** gt@gt.ge