

Weekly Market Watch

 Weekly Market Watch | Georgia
 September 26, 2016

Economy

Real GDP up 3.0% y/y in 2Q16

Real GDP grew 3.0% y/y according to GeoStat's preliminary data. GDP deflator was 0.7% y/y. The growth base in 2Q16 was diversified, with mining generating the largest increase at 24.1% y/y. Construction (+12.8% y/y), hotels and restaurants (+10.8% y/y), financial intermediation (+9.4% y/y), and manufacturing (+8.3% y/y) sectors were the other top performers. Transport (-5.8% y/y) and trade (-2.8% y/y) were the only sectors in the red in 2Q16. Nominal GDP base was diversified with industry accounting for the largest share (16.6%), followed by trade (15.1%), and agriculture (10.6%).

Trade deficit down 0.7% y/y excluding one-offs in 8M16

In August 2016, exports were flat y/y at US\$ 190mn, imports were up 9.5% y/y to US\$ 684mn, and the trade deficit was up 13.7% y/y to US\$ 493mn according to GeoStat. Reduced ferro-alloys exports (-40.6% y/y) and nuts exports (-31.6% y/y) were the major commodities negatively weighing on exports in August 2016, while copper ores (+45.9% y/y), cars (+18.1% y/y), and wine (+33.5% y/y) posted increases.

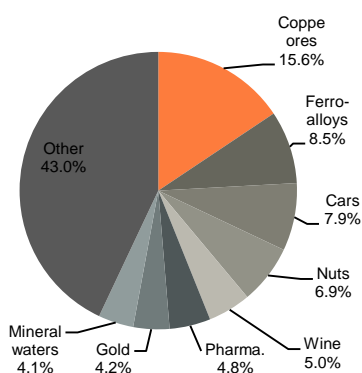
Petroleum (-30.5% y/y), cars (+14.3% y/y), copper ores (+76.0% y/y), pharmaceuticals (-2.2% y/y), and phones (+37.5% y/y) represented the top 5 imported commodities in August 2016.

In 8M16, trade deficit was down 0.7% y/y to US\$ 3.24bn, excluding one-offs, as imports were down 3.6% y/y to US\$ 4.55bn and exports fell 10.0% y/y to US\$ 1.31bn.

NBG sold US\$ 20mn

Last week, NBG intervened on the FX market and sold US\$ 20mn. Overall, NBG bought total of US\$ 278mn and sold US\$ 100mn at 19 interventions YTD. GEL weakened 0.2% w/w and strengthened 3.3% YTD against the US\$.

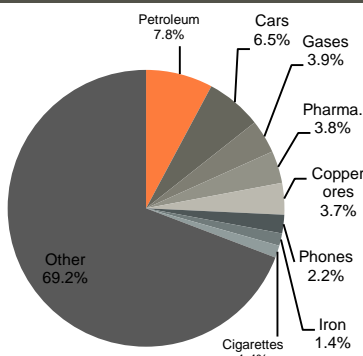
Exports by commodities, 8M16



Source: GeoStat

Note: 8M16 imports provided excluding donated C-hepatitis medicine imports

Imports by commodities, 8M16



Key macro indicators

	7M16	2015	2014
GDP (% change)	2.7%	2.8%	4.6%
GDP per capita (ppp)	...	9,630	9,209
GDP per capita (US\$)	...	3,759	3,676
Population (mn)	3.7 ⁽¹⁾	3.7 ⁽¹⁾	4.5
Inflation (eop)	0.9% ⁽²⁾	4.9%	2.0%
Gross reserves (US\$ bn)	2.9	2.5	2.7
CAD (% of GDP)	13.1% ⁽³⁾	11.8%	10.6%
Fiscal deficit (% of GDP)	3.8%	3.0%
Total public debt (% of GDP)	...	41.5%	35.5%

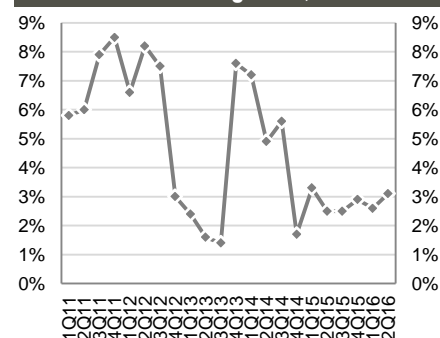
Source: Official data, IMF

(1) Preliminary results of census, previous data is subject to recalculation

(2) As of 8M16

(3) As of 1Q16

Real GDP growth, %



Source: GeoStat

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



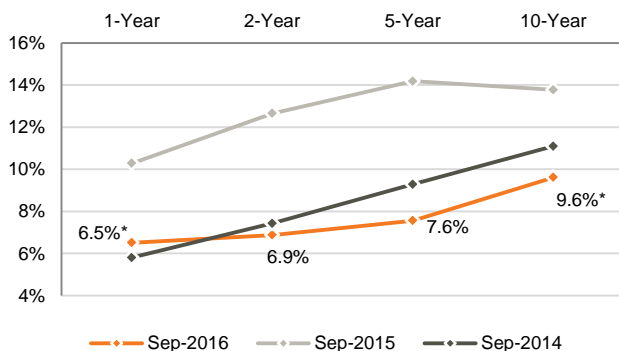
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 950mn (US\$ 409.8mn).

Certificates of deposit: NBG sold 182-day, GEL 20mn (US\$ 8.6mn) certificates of deposit, with an average yield of 6.58% (up 1bps from previous issue).

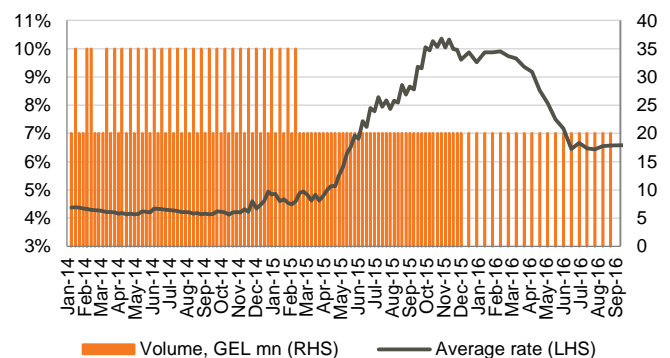
Ministry of Finance Treasury Notes: 5-year GEL 10mn (US\$ 4.3mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on September 21, 2016. The weighted average yield was fixed at 7.555%.

T-bills / T-notes, yield curve



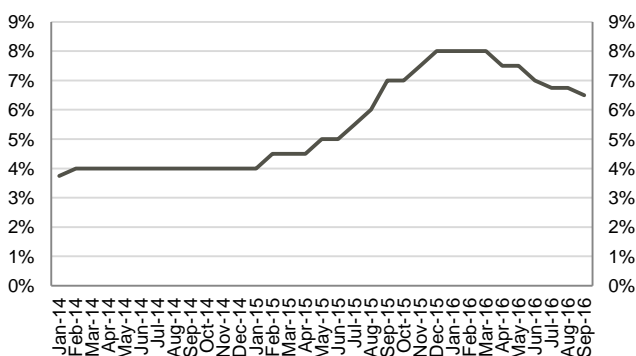
Source: NBG
*As of latest auction

Certificates of Deposits (weighted average rate)



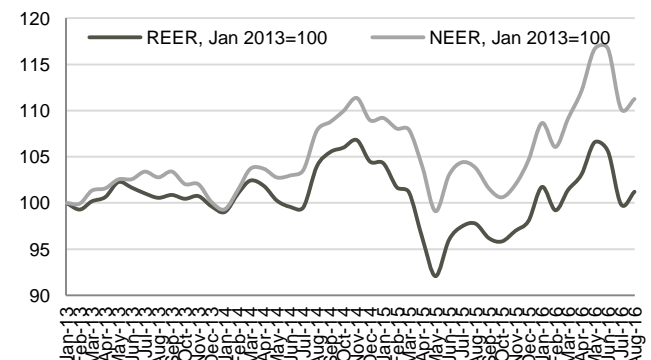
Source: NBG

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



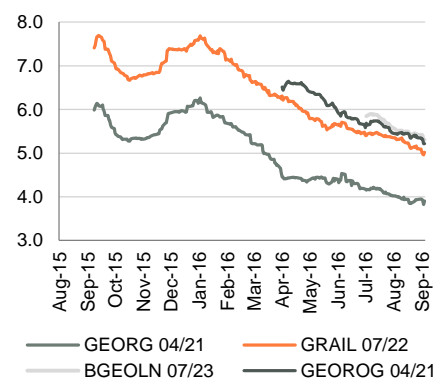
Source: NBG
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (BGEOLN) closed at 5.3% yield, trading at 103.9 (+0.6% w/w). GOGC's Eurobonds (GEOROG 05/17) were trading at 101.9 (unchanged w/w), yielding 3.8% and (GEOROG 04/21) were trading at 106.1 (+0.5% w/w), yielding 5.2%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 113.7 (+0.6% w/w), yielding 5.0%.

Georgian Sovereign Eurobonds (GEORG) closed at 112.1 (unchanged w/w) at 3.9% yield to maturity.

Georgia Eurobonds, YTM (%)



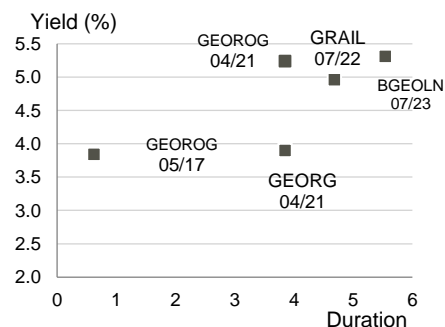
	Local bonds					Eurobonds				
	Nikora 03/18	GWP 11/17	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	5	6*	20	15	10	250	250	350	500	500
Issue date	03/16	12/15	03/15	05/15	09/14	Apr-2016	May-2012	Jul-2016	Apr-2011	Jul-2012
Maturity date	03/18	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	106.1	101.9	103.9	112.1	113.7
Mid yield, %	9.0	15.0	5.75	5.75	6.75	5.2	3.8	5.3	3.9	5.0
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	405.4	283.2	403.6	270.3	369.4

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	112.1	3.9	270.3
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1/-	102.3	4.2	297.4
Bulgaria	323	5.000%	19/07/2021	BBB-/	121.1	0.6	-236.3
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	107.7	2.3	243.6
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	115.1	2.6	160.4
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	120.5	2.5	138.3
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	107.7	2.6	156.2
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	107.2	3.7	265.2

Source: Bloomberg

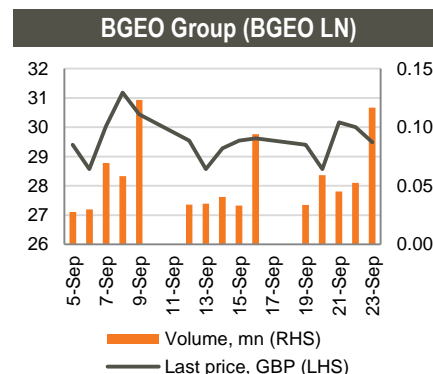
Equities

BGEO Group (BGEO LN) shares closed at GBP 29.49/share (-0.44% w/w and +5.66% m/m). More than 300k shares traded in the range of GBP 29.23 – 30.65/share. Average daily traded volume was 55k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BGEO is a constituent, grew 0.46% w/w and lost 0.27% m/m. The volume of BGEO shares traded was at 0.76% of its capitalization.

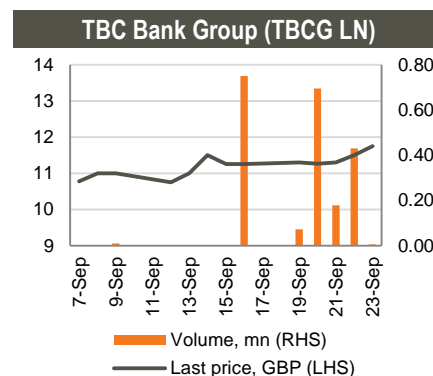
TBC Bank Group (TBCG LN) closed the week at GBP 11.75 (+4.44% w/w and +5.62% m/m). More than 1.3mn shares changed hands in the range of GBP 11.00 – 11.75/share.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.18/share (+3.50% w/w and +15.45% m/m). More than 69k shares were traded in the range of GBP 3.04 – 3.15/share. Average daily traded volume was 28k in the last 4 weeks. The volume of GHG shares traded was at 0.6% of its capitalization.

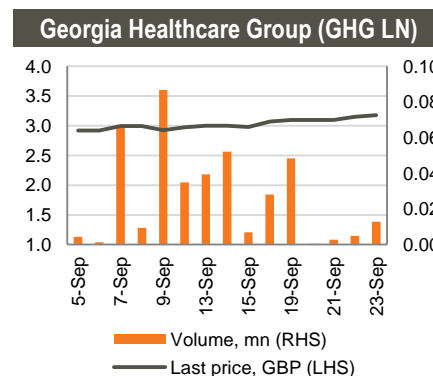
On the Georgian stock exchange, Bank of Georgia shares were traded at GEL 37.00 (unchanged w/w). As a result, the G&T Index remained at 841.5 (unchanged w/w).



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	37.49	1,481	-0.3%	23.0%	29.8%	15.9%	33.3%
TBC	TBC	15.24	749	8.3%	N/A	N/A	N/A	N/A
Halyk Bank	HSBK	6.30	1,732	2.8%	61.5%	38.5%	-25.9%	1.9%
KKB	KKB	1.59	634	0.0%	0.0%	59.0%	-58.2%	-45.0%
VTB Bank	VTBR	2.28	14,769	12.0%	13.7%	9.0%	-0.9%	14.0%
Vozrozhdenie Bank	VZRZ	10.70	254	-0.2%	9.1%	42.3%	45.1%	17.7%
Sberbank	SBER	9.59	51,776	2.9%	17.2%	46.6%	136.9%	98.0%

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	4.12	542	22.8%	7.5%	77.1%	N/A	N/A
Mouwasat	MOUWASAT	32.66	1,633	-2.6%	-4.5%	0.8%	-0.7%	-1.6%
Fortis	FORH	2.62	1,213	1.4%	14.1%	-3.4%	49.0%	-0.1%
Raffles	RFMD	1.12	1,950	0.6%	0.6%	1.8%	14.0%	5.1%
IHH	IHH	1.56	12,831	-3.8%	-1.1%	-3.9%	13.2%	15.7%
Bangkok Chain	BCH	0.35	864	3.3%	-1.3%	16.4%	44.1%	82.9%
Netcare	NTC	2.33	3,412	0.2%	23.2%	3.1%	-29.0%	-13.0%

Source: Bloomberg

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

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