

Weekly Market Watch

 Weekly Market Watch | Georgia
 February 8, 2021

Economy

Inflation was 2.8% y/y and 1.1% m/m in January 2021

Annual CPI inflation came in at 2.8% in January 2021, after 2.4% inflation in December 2020, according to Geostat. The reduction of inflation over the last two months is related to the government subsidy of utility bills and is temporary. Core inflation (non-food, non-energy) was 5.8% in January, while core inflation excluding tobacco was 5.7%. By categories, annual inflation was mainly driven by price changes in food and non-alcoholic beverages (+6.4% y/y, +2.06ppts), health (+9.7% y/y, +0.76ppts), furnishings, household equipment and maintenance (+10.8% y/y, +0.61ppts), alcoholic beverages and tobacco (+6.9% y/y, +0.45ppts) and housing, water, electricity, gas and other fuels (-20.5% y/y, -1.77ppts) categories. On a monthly basis, there was 1.1% inflation in January 2021, reflecting price increase in food and non-alcoholic beverages (+2.0% m/m), transport (+1.4% m/m) and housing, water, electricity, gas and other fuels (+1.9% m/m).

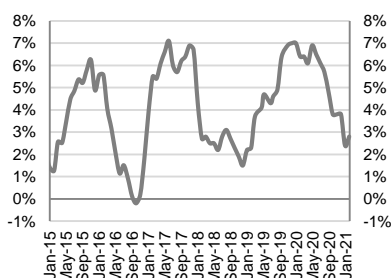
International reserves at US\$ 4.1bn in January 2021

Gross international reserves increased by 17.8% y/y to US\$ 4.1bn in January 2021 according to NBG. On a monthly basis, the reserves were up by 4.9% (+US\$ 191.0mn). Changes in reserves were attributed to the disbursement of donor funds and FX sales totaling US\$ 80.0mn by NBG in January 2021.

NBG keeps its policy rate unchanged at 8.0%

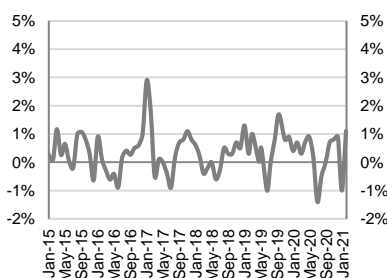
At its meeting on 3 February 2021, NBG's monetary policy committee decided to keep its policy rate at 8.0%, unchanged since August 2020. Annual inflation was 2.8% in January 2021 and NBG commented that reduced inflation rate in last two months is temporary, related to government's utility subsidies. According to the current forecast, NBG expects annual inflation at around 4.0% on average in 2021, and then gradual approach to the target rate of 3.0%. The regulator commented that significant increase in world commodity prices, COVID-19 pandemic-related rising production costs and GEL depreciation are key factors pressuring inflation upward. With still high uncertainty, the committee said the need for maintaining a tight monetary stance is appropriate, and the likelihood of a rate increase is not ruled out also. NBG expects a gradual recovery of economic activity in 2021 and growth at 4%, with domestic demand being the main driver. The next committee meeting is scheduled for 17 March 2021.

Annual CPI inflation (% change, y/y)



Source: Geostat

Monthly CPI inflation (% change, m/m)

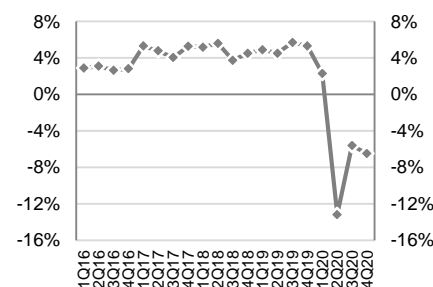


Key macro indicators

	2017	2018	2019
GDP (% change)	4.8%	4.8%	5.0%
GDP per capita (ppp)	13,596	14,584	15,634
GDP per capita (US\$)	4,359	4,722	4,696
Population (mn)	3.7	3.7	3.7
Inflation (eop)	6.7%	1.5%	7.0%
Gross reserves (US\$ bn)	3.0	3.3	3.5
CAD (% of GDP)	8.1%	6.8%	5.5%
Fiscal deficit (% of GDP)	2.7%	2.3%	2.1%
Total public debt (% of GDP)	39.4%	38.9%	40.4%

Source: Official data, Galt & Taggart

Real GDP growth, %



Source: Geostat

International ranking, 2019-20

Ease of Doing Business # 7 (Top 10)

Economic Freedom Index # 12 (mostly free)

Global Competitiveness Index # 74

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POOR'S BB Stable Affirmed Aug-2020	Moody's INVESTORS SERVICE Ba2 Stable Affirmed Aug-2020	Fitch Ratings BB Negative Affirmed Aug-2020
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Source: Rating agencies

Money market

Ministry of Finance T-Bills:

2-year GEL 20.0mn (US\$ 6.1mn) Benchmark bonds were sold at the auction held at NBG on February 2, 2021. Total demand was c.3.6x higher and the weighted average yield was fixed at 8.026%, down by 0.141ppts from previous auction held in December, 2020.

6-month GEL 15.0mn (US\$ 4.5mn) T-Bills were sold at the auction held at NBG on February 2, 2021. Total demand was c.2.8x higher and the weighted average yield was fixed at 8.002%, down by 0.086ppts from previous auction held in December, 2020.

The nearest treasury security auction is scheduled for February 9, 2021, where GEL 15.0mn nominal value 1-year T-Bills will be sold.

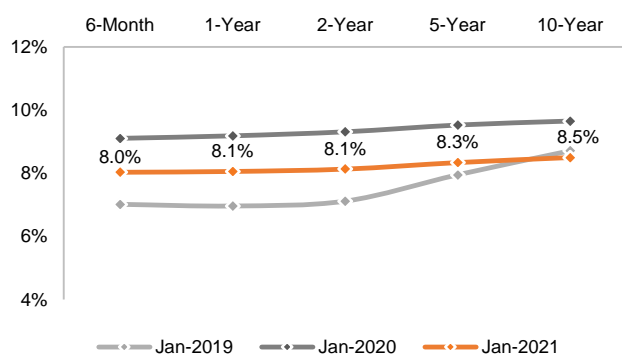
T-bills / T-notes in 2021

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	15	150	120
1-year	0	165	660
2-year	20	200	1,530
5-year	35	385	2,261
10-year	25	75	1,237
Total	95	975	5,808

Source: MoF

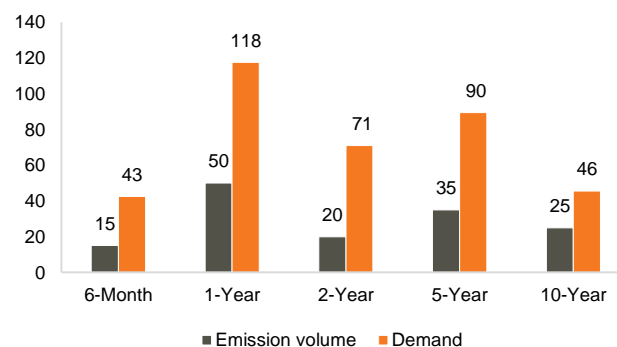
Note: * As of 31 December 2020

T-bills / T-notes, yield curve



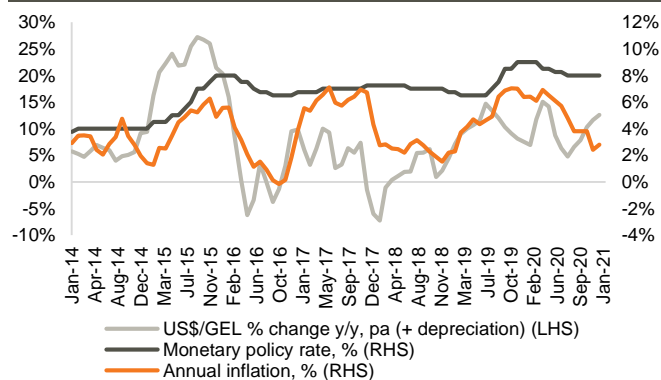
Source: NBG

Emission volume vs. demand on latest T-bills / T-notes auctions, GEL mn



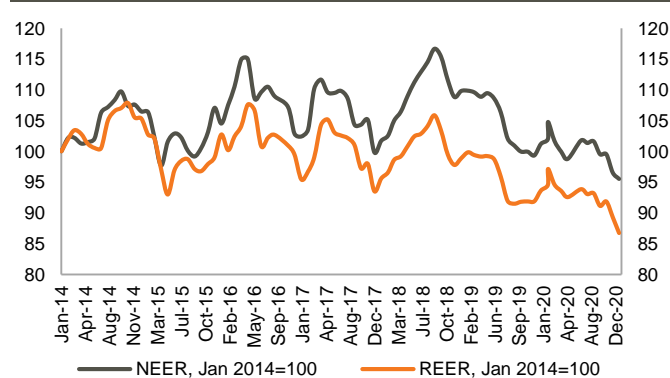
Source: NBG

Monetary policy rate, inflation and FX 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



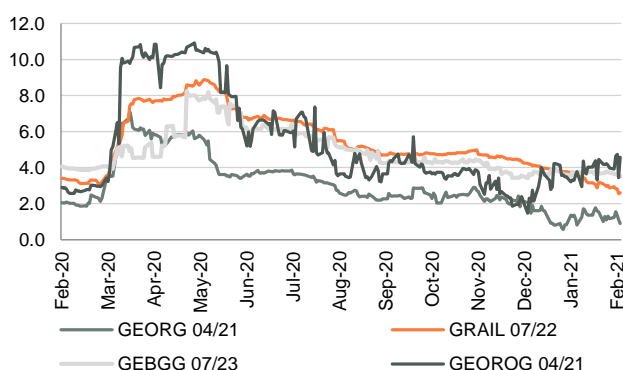
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 3.51% yield, trading at 105.82 (+0.41% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 101.51 (+0.09% w/w), yielding 5.58%.

GOGC Eurobonds (GEOROG) were trading at 100.44 (-0.18% w/w), yielding 4.58%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 107.15 (+0.29% w/w), yielding 2.60%.

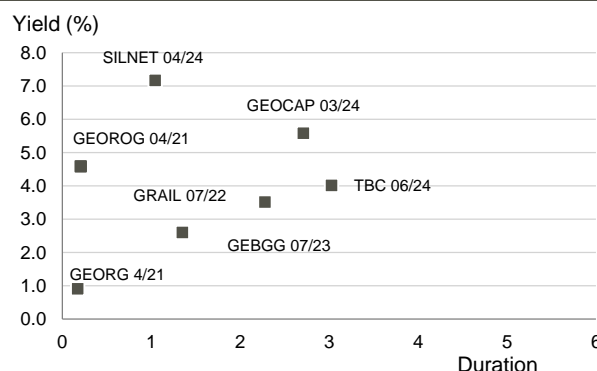
Georgian Sovereign Eurobonds (GEORG) closed at 101.04 (-0.06% w/w) at 0.91% yield to maturity.

Georgian Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg
Note: For Silknet duration calculation call date is taken as maturity.

Georgian bonds performance

Georgian Eurobonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/ Scope)	Mid price	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	Apr-21	BB/BB/Ba2	101.04	0.91	168.77
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	107.15	2.60	237.82
GEOROG 04/21	US\$	250	6.750%	Apr-21	-BB/-	100.44	4.58	370.22
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/Ba2	105.82	3.51	359.72
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	107.85	9.07	806.26
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B/B2	101.51	5.58	531.07
SILKNET 04/24	US\$	200	11.000%	Apr-24	B-/B1	110.63	7.16	577.41
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/Ba2	105.40	4.01	363.07
TBC PERP	US\$	125	10.775%	n/a	B-/-	105.14	9.51	876.13
GGU 07/25	US\$	250	7.750%	Jul-25	B+/B/-	103.72	6.77	619.05

Georgian local bonds performance

KTW 12/22	US\$	10	9.00%	Dec-22	-/-/-	n/a	n/a	n/a
GWP 12/21	GEL	30	12.50%	Dec-21	BB-/B1/-	n/a	n/a	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	100.43	7.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	100.37	7.25	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	-/-/-	n/a	n/a	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	-/-/-	100.00	7.50	n/a
GLC 08/22	US\$	10	7.50%	Aug-22	-/-/-	n/a	n/a	n/a
CRYSTAL 02/21	GEL	15	13.00%	Feb-21	B-/-	100.00	12.00	n/a
Nikora Trade 08/21	GEL	25	9.00%	Aug-21	-/-/B+	n/a	n/a	n/a
SILKNET 04/24	GEL	34	12.50%	Apr-24	B+/B1/-	n/a	n/a	n/a
Geo. Beer Company	GEL	25	13.00%	Dec-23	-/-/BB-	n/a	n/a	n/a
Lisi Lake Development	US\$	12	8.00%	Dec-21	-/-/B+	n/a	n/a	n/a
Tegeta 04/22	GEL	30	10.75%	Apr-22	-/-/BB-	n/a	n/a	n/a
Swiss Capital 09/21	GEL	10	13.25%	Sep-21	B-/-/-	100.00	14.25	n/a
EVEX 11/24	GEL	50	12.10%	Nov-24	-/-/BB	n/a	n/a	n/a

Source: Bloomberg



Fixed income, continued

Eastern European sovereign 10-year bonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	Apr-21	BB/BB/Baa2	101.04	0.91	168.77
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	100.51	1.90	172.32
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	105.01	4.30	411.01
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	111.25	0.77	39.35
Russia	US\$	3,000	4.875%	Sep-23	BBB/BBB-/Baa3	110.26	0.88	59.79
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B2	100.61	1.28	103.82
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/B3	102.93	2.45	224.16

Source: Bloomberg



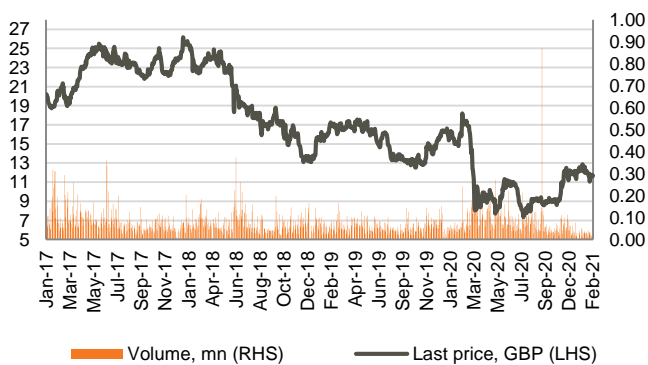
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 11.70/share (+1.92% w/w and -4.41% m/m). More than 120k shares traded in the range of GBP 11.46 - 11.94/share. Average daily traded volume was 28k in the last 4 weeks. The volume of BGEO shares traded was at 0.24% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 5.32/share (+5.77% w/w and -2.21% m/m). More than 209k shares traded in the range of GBP 4.94 - 5.58/share. Average daily traded volume was 34k in the last 4 weeks. The volume of CGEO shares traded was at 0.57% of its capitalization.

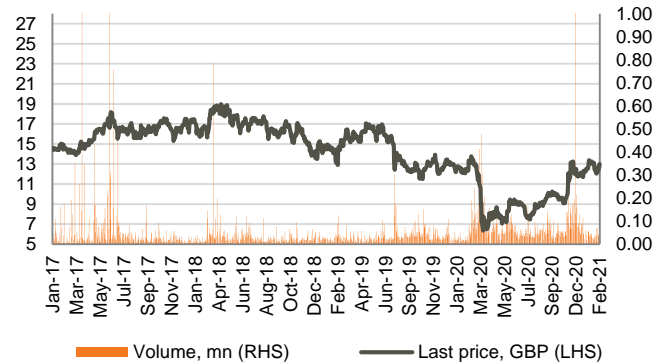
TBC Bank Group (TBCG LN) closed the week at GBP 13.00/share (+6.73% w/w and +1.25% m/m). More than 154k shares changed hands in the range of GBP 12.10 - 13.02/share. Average daily traded volume was 34k in the last 4 weeks. The volume of TBCG shares traded was at 0.28% of its capitalization.

Bank of Georgia Group (BGEO LN)



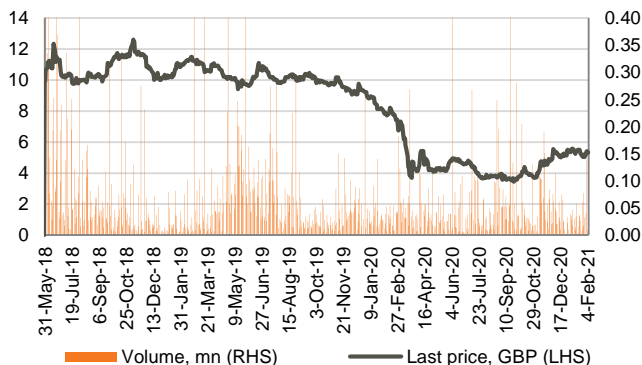
Source: Bloomberg

TBC Bank Group (TBCG LN)



Source: Bloomberg

Georgia Capital (CGEO LN)



Source: Bloomberg



Equities, continued

Eastern European banks

	Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	P/E		P/B	
								2020F	2021F	2020F	2021F
Bank of Georgia	BGEO	GBP	11.70	575	43.0%	-24.8%	-4.1%	8.53x	4.96x	0.99x	0.82x
TBC	TBC	GBP	13.00	715	60.1%	4.0%	4.0%	6.91x	6.24x	1.08x	0.94x
Halyk Bank	HSBK	US\$	13.10	3,849	20.2%	-12.7%	12.4%	5.47x	4.95x	1.08x	0.98x
VTB Bank	VTBR	US\$	0.97	6,283	-3.8%	-36.0%	1.6%	7.09x	3.24x	0.34x	0.32x
Akbank	AKBNK	TRY	6.61	34,372	31.7%	-23.8%	-4.6%	6.07x	3.89x	0.60x	0.48x
Garanti	GARAN	TRY	9.76	40,992	44.0%	-21.2%	-5.9%	6.34x	4.03x	0.69x	0.56x
Isbank	ISCTR	TRY	6.38	28,710	34.3%	-15.0%	-8.9%	4.49x	3.33x	0.45x	0.38x
PKO	PKO	PLN	28.60	35,750	28.5%	-19.8%	-0.4%	12.63x	11.99x	0.80x	0.77x
PEKAO	PEO	PLN	66.00	17,323	23.8%	-33.3%	8.0%	13.82x	12.61x	0.69x	0.67x
Millennium	MIL	PLN	3.86	4,680	31.1%	-35.0%	18.0%	67.03x	13.09x	0.52x	0.52x
Mbank	MBK	PLN	194.90	8,251	1.1%	-48.9%	8.8%	30.78x	19.09x	0.49x	0.48x
BRD	BRD	RON	15.00	10,454	24.6%	-8.5%	0.9%	13.11x	13.10x	1.16x	1.25x
Banca Transilvania	TLV	RON	2.32	12,075	19.6%	-0.5%	2.9%	12.76x	11.48x	1.62x	1.60x
OTP	OTPD	USD	22.40	12,544	-1.8%	-1.8%	-1.8%	12.53x	10.97x	0.70x	0.65x
Komercni	KOMB	CZK	699.00	132,844	33.7%	-13.2%	6.4%	16.64x	14.80x	1.17x	1.13x
Mean								14.95x	9.18x	0.83x	0.77x
Median								12.53x	10.97x	0.70x	0.67x

Source: Bloomberg, S&P Capital IQ

Investment management companies

	Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	P/E		P/B	
								2020F	2021F	2020F	2021F
Georgia Capital	CGEO	GBP	5.32	195	36.4%	-32.1%	-1.5%	n/a	n/a	n/a	n/a
Tinc Comm	TINC	EUR	12.55	342	-4.2%	-10.7%	-3.1%	n/a	n/a	n/a	n/a
Sabanci Holding	SAHOL	TRY	11.19	22,832	36.5%	8.1%	-2.4%	5.02x	4.20x	0.66x	0.53x
Deutsche Beteiligungs	DBAN	EUR	37.65	566	19.0%	-5.0%	13.7%	n/mf	13.10x	1.31x	1.30x
Eurazeo	RF	EUR	61.00	4,805	34.5%	-7.9%	9.9%	36.21x	10.05x	0.87x	0.83x
Carlyle Group	CG	USD	36.60	4,051	29.6%	12.1%	16.4%	6.15x	4.99x	6.05x	3.72x
Mean								14.64x	7.66x	2.03x	1.99x
Median								6.27x	7.15x	1.00x	0.94x

Source: Bloomberg, S&P Capital IQ

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Galt & Taggart

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

Tel: + (995) 32 2401 111

Email: gt@gt.ge