

Weekly Market Watch

Weekly Market Watch | Georgia
November 21, 2016

Economy

Money transfers up 14.0% y/y in October 2016

In October 2016, money transfers increased 14.0% y/y to US\$ 102.5mn after growing 13.1% y/y in previous month, according to NBG. From major remitting countries, money transfers were up from: USA (+32.2% y/y, 11.3% of total), Greece (+42.5% y/y, 11.0% of total), Italy (+6.4% y/y, 10.0% of total), Turkey (+74.2% y/y, 8.5% of total) and Israel (+82.2% y/y, 5.5% of total), while transfers were down from Russia (-3.8% y/y, 33.8% of total). Overall, money transfers were up 4.7% y/y to US\$ 934.5mn in 10M16.

Exports up 0.7% y/y in October 2016

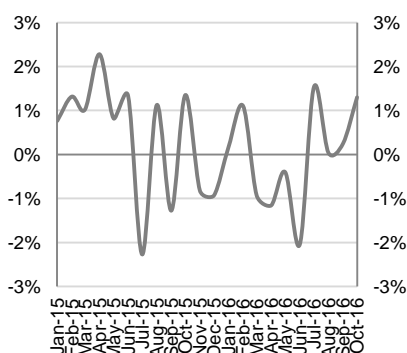
In October 2016, imports increased 6.3% y/y to US\$ 654.8mn, exports increased 0.7% y/y to US\$ 189.3mn, and the trade deficit was up 8.7% y/y to US\$ 465.4mn, according to GeoStat's preliminary figures. In 10M16, the trade deficit was flat reaching US\$ 4.15bn, excluding one-offs. Detailed foreign trade statistics will be available on November 21, 2016.

Producer price index up 1.3% m/m and down 1.9% y/y in October 2016

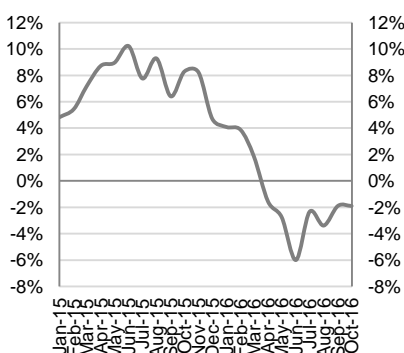
PPI for industrial goods increased 1.3% m/m in October 2016, according to GeoStat. A 1.3% price increase for manufacturing contributed the most to the overall index change. In this section prices were up for manufacture of food products, beverages and tobacco (+1.5% m/m) and up for manufacture of basic and fabricated metals (3.2% m/m). Prices were also up for supply of electricity, gas, and water (+1.4% m/m).

Annual PPI was down 1.9% in October 2016. Falling prices in manufacturing contributed the most to the overall index change (-2.7% y/y,) as prices were down for manufacture of chemical products (-20.9% y/y) and basic and fabricated metals (-6.6% y/y). Meanwhile, supply of electricity, gas and water prices were up 4.6% y/y.

PPI (% change, m/m)



PPI (% change, y/y)



Source: GeoStat

Key macro indicators

| | 10M16 | 2015 | 2014 |
|------------------------------|----------------------|--------------------|-------|
| GDP (% change) | 2.6% ⁽³⁾ | 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) | -0.2% | 4.9% | 2.0% |
| Gross reserves (US\$ bn) | 2.8 | 2.5 | 2.7 |
| CAD (% of GDP) | 13.4% ⁽²⁾ | 11.8% | 10.6% |
| Fiscal deficit (% of GDP) | | 3.8% | 3.0% |
| Total public debt (% of GDP) | ... | 41.5% | 35.5% |

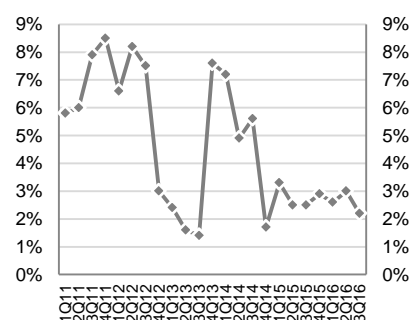
Source: Official data, IMF

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

(2) As of 2Q16

(3) As of 9M16

Real GDP growth, %



Source: GeoStat

Note: 3Q16 figure based on rapid estimates

International ranking of Georgia, 2016

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

| | | |
|--|---|---|
| STANDARD & POOR'S BB- Stable Affirmed Nov-2016 | Moody's INVESTORS SERVICE Ba3 Stable Affirmed Mar-2016 | FitchRatings BB- Stable Affirmed Sep-2016 |
|--|---|---|

Source: Rating agencies



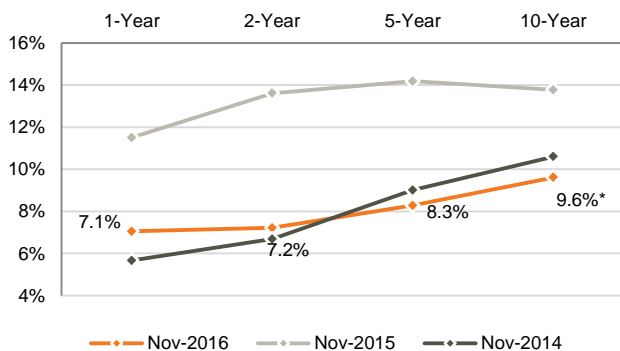
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,340mn (US\$ 537.6mn).

Certificates of deposit: NBG sold 182-day, GEL 20mn (US\$ 8.0mn) certificates of deposit, with an average yield of 6.87% (up by 15bps from previous issue).

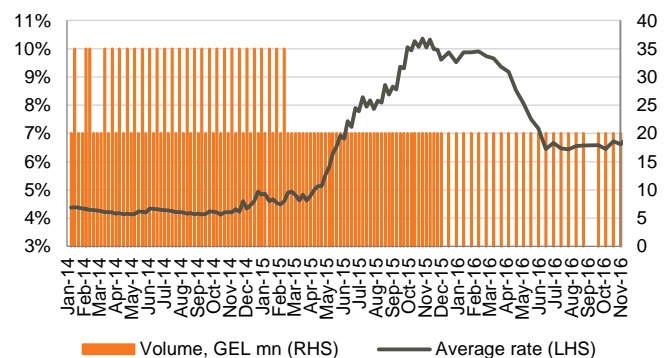
Ministry of Finance Treasury Notes: 5-year GEL 20mn (US\$ 8.0mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on November 16, 2016. The weighted average yield was fixed at 8.283%. The nearest treasury securities auction is scheduled for November 22, 2016, where GEL 10mn nominal value 10-year T-Notes will be sold.

T-bills / T-notes, yield curve



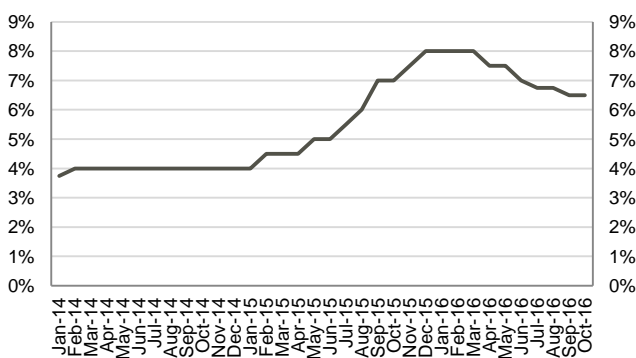
Source: NBG
*As of latest auction

Certificates of Deposits (weighted average rate)



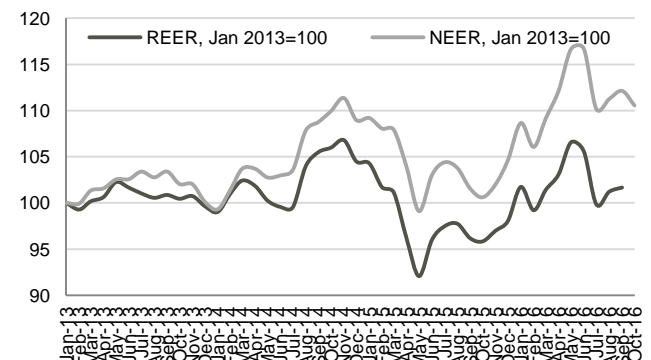
Source: NBG

Monetary policy rate



Source: NBG
Note: Next revision of a monetary policy rate is scheduled for 14 December 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

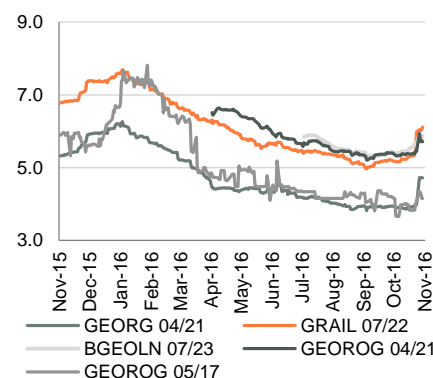


Fixed income

Corporate Eurobonds: Bank of Georgia Eurobond (BGEOLN) closed at 5.9% yield, trading at 100.4 (-1.4% w/w). GOGC Eurobonds - GEOROG 05/17 traded at 101.4 (-0.2% w/w), yielding 3.8% and GEOROG 04/21 traded at 103.9 (-1.1% w/w), yielding 5.7%. Georgian Railway Eurobond (GRAIL) traded at a premium at 107.9 (-2.7% w/w), yielding 6.1%.

Georgian Sovereign Eurobond (GEORG) closed at 108.4 (-2.9% w/w) at 4.7% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

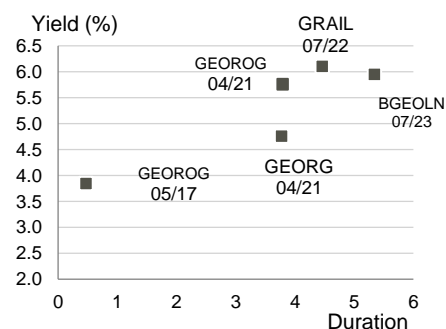
| | Local bonds | | | | | Eurobonds | | | | |
|-------------------|---------------|-----------------|--------------|---------------|--------------|-----------------|-----------------|-----------------|----------------|----------------|
| | M2RE 10/19 | Nikora 03/18 | GWP 12/17 | EVEX 05/17 | GLC 09/17 | GEOROG 04/21 | GEOROG 05/17 | BGEOLN 07/23 | GEORG 04/21 | GRAIL 07/22 |
| Amount, US\$ mn | 25 | 5 | 6* | 15 | 10 | 250 | 53.5 | 350 | 500 | 500 |
| Issue date | 10/16 | 03/16 | 12/15 | 05/15 | 09/14 | 04/16 | 05/12 | 07/16 | 04/11 | 07/12 |
| Maturity date | 10/19 | 03/18 | 12/17 | 05/17 | 09/17 | 04/21 | 05/17 | 07/23 | 04/21 | 07/22 |
| Coupon, % | 7.50 | 11.00 | 14.00** | 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 | 102.8 | 100.0* | 101.5 | 101.2 | 103.9 | 101.4 | 100.4 | 108.4 | 107.9 |
| Mid yield, % | 6.5 | 8.750 | 14.0 | 6.25 | 7.25 | 5.7 | 3.8 | 5.9 | 4.7 | 6.1 |
| Z-spread, bps | n/a | n/a | n/a | n/a | n/a | 387.5 | 252.6 | 395.2 | 291.1 | 414.0 |

Source: Bloomberg

*GWP 12/17 bonds are in Georgian lari

**Floating rate with 7.5% 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 | 108.4 | 4.7 | 291.1 |
| Azerbaijan | 1,250 | 4.750% | 18/03/2024 | BB+/-/Ba1 | 98.1 | 5.1 | 304.1 |
| Bulgaria | 323 | 5.000% | 19/07/2021 | BBB-/ | 119.5 | 0.7 | -216.6 |
| Croatia | 1,250 | 3.875% | 30/05/2022 | BB/BB/Ba2 | 106.7 | 2.6 | 233.3 |
| Hungary | 3,000 | 6.375% | 29/03/2021 | BBB-/BBB-/Baa3 | 112.4 | 3.3 | 153.4 |
| Romania | 2,250 | 6.750% | 07/02/2022 | BBB-/BBB-/Baa3 | 115.0 | 3.6 | 180.9 |
| Russia | 3,500 | 5.000% | 29/04/2020 | BBB-/BB+/Ba1 | 105.4 | 3.3 | 168.1 |
| Turkey | 2,000 | 5.625% | 30/03/2021 | BBB-/NR/Ba1 | 102.8 | 4.9 | 316.2 |

Source: Bloomberg

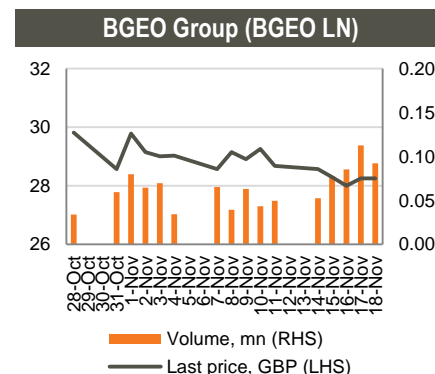
Equities

BGEO Group (BGEO LN) shares closed at GBP 28.25/share (-1.50% w/w and -6.83% m/m). More than 420k shares traded in the range of GBP 27.96 – 29.31/share. Average daily traded volume was 57k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BGEO is a constituent, gained 1.23% w/w and lost 1.86% m/m. The volume of BGEO shares traded was at 1.07% of its capitalization.

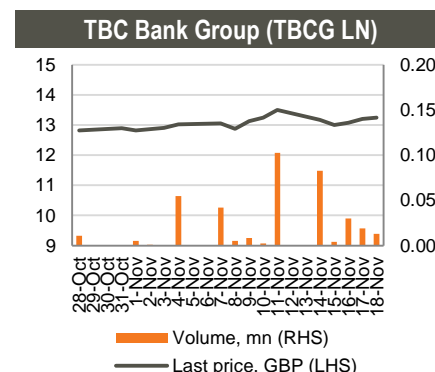
TBC Bank Group (TBCG LN) closed the week at GBP 13.25 (-1.85% w/w and +4.95% m/m). More than 148k shares changed hands in the range of GBP 12.60 – 13.50/share. Averaged daily traded volume was 30k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.58/share (+2.14% w/w and +8.33% m/m). More than 36k shares were traded in the range of GBP 3.30 – 3.70/share. Average daily traded volume was 22k in the last 4 weeks. The volume of GHG shares traded was at 0.03% of its capitalization.

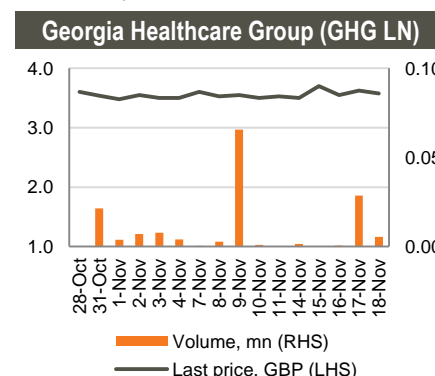
On the Georgian stock exchange, Liberty Consumer shares were traded at GEL 0.11 (unchanged w/w). As a result, the G&T Index remained at 908.54 (unchanged w/w).



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* | 34.85 | 1,377 | -6.5% | -0.9% | -1.3% | 24.2% | 20.2% | |
| | TBC* | 16.35 | 853 | 5.3% | 26.7% | 40.3% | 61.9% | 91.7% | |
| | Halyk Bank | HSBK | 6.00 | 1,649 | -8.1% | 6.0% | 42.9% | 21.2% | 0.0% |
| | KKB | KKB | 1.38 | 550 | 0.0% | -13.2% | -13.2% | 12.7% | 2.2% |
| | VTB Bank | VTBR | 2.05 | 13,298 | -2.7% | 0.6% | -0.5% | -2.7% | -10.7% |
| | Vozrozhdenie Bank | VZRZ | 10.90 | 259 | -4.8% | 5.3% | 12.3% | 32.0% | 17.9% |
| | Sberbank | SBER | 9.52 | 51,366 | -0.7% | 8.8% | 20.6% | 61.9% | 37.7% |

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 | 4.41 | 581 | 8.7% | 6.6% | 38.5% | 93.1% | 61.1% |
| Mouwasat | MOUWASAT | 34.64 | 1,732 | 13.5% | -0.1% | -4.3% | 6.7% | 17.0% |
| Fortis | FORH | 2.35 | 1,090 | -14.1% | -18.8% | -7.5% | -13.4% | -2.3% |
| Raffles | RFMD | 1.00 | 1,742 | -9.2% | -11.5% | -12.3% | 1.8% | -0.5% |
| IHH | IHH | 1.45 | 11,947 | -5.4% | -13.3% | -9.5% | -5.1% | -4.6% |
| Bangkok Chain | BCH | 0.38 | 947 | 4.8% | 11.3% | 31.4% | 51.4% | 89.9% |
| Netcare | NTC | 2.36 | 3,455 | -5.9% | -2.2% | 17.1% | 7.9% | -11.6% |

Source: Bloomberg

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

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