

# Weekly Market Watch

 Weekly Market Watch | Georgia  
 November 9, 2020

## Economy

### Inflation was 3.8% y/y and 0.8% m/m in October 2020

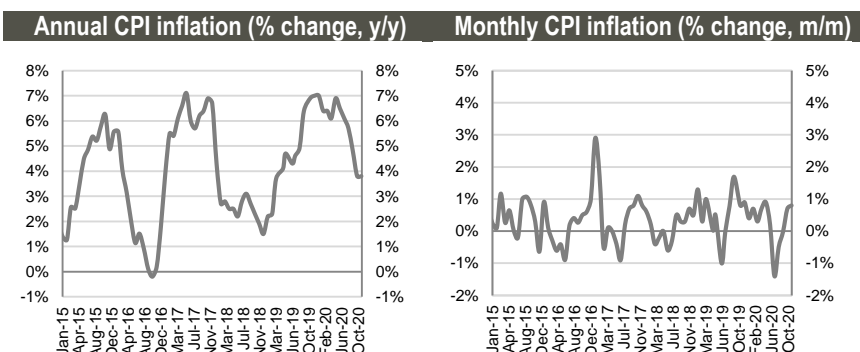
Annual CPI inflation remained unchanged at 3.8% in October 2020, according to Geostat. Core inflation (non-food, non-energy) was 5.4% in October 2020, while core inflation excluding tobacco was 5.0%. Annual price changes were driven by price increases in food and non-alcoholic beverages (+5.5% y/y, +1.74pts) and health (+9.0% y/y, +0.73pts) categories and price drop in transport (-6.0% y/y, -0.74pts) category. On a monthly basis, inflation was 0.8% in October 2020.

### International reserves at US\$ 3.8bn in October 2020

Gross international reserves increased by 11.5% y/y to US\$ 3.8bn in October 2020 according to NBG. On a monthly basis, the reserves were up by 0.3% (+US\$ 12.6mn). Growth in reserves was attributed to the disbursement of donor funds to the budget, fully compensating FX sales totaling US\$ 200mn by NBG in October 2020.

### NBG sold US\$ 60mn

On 2 November 2020, the NBG intervened on the FX market and sold US\$ 60mn to limit GEL volatility. This was 21<sup>st</sup> FX intervention YTD for a total sale of US\$ 709.7mn through FX auctions.



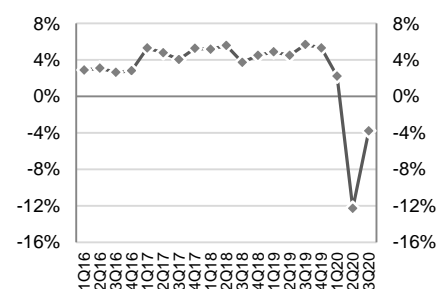
Source: Geostat

### Key macro indicators

	2017	2018	2019
GDP (% change)	4.8%	4.8%	5.1%
GDP per capita (ppp)	11,485	12,417	13,559
GDP per capita (US\$)	4,359	4,722	4,763
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%	5.1%
Fiscal deficit (% of GDP)	2.7%	2.3%	2.0%
Total public debt (% of GDP)	39.4%	38.9%	39.8%

Source: Official data, Galt &amp; 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

<b>STANDARD &amp; POOR'S</b>  <b>BB</b> Stable Affirmed Aug-2020	<b>Moody's</b> INVESTORS SERVICE  <b>Ba2</b> Stable Affirmed Aug-2020	<b>FitchRatings</b>  <b>BB</b> Negative Affirmed Aug-2020
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Source: Rating agencies

# Money market

**Ministry of Finance Benchmark Bonds:** 2-year GEL 70.0mn (US\$ 21.6mn) Benchmark Bonds were sold at the auction held at NBG on November 3, 2020. Total demand was 1.8x higher and the weighted average yield was fixed at 8.171%, unchanged from previous auction held in October, 2020.

**Ministry of Finance T-Bills:** 6-month GEL 20.0mn (US\$ 6.2mn) T-Bills were sold at the auction held at NBG on November 3, 2020. Total demand was 1.8x higher and the weighted average yield was fixed at 8.147%, up 0.09ppts from previous auction held in October, 2020. The nearest treasury security auction is scheduled for November 13, 2020, where GEL 50.0mn nominal value 1-year T-Bills will be sold.

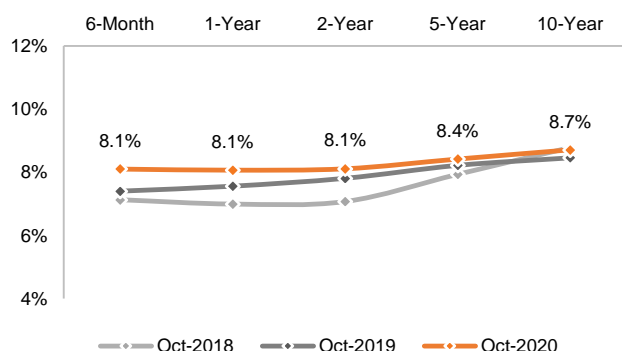
## T-bills / T-notes in 2020

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	330	20	180
1-year	560	100	690
2-year	770	70	1,320
5-year	800	160	2,008
10-year	150	0	1,197
<b>Total</b>	<b>2,610</b>	<b>350</b>	<b>5,395</b>

Source: MoF

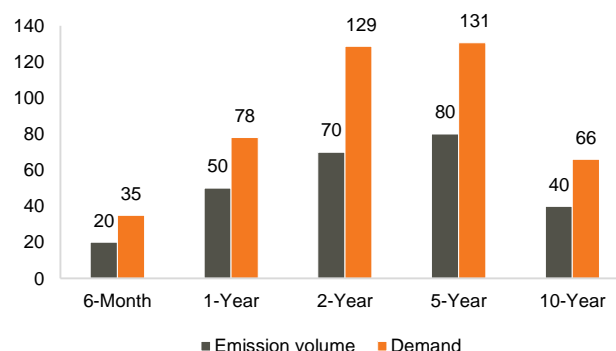
Note: \* As of 30 September 2020

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



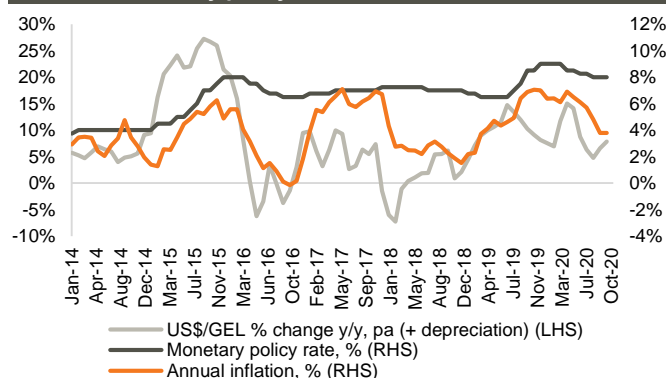
Source: NBG

## Emission volume vs. demand on latest T-bill0ls / T-notes auctions, GEL mn



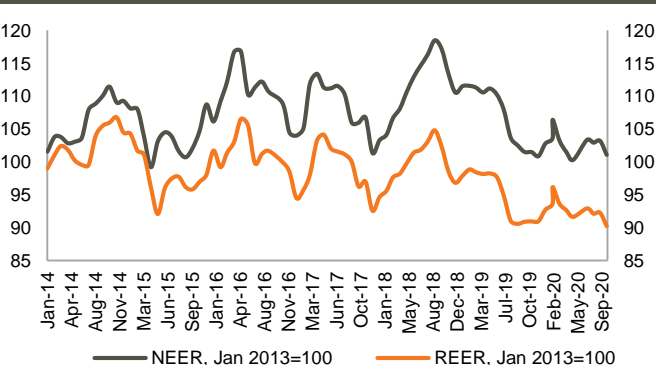
Source: NBG

## 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

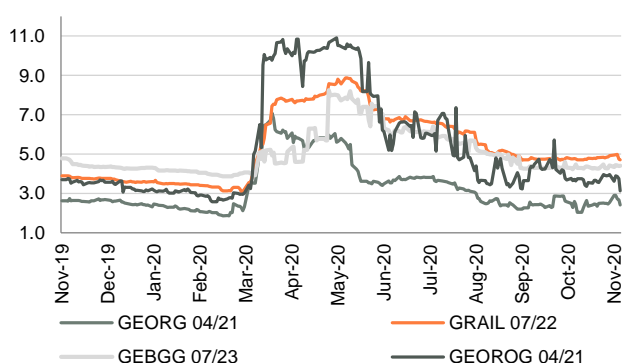
## Fixed income

**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 4.41% yield, trading at 104.01 (+0.01% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 98.12 (+0.50% w/w), yielding 6.76%.

GOGC Eurobonds (GEOROG) were trading at 101.65 (+0.33% w/w), yielding 3.12%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 104.81 (+0.28% w/w), yielding 4.71%.

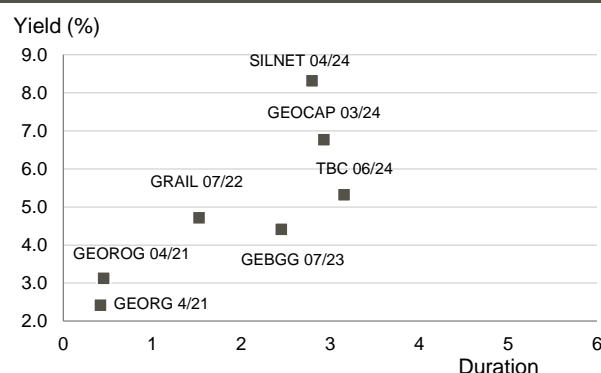
**Georgian Sovereign Eurobonds (GEORG)** closed at 101.86 (-0.03% w/w) at 2.42% yield to maturity.

Georgian Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

### 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	101.86	2.42	218.99
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	104.81	4.71	448.44
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB-/BB/-	101.65	3.12	289.87
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/B/Ba2	104.01	4.41	414.51
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-/-	102.74	9.45	988.34
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B/B2	98.12	6.76	646.26
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	107.81	8.31	800.92
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B/Ba2	101.40	5.32	500.34
TBC PERP	US\$	125	10.775%	n/a	B-/-/-	99.16	9.99	1,071.40
GGU 07/25	US\$	250	7.750%	Jul-25	-B/-/-	100.97	7.50	712.21

#### Georgian local bonds performance

GWP 12/21	GEL	30	12.50%	Dec-21	BB-/-/-	n/a	n/a	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	100.54	7.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	100.88	7.00	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	-/-/-	99.98	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	101.86	2.42	218.99
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	100.94	1.64	142.52
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	100.24	6.76	650.49
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	110.15	1.22	88.48
Russia	US\$	3,000	4.875%	Sep-23	BBB/BBB-/Baa3	109.86	1.34	106.47
Turkey	US\$	2,000	5.625%	Mar-21	BB-/-/B1	100.57	4.12	390.34
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	103.71	3.06	283.68

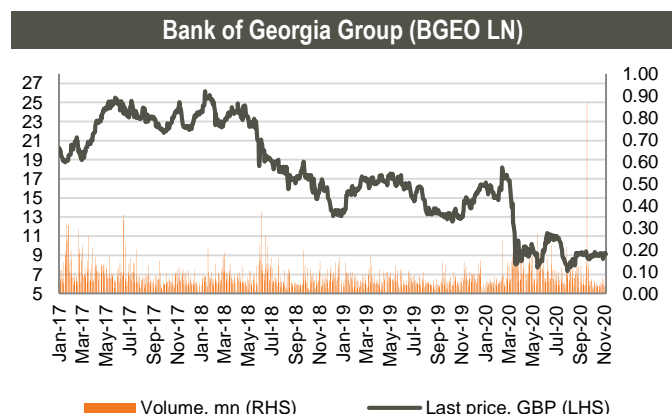
Source: Bloomberg

## Equities

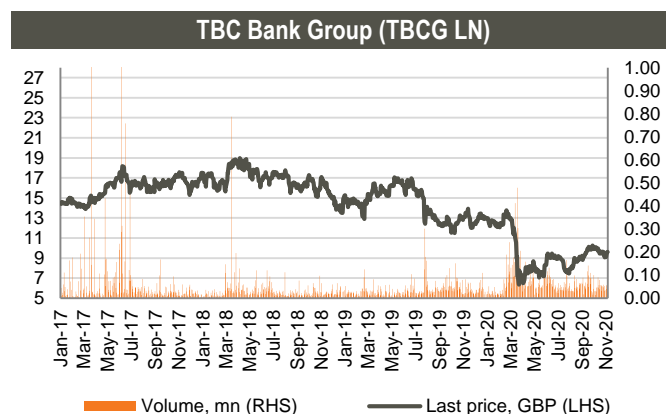
**Bank of Georgia Group (BGEO LN)** shares closed at GBP 9.12/share (+1.67% w/w and +1.33% m/m). More than 149k shares traded in the range of GBP 8.79 - 9.49/share. Average daily traded volume was 38k in the last 4 weeks. The volume of BGEO shares traded was at 0.30% of its capitalization.

**Georgia Capital (CGEO LN)** shares closed at GBP 4.00/share (+8.11% w/w and +5.68% m/m). More than 63k shares traded in the range of GBP 3.68 - 4.05/share. Average daily traded volume was 26k in the last 4 weeks. The volume of CGEO shares traded was at 0.17% of its capitalization.

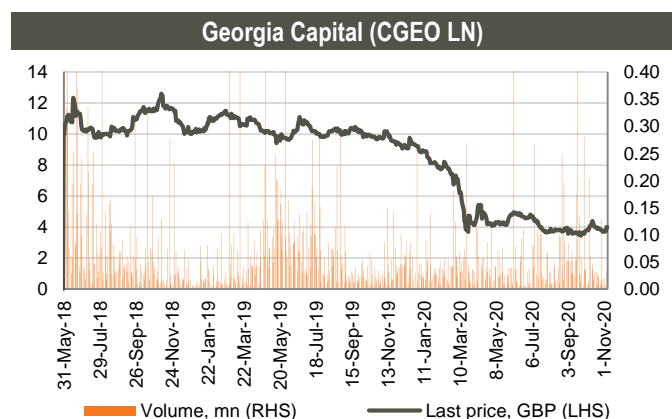
**TBC Bank Group (TBCG LN)** closed the week at GBP 9.60/share (+4.46% w/w and -4.76% m/m). More than 317k shares changed hands in the range of GBP 8.98 - 9.92/share. Average daily traded volume was 55k in the last 4 weeks. The volume of TBCG shares traded was at 0.58% of its capitalization.



Source: Bloomberg



Source: Bloomberg



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	9.12	448	-0.3%	-32.5%	-43.9%	7.88x	4.15x	0.75x	0.63x
TBC	TBC	GBP	9.60	528	25.8%	-27.2%	-26.2%	7.62x	4.69x	0.80x	0.69x
Halyk Bank	HSBK	US\$	10.30	3,027	18.4%	-22.3%	-22.8%	4.55x	3.93x	0.85x	0.78x
VTB Bank	VTBR	US\$	0.83	5,398	-10.4%	-39.5%	-43.1%	5.10x	3.07x	0.31x	0.29x
Akbank	AKBNK	TRY	5.02	26,104	-11.9%	-29.8%	-38.1%	6.64x	4.87x	0.68x	0.60x
Garanti	GARAN	TRY	6.98	29,316	-13.5%	-26.4%	-37.3%	6.46x	4.79x	0.76x	0.64x
Isbank	ISCTR	TRY	5.44	24,480	11.5%	-10.4%	-15.1%	6.32x	4.74x	0.58x	0.52x
PKO	PKO	PLN	21.02	26,275	2.0%	-46.3%	-39.0%	9.85x	9.30x	0.59x	0.57x
PEKAO	PEO	PLN	44.22	11,606	-10.2%	-58.4%	-56.0%	10.14x	8.24x	0.46x	0.46x
Millennium	MIL	PLN	2.38	2,882	-1.3%	-61.4%	-59.4%	11.78x	7.39x	0.32x	0.32x
Mbank	MBK	PLN	123.10	5,212	-35.4%	-68.6%	-68.4%	15.49x	7.65x	0.31x	0.31x
BRD	BRD	RON	12.40	8,642	10.1%	-15.3%	-21.7%	10.81x	10.91x	0.96x	1.01x
Banca Transilvania	TLV	RON	2.03	10,588	12.7%	-8.3%	-14.0%	12.15x	10.51x	1.42x	1.37x
OTP	OTPD	USD	22.80	12,768	0.0%	7.5%	7.5%	13.53x	12.47x	0.73x	0.69x
Komerční	KOMB	CZK	490.00	93,124	-8.4%	-37.4%	-40.9%	11.34x	10.16x	0.82x	0.79x
<b>Mean</b>								<b>9.31x</b>	<b>7.12x</b>	<b>0.69x</b>	<b>0.64x</b>
<b>Median</b>								<b>9.85x</b>	<b>7.39x</b>	<b>0.73x</b>	<b>0.63x</b>

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	4.00	147	-4.1%	-59.3%	-56.6%	n/a	n/a	n/a	n/a
Tinc Comm	TINC	EUR	13.00	355	-1.5%	-2.4%	-2.6%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	8.93	18,221	11.6%	6.1%	-6.4%	6.15x	5.47x	0.76x	0.64x
Deutsche Beteiligungs	DBAN	EUR	29.80	448	0.7%	-22.8%	-24.5%	nmf	10.44x	0.98x	0.93x
Eurazeo	RF	EUR	42.30	3,332	1.1%	-32.8%	-30.7%	24.43x	6.67x	0.59x	0.55x
Carlyle Group	CG	USD	27.12	3,002	17.6%	-1.5%	-15.5%	4.69x	3.94x	4.27x	4.41x
<b>Mean</b>								<b>11.76x</b>	<b>6.63x</b>	<b>1.65x</b>	<b>1.63x</b>
<b>Median</b>								<b>6.15x</b>	<b>6.07x</b>	<b>0.87x</b>	<b>0.78x</b>

Source: Bloomberg, S&P Capital IQ

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