

Weekly Market Watch

Weekly Market Watch | Georgia
January 18, 2016

Economy

Trade deficit down 11.5% y/y in 2015, excluding one-offs

In December 2015, imports decreased 16.0% y/y to US\$ 724mn (excluding donated C-hepatitis medicine imports), while exports were down 21.0% y/y to US\$ 184mn, and trade deficit narrowed 14.1% y/y to US\$ 540mn, according to GeoStat's preliminary figures.

Overall in 2015, exports decreased 23.0% y/y to US\$ 2.2bn, imports were down 15.3% y/y to US\$ 7.3bn (excluding one-offs), and trade deficit contracted 11.5% y/y to US\$ 5.1bn. Therefore, the adjustment in imports, resulting in US\$ 1.3bn savings, fully compensated for lower exports earnings (-US\$ 0.7bn in 2015), easing the pressure on GEL. Detailed foreign trade statistics will be available on January 20, 2016.

Money transfers down 12.2% y/y in Dec-2015 and down 25.0% y/y in 2015

In December 2015, money transfers decreased 12.2% y/y to US\$ 102.0mn. Overall in 2015, money transfers declined 25.0% y/y to US\$ 1.08bn, according to NBG. Significantly reduced remittances from Russia (-39.0% y/y, 40.1% of total) and Greece (-42.5% y/y, 10.9% of total) were the major contributors to the drop in total money transfers in 2015. Meanwhile, remittances posted growth from USA (+21.9% y/y, 9.3% of total), Turkey (+7.2% y/y, 6.4% of total), Israel (+39.2% y/y, 3.0% of total), and Germany (+10.1% y/y, 2.5% of total).

Producer price index down 0.9% m/m and up 4.7% y/y in December 2015

PPI for industrial goods decreased 0.9% m/m in December 2015, according to GeoStat. A 1.0% decrease in manufacturing prices contributed the most to the overall index decline. In this category, prices were down for the manufacture of chemical products (-13.3% m/m) and basic and fabricated metals (-5.2% m/m), while prices were up for manufacture of food, beverages, and tobacco (+2.3% m/m).

Annual PPI retreated to 4.7% in December 2015 compared to 8.2% in November, with manufacturing prices increasing 3.5% y/y and contributing +2.89ppts to the overall index change (prices were up for the manufacture of food, beverages, and tobacco, and paper and publishing; down for basic and fabricated metals). Prices were also up 15.2% y/y in the electricity, gas, and water supply category, contributing 2.08ppts to the overall index change.

NBG sold US\$ 20mn

NBG sold US\$ 20mn on the FX market to support the GEL on January 12, 2016. It was NBG's first intervention this year, leading the GEL to strengthen 0.2% d/d against the US\$ on January 13, 2016.

Key macro indicators

	2015	2014	2013
GDP (% change)	3.0%***	4.6%	3.3%
GDP per capita (ppp)*	...	9,209	8,526
GDP per capita (US\$)	...	3,676	3,600
Population (mn)	3.7**	4.5	4.5
Inflation (eop)	4.9%	2.0%	2.4%
Gross reserves (US\$ bn)	2.5	2.7	2.8
CAD (% of GDP)	...	10.6%	5.8%
Fiscal deficit (% of GDP)	...	3.0%	2.6%
Total public debt (% of GDP)	...	35.5%	34.7%

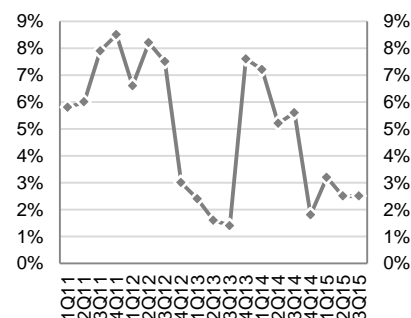
Source: Official data

*Source: IMF

**Preliminary results of census, previous data is subject to recalculation

***As of 11M15

Real GDP growth, %



Source: GeoStat

Note: 3Q15 figure based on rapid estimates

International ranking of Georgia, 2015-16

Ease of Doing Business # 24 (regional leader)
 Economic Freedom Index # 22 (mostly free)
 Global Competitiveness Index # 66 (improving trend)

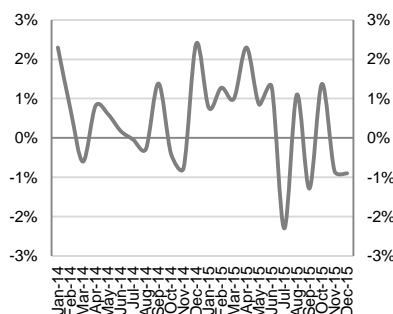
Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

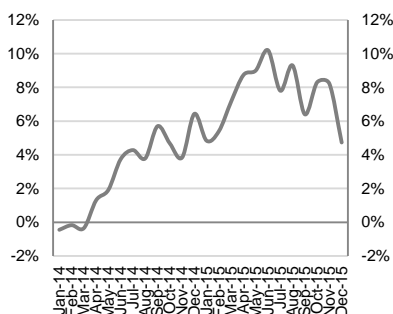
STANDARD & POOR'S BB- Stable Affirmed May-2015	Moody's INVESTORS SERVICE Ba3 Positive Affirmed Mar-2015	FitchRatings BB- Stable Affirmed Oct-2015
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Source: Rating agencies

PPI (% change m/m)



PPI (% change y/y)



Source: GeoStat



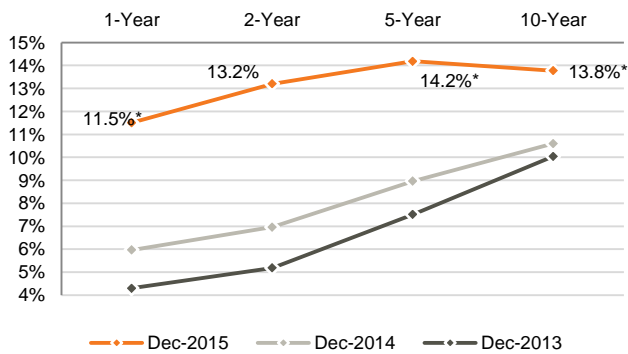
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 289.8mn).

Certificates of deposit: NBG sold 182-day, GEL 20mn (US\$ 8.3mn) certificates of deposit, with an average yield of 9.87% (unchanged from previous issue).

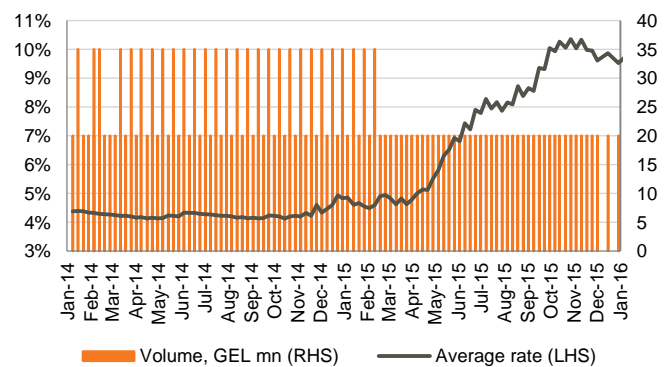
Ministry of Finance Treasury Notes: 2-year GEL 36.4mn (US\$ 15.1mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on January 13, 2016. The weighted average yield was fixed at 13.757%. The nearest treasury securities auction is scheduled for January 20, 2016, where GEL 10mn nominal value 5-year T-Notes will be sold.

T-bills / T-notes, yield curve



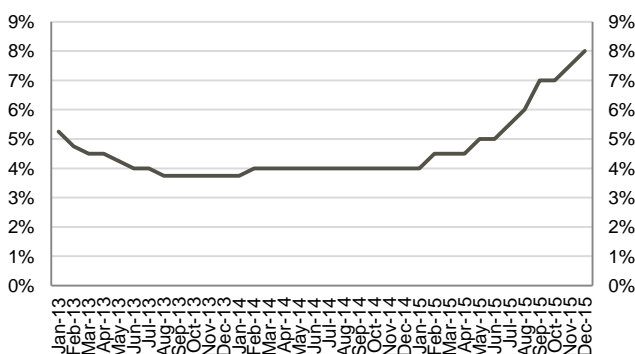
Source: NBG
*As of latest auction

Certificates of Deposits (weighted average rate)



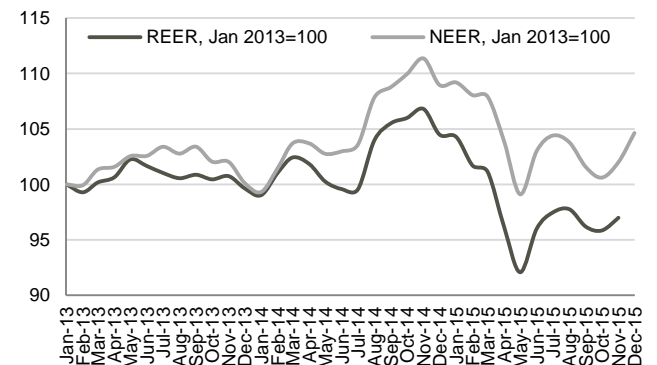
Source: NBG

Monetary policy rate



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG

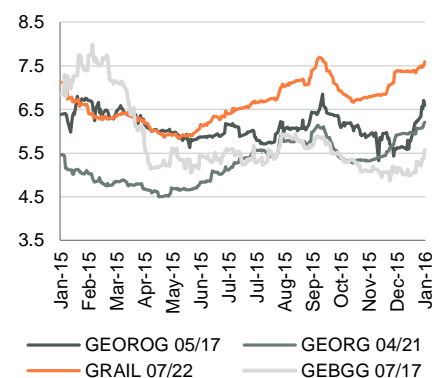
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG) closed at 5.6% yield, trading at 103.0 (-0.4% w/w). GOGC Eurobonds (GEOROG) were trading at 100.3 (-0.6% w/w), yielding 6.6%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 100.8 (-0.8% w/w), yielding 7.6%.

Georgian Sovereign Eurobonds (GEORG) closed at 102.9 (-0.7% w/w) at 6.2% yield to maturity.

Georgia Eurobonds, YTM (%)



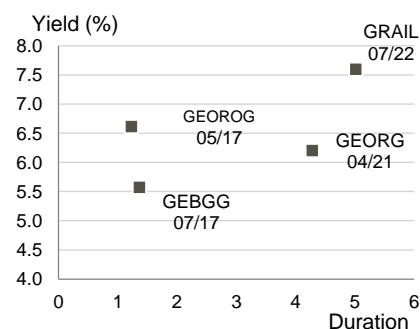
	Local bonds				Eurobonds			
	GWP 11/17	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	6*	20	15	10	250	400	500	500
Issue date	11/15	03/15	05/15	09/14	May-2012	Jul-2012	Apr-2011	Jul-2012
Maturity date	11/17	03/17	05/17	09/17	May-2017	Jul-2017	Apr-2021	Jul-2022
Coupon, %	15.000**	9.500	9.500	8.750	6.875%	7.750%	6.875%	7.750%
Fitch/S&P/Moody's	BB-/B+	-/-	-/-	-/-	BB-/B+	BB-/BB-/Ba3	BB-/BB-/Ba3	BB-/BB-/
Mid price, US\$	100.0*	99.0	100	98.0	100.3	103.0	102.9	100.8
Mid yield, %	15.0	10.1	9.5	9.7	6.6	5.6	6.2	7.6
Z-spread, bps	n/a	n/a	n/a	n/a	546.9	458.1	470.9	612.1

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	102.9	6.2	470.9
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	89.8	6.4	461.2
Bulgaria	323	5.000%	19/07/2021	BBB-/B+	120.4	1.2	-245.2
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa1	101.5	3.6	317.0
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	113.1	3.6	198.9
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	117.7	3.5	184.8
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	101.5	4.6	323.9
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	105.2	4.5	304.9

Source: Bloomberg



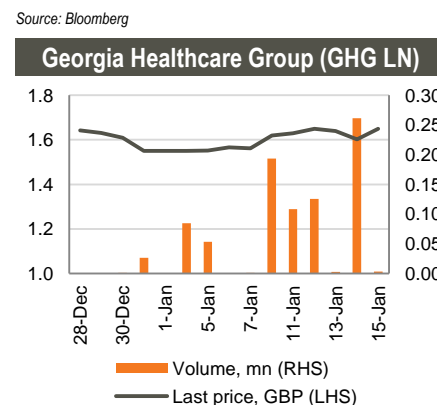
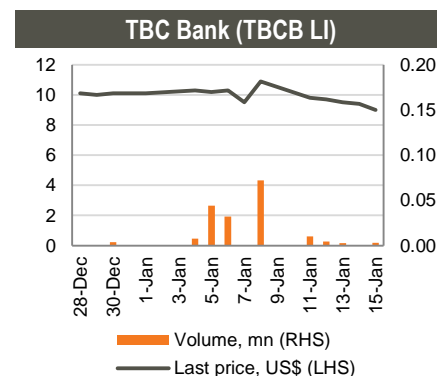
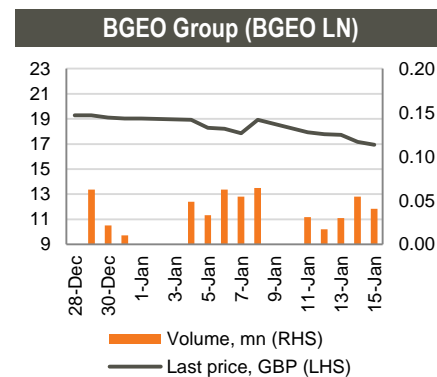
Equities

BGEO Group (BGEO LN) shares closed at GBP 16.95/share (-5.83% w/w and -9.07% m/m). More than 173k shares traded in the range of GBP 16.83 – 18.28/share. Average daily traded volume was 40k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BOGH is a constituent, lost 3.42% w/w and lost 4.94% m/m, respectively. The volume of BOGH shares traded was at 0.44% of its capitalization.

TBC Bank (TBCB LI) closed the week at US\$ 9.00 (-17.43 w/w and -7.02% m/m). More than 20k GDRs changed hands in the range of US\$ 9.00 – 10.55/GDR. Average daily traded volume was 14k in the last 4 weeks, less than in the previous month.

Georgia Healthcare Group (GHG LN) shares closed at GBP 1.65/share (+1.85% w/w and -0.90% m/m). More than 501k shares were traded in the range of GBP 1.60 – 1.65/share. Average daily traded volume was 59k in the last 4 weeks. The volume of GHG shares traded was at 0.38% of its capitalization.

On the Georgian stock exchange: There were no trades. As a result, the G&T Index remained at 885.86 (unchanged w/w).



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	24.23	957	-13.7%	-20.4%	-21.1%	-25.1%	-19.1%
	TBC	TBC	9.00	441	-7.0%	4.7%	-7.8%	-28.6%	-25.0%
	Halyk Bank	HSBK	4.75	1,296	-7.8%	-22.5%	-41.8%	-44.1%	-35.4%
	KKB	KKB	1.10	439	-26.7%	-61.9%	-62.1%	-71.1%	-68.6%
	VTB Bank	VTBR	1.72	11,153	-18.8%	-30.4%	-33.8%	-25.2%	-11.7%
	Vozrozhdenie Bank	VZRZ	6.68	159	-22.3%	-29.8%	-31.0%	-9.4%	14.9%
	Sberbank	SBER	4.70	25,384	-21.1%	-21.8%	-11.1%	16.1%	12.7%

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	2.36	302	-5.9%	nm	nm	nm	nm
Mouwasat	MOUWASAT	27.37	1,368	-8.3%	-17.2%	-31.4%	-16.8%	-19.6%
Fortis	FORH	2.58	1,196	-1.6%	3.4%	-12.2%	47.0%	49.8%
Raffles	RFMD	2.74	1,577	-8.7%	-14.5%	-19.8%	-6.6%	-5.1%
IHH	IHH	1.48	12,140	1.1%	-5.0%	-4.0%	7.2%	8.9%
Bangkok Chain	BCH	0.25	627	14.6%	28.3%	18.6%	4.7%	-1.3%
Netcare	NTC	1.87	2,718	-14.9%	-35.7%	-40.4%	-43.2%	-41.5%

Source: Bloomberg

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

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