

Weekly Market Watch

 Weekly Market Watch | Georgia
 January 11, 2016

Economy

Inflation at 4.9% y/y and -0.6% m/m in December 2015

Annual CPI inflation rate slowed to 4.9% in December 2015 (within NBG's target of 5.0%), compared to 6.3% in the previous month, according to GeoStat. Overall price changes were driven by price increases in food and non-alcoholic beverages (+3.8% y/y, +1.16ppts), health (+10.5% y/y, +0.98ppts), and housing, water, electricity, gas and other fuels (+8.3% y/y, +0.70ppts). Meanwhile, prices in the transport category decreased (-4.2% y/y, -0.48ppts) due to lower prices on fuel.

On a monthly basis, there was 0.6% deflation in December 2015. Price decreases in transport (-3.6% m/m, -0.40ppts), alcoholic beverages and tobacco (-1.0% m/m, -0.05ppts), and furnishings and household equipment (-0.8% m/m, -0.05ppts) were the major drivers of the monthly price dynamics.

International arrivals up 7.0% y/y in December 2015 and up 6.9% y/y in 2015

Tourist arrivals posted another significant growth of 7.0% y/y to 0.47mn persons in December 2015, according to the Ministry of Internal Affairs. Overall in 2015, total arrivals increased 6.9% y/y to 5.9mn persons. Increased arrivals from Armenia (+10.7% y/y, 24.9% of total), Russia (+14.0% y/y, 15.7% of total), and Azerbaijan (+8.6% y/y, 23.6% of total) contributed the most to the growth and were more than sufficient to compensate for the 3.6% y/y decline in arrivals from Turkey (23.6% of total). Arrivals from the EU increased 4.1% y/y (4.1% of total) in 2015.

Gross international reserves stood at US\$ 2.5bn as of Dec-2015

Gross international reserves increased 1.7% m/m (+US\$ 41.2mn) to US\$ 2.5bn as of end-December 2015, according to NBG. On an annual basis, gross reserves fell just 6.6% (-US\$ 178.6mn) and the current level is sufficient to finance 3.5 months of goods and services imports. Net foreign assets of NBG reached US\$ 2.3bn (+1.7% m/m and -6.0% y/y). The growth in reserves was attributed to government FX operations, fully compensating NBG's US\$ 20mn FX intervention in December. Overall, NBG spent US\$ 287mn (11.4% of its reserves) in 2015 on 9 interventions to support the GEL.

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%

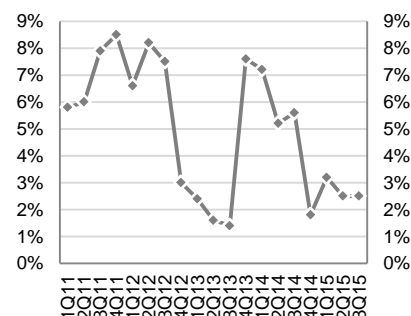
Source: Official data

*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)

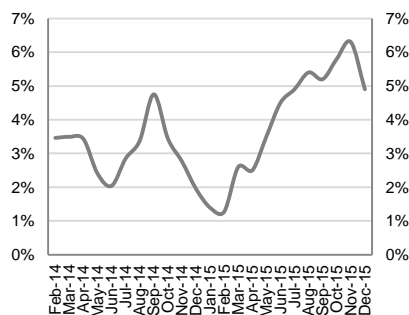
Source: World Bank, Heritage Foundation and World Economic Forum

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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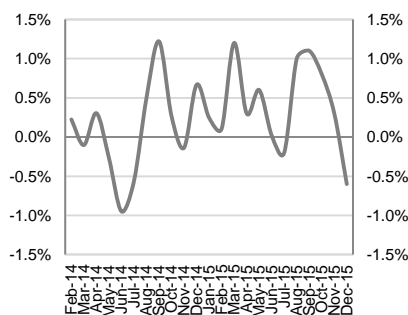
Source: Rating agencies

Annual CPI inflation (% change y/y)



Source: GeoStat

Monthly CPI inflation (% change m/m)





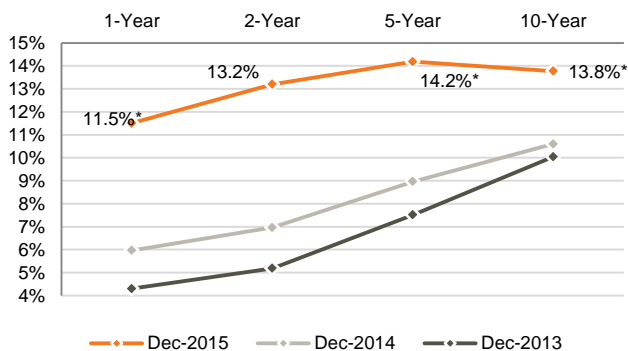
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 289.6mn).

Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 8.3mn) certificates of deposit, with an average yield of 9.52% (down by 9bps from previous issue).

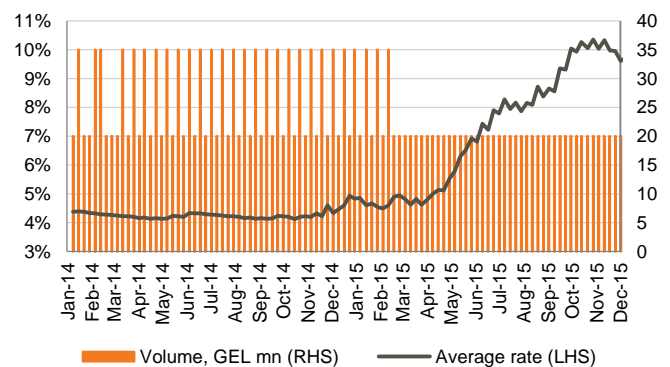
Ministry of Finance Treasury Notes: 1-year GEL 40mn (US\$ 16.6mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on January 6, 2016. The weighted average yield was fixed at 11.469%. The nearest treasury securities auction is scheduled for January 13, 2016, where GEL 40mn nominal value 2-year T-Notes will be sold.

T-bills / T-notes, yield curve



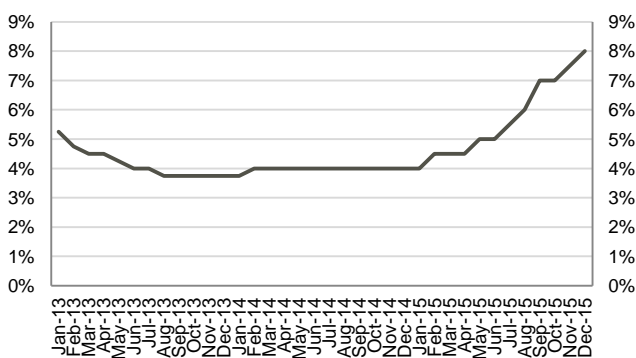
Source: NBG
*As of latest auction

Certificates of Deposits (weighted average rate)



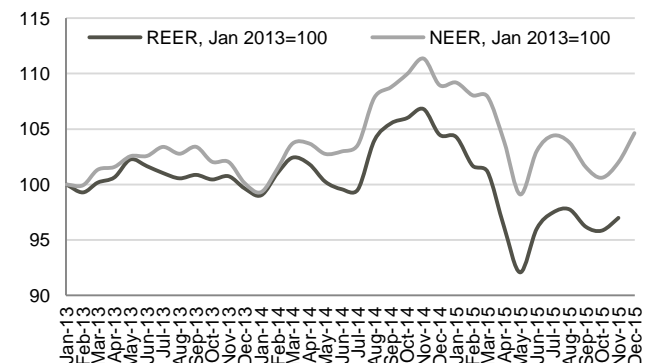
Source: NBG

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

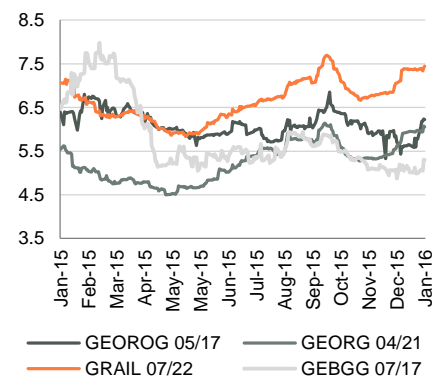


Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG) closed at 5.3% yield, trading at 103.4 (-0.5% w/w). GOGC Eurobonds (GEOROG) were trading at 100.9 (-0.3% w/w), yielding 6.2%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 101.6 (-0.4% w/w), yielding 7.4%.

Georgian Sovereign Eurobonds (GEORG) closed at 103.6 (-0.5% w/w) at 6.1% yield to maturity.

Georgia Eurobonds, YTM (%)



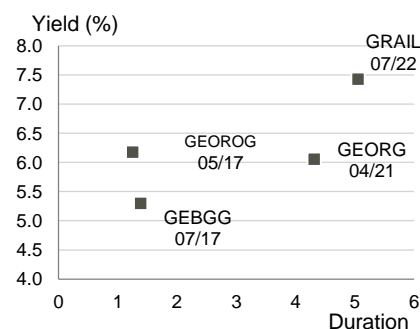
	Local bonds				Eurobonds			
	GWP 11/17	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	6*	20	15	10	250	400	500	500
Issue date	11/15	03/15	05/15	09/14	May-2012	Jul-2012	Apr-2011	Jul-2012
Maturity date	11/17	03/17	05/17	09/17	May-2017	Jul-2017	Apr-2021	Jul-2022
Coupon, %	15.000**	9.500	9.500	8.750	6.875%	7.750%	6.875%	7.750%
Fitch/S&P/Moody's	BB-/	-/-	-/-	-/-	BB-/B+	BB-/BB-/Ba3	BB-/BB-/Ba3	BB-/BB-/
Mid price, US\$	100.0*	99.0	100	98.0	100.9	103.4	103.6	101.6
Mid yield, %	15.0	10.1	9.5	9.7	6.2	5.3	6.1	7.4
Z-spread, bps	n/a	n/a	n/a	n/a	540.6	453.3	436.7	565.4

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	103.6	6.1	436.7
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	93.3	5.8	386.8
Bulgaria	323	5.000%	19/07/2021	BBB-/	120.4	1.2	-243.9
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa1	101.1	3.7	321.5
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	113.8	3.5	178.9
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	118.2	3.4	172.1
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	102.8	4.3	230.2
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	105.2	4.5	289.3

Source: Bloomberg

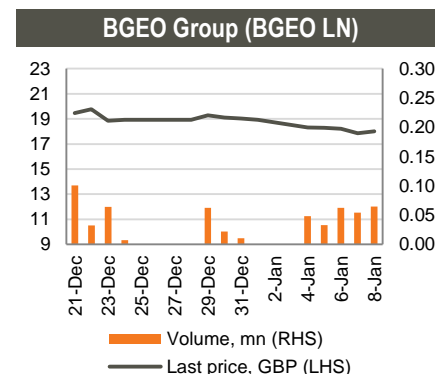
Equities

BGEO Group (BGEO LN) shares closed at GBP 18.00/share (-5.46% w/w and -5.01% m/m). More than 262k shares traded in the range of GBP 17.31 – 19.00/share. Average daily traded volume was 59k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BOGH is a constituent, lost 4.00% w/w and lost 2.67% m/m, respectively. The volume of BOGH shares traded was at 0.67% of its capitalization.

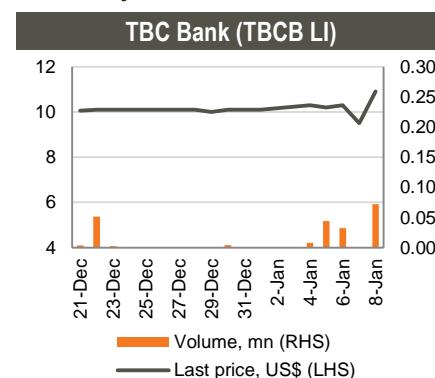
TBC Bank (TBCB LI) closed the week at US\$ 10.90 (+7.92 w/w and +10.10% m/m). More than 156k GDRs changed hands in the range of US\$ 9.21 – 10.90/GDR. Average daily traded volume was 19k in the last 4 weeks, more than in the previous month.

Georgia Healthcare Group (GHG LN) shares closed at GBP 1.62/share (+4.52% w/w and -3.57% m/m). More than 333k shares were traded in the range of GBP 1.53 – 1.63/share. Average daily traded volume was 36k in the last 4 weeks. The volume of GHG shares traded was at 0.25% of its capitalization.

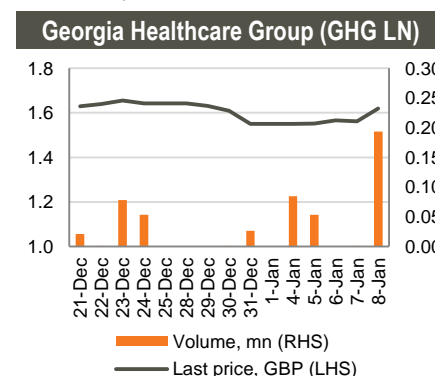
On the Georgian stock exchange: There were no trades. As a result, the G&T Index remained at 885.86 (unchanged w/w).



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	26.11	1,031	-8.2%	-7.6%	-7.8%	-19.3%	-20.0%
	TBC	TBC	10.90	534	10.1%	26.7%	14.7%	-13.5%	-12.8%
	Halyk Bank	HSBK	4.70	1,282	-17.5%	-24.1%	-42.3%	-44.7%	-42.7%
	KKB	KKB	1.25	498	-16.7%	-56.7%	-56.9%	-67.1%	-64.3%
	VTB Bank	VTBR	1.88	12,209	-6.6%	-17.9%	-25.7%	-18.1%	-15.0%
	Vozrozhdenie Bank	VZRZ	8.08	192	-8.4%	-16.5%	-11.7%	9.5%	16.4%
	Sberbank	SBER	5.20	28,063	-12.2%	-7.6%	8.8%	28.4%	14.0%

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	2.35	301	-6.8%	nm	nm	nm	nm
Mouwasat	MOUWASAT	31.51	1,576	2.8%	-5.0%	-18.5%	-4.2%	-5.0%
Fortis	FORH	2.64	1,223	3.3%	1.6%	-4.0%	50.3%	55.3%
Raffles	RFMD	2.88	1,658	-4.2%	-9.7%	-14.7%	-1.8%	0.4%
IHH	IHH	1.47	12,066	-1.8%	-0.9%	-5.1%	6.6%	9.8%
Bangkok Chain	BCH	0.26	645	16.1%	33.3%	25.3%	7.5%	1.7%
Netcare	NTC	2.02	2,937	-13.7%	-27.2%	-32.9%	-38.7%	-38.7%

Source: Bloomberg

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

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