

Weekly Market Watch

 Weekly Market Watch | Georgia
 July 18, 2016

Economy

Trade deficit down 4.6% y/y in 1H16, excluding one-offs

In June 2016, imports increased 3.0% y/y to US\$ 625.0mn (excluding donated C-hepatitis medication imports totaling US\$ 840mn), exports fell 15.5% y/y to US\$ 167.9mn, and the trade deficit widened 12.0% y/y to US\$ 457.1mn, according to GeoStat's preliminary figures. In 1H16, the trade deficit was down 4.6% y/y to US\$ 2.3bn, excluding one-offs. Detailed foreign trade statistics will be available on July 19, 2016.

Money transfers up 4.9% y/y in June 2016

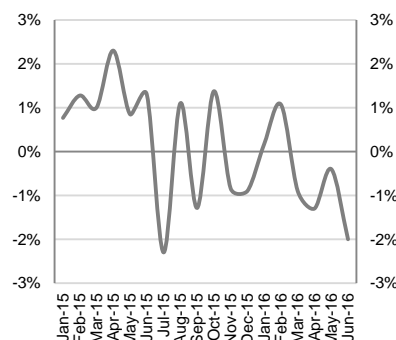
In June 2016, money transfers increased 4.9% y/y to US\$ 105.4mn, according to NBG. Reduced remittances from Russia (-13.8% y/y, 34.1% of total), and Greece (-4.2% y/y, 12.5% of total) were the only major countries negatively affecting growth of remittances. Money transfers grew robustly from all other remitting countries: Italy (+33.0% y/y), USA (+24.4% y/y), Turkey (+16.4% y/y), Israel (+87.0% y/y), and Spain (+37.7% y/y). Overall, money transfers were down by just 1.6% y/y to US\$ 530.2mn in 1H16.

Producer price index down 2.0% m/m and down 6.0% y/y in June 2016

PPI for industrial goods decreased 2.0% m/m in June 2016, according to GeoStat. A 2.6% price decrease for manufacturing contributed most to the overall index change. Prices were down for manufacturing of the following: basic and fabricated metals (-4.8% m/m), food products, beverages and tobacco (-1.5% m/m), chemical products (-7.5% m/m), and textiles (-25.6% m/m). Prices were up for mining and quarrying (+4.6% m/m).

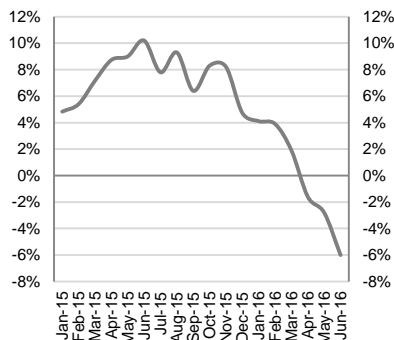
Annual PPI decreased 6.0% in June 2016, after falling 2.8% in May 2016. Falling prices in manufacturing contributed most to the overall index change (-9.0% y/y, -7.58pts) as prices were down for manufacture of basic and fabricated metals, food products, beverages and tobacco and for chemical products. Meanwhile, supply of electricity, gas and water prices were up 17.6% y/y.

PPI (% change m/m)



Source: GeoStat

PPI (% change y/y)



Key macro indicators

	6M16	2015	2014
GDP (% change)	2.9%*	2.8%	4.6%
GDP per capita (ppp)	...	9,566	9,209
GDP per capita (US\$)	...	3,743	3,676
Population (mn)	3.7**	3.7**	4.5
Inflation (eop)	1.1%	4.9%	2.0%
Gross reserves (US\$ bn)	2.9	2.5	2.7
CAD (% of GDP)	13.1%***	11.8%	10.6%
Fiscal deficit (% of GDP)	3.8%	3.0%
Total public debt (% of GDP)	...	41.5%	35.5%

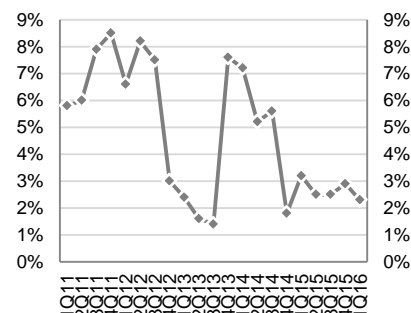
Source: Official data, IMF, G&T

*As of 5M16

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

***As of 1Q16

Real GDP growth, %



Source: GeoStat

Note: 1Q16 figure based on rapid estimates

International ranking of Georgia, 2016

Ease of Doing Business # 24 (regional leader)
 Economic Freedom Index # 23 (mostly free)
 Global Competitiveness Index # 66 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POORS BB- Stable Affirmed Nov-2015	Moody's INVESTORS SERVICE Ba3 Stable Affirmed Mar-2016	FitchRatings BB- Stable Affirmed Apr-2016
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Source: Rating agencies



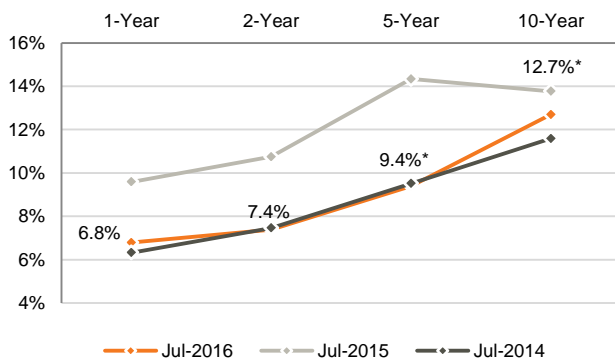
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 570mn (US\$ 242.3mn).

Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 8.5mn) certificates of deposit, with an average yield of 6.47% (up 2bps from previous issue).

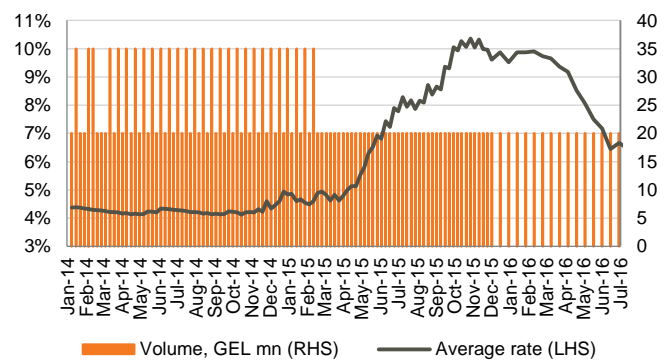
Ministry of Finance Treasury Notes: 1-year GEL 45.0mn (US\$ 19.2mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on July 13, 2016. The weighted average yield was fixed at 6.788%. The nearest treasury securities auction is scheduled for July 20, 2016, where GEL 20mn nominal value 5-year T-Notes will be sold.

T-bills / T-notes, yield curve



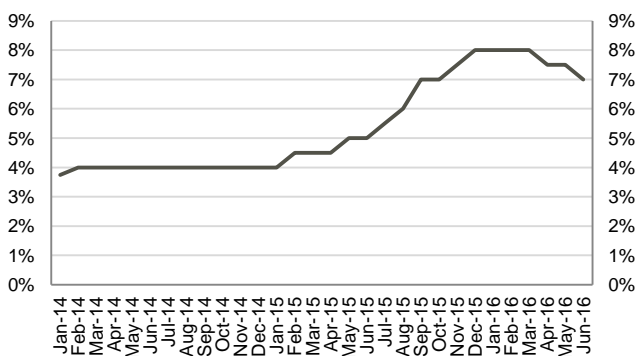
Source: NBG
*As of latest auction

Certificates of Deposits (weighted average rate)



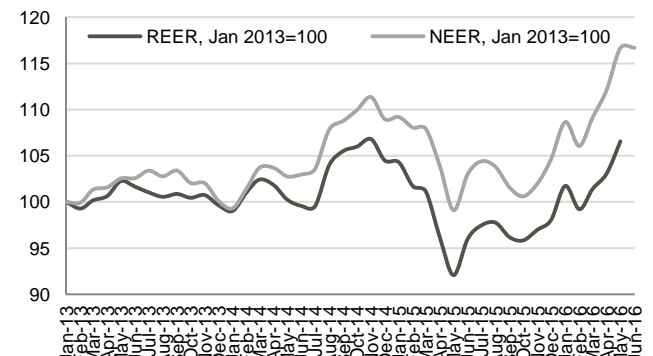
Source: NBG

Monetary policy rate



Source: NBG
Note: Next revision of a monetary policy rate is scheduled for 15 June 2016

Nominal Effective Exchange Rate and Real Effective Exchange Rate



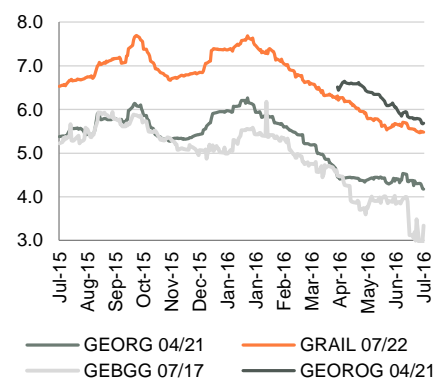
Source: NBG
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG) closed at 3.3% yield, trading at 104.1 (-0.6% w/w). GOGC's Eurobonds (GEOROG 05/17) were trading at 101.9 (-0.1% w/w), yielding 4.4% and (GEOROG 04/21) were trading at 104.4 (+0.4% w/w), yielding 5.7%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 111.4 (+0.2% w/w), yielding 5.5%.

Georgian Sovereign Eurobonds (GEORG) closed at 111.5 (+0.6% w/w) at 4.2% yield to maturity.

Georgia Eurobonds, YTM (%)



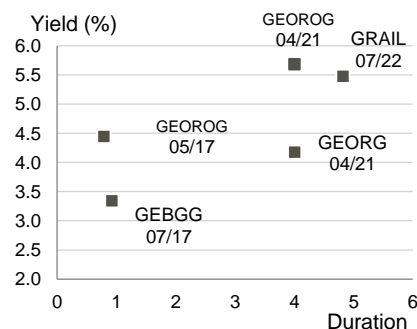
	Local bonds					Eurobonds				
	Nikora 03/18	GWP 11/17	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	5	6*	20	15	10	250	250	400	500	500
Issue date	03/16	12/15	03/15	05/15	09/14	Apr-2016	May-2012	Jul-2012	Apr-2011	Jul-2012
Maturity date	03/18	12/17	03/17	05/17	09/17	Apr-2021	May-2017	Jul-2017	Apr-2021	Jul-2022
Coupon, %	11.000	15.000**	9.500	9.500	8.750	6.750%	6.875%	7.750%	6.875%	7.750%
Fitch/S&P/Moody's	-/-	BB-/-	-/-	-/-	-/-	BB-/-	BB-/B+	BB-/BB-/Ba3	BB-/BB-/Ba3	BB-/BB-/
Mid price, US\$	100.0	100.0*	101.6	101.87	100.65	104.4	101.9	104.1	111.5	111.4
Mid yield, %	11.0	15.0	7.75	7.75	8.25	5.7	4.4	3.3	4.2	5.5
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	451.6	300.3	303.8	299.9	431.4

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	111.5	4.2	299.9
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1/-	104.0	4.1	280.9
Bulgaria	323	5.000%	19/07/2021	BBB-/	119.8	0.9	-241.5
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa2	104.0	3.1	314.2
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	114.7	3.0	180.3
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	119.7	2.9	170.7
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	108.3	2.7	161.1
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	109.7	3.4	223.5

Source: Bloomberg

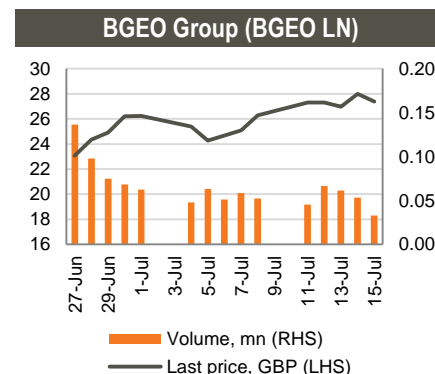
Equities

BGEO Group (BGEO LN) shares closed at GBP 27.39/share (+4.22% w/w and +13.18% m/m). More than 258k shares traded in the range of GBP 26.19 – 28.21/share. Average daily traded volume was 74k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BGEO is a constituent, gained 3.19% w/w and gained 2.42% m/m. The volume of BGEO shares traded was at 0.66% of its capitalization.

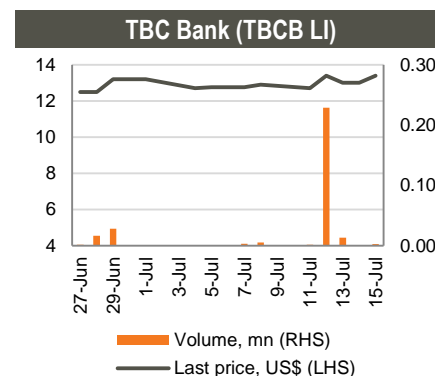
TBC Bank (TBCB LI) closed the week at US\$ 13.40 (+3.88% w/w and +3.08% m/m). More than 245k GDRs changed hands in the range of US\$ 12.70 – 13.40/GDR. Average daily traded volume was 22k in the last 4 weeks, less than in the previous month.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.40/share (+9.32% w/w and +22.74% m/m). More than 203k shares were traded in the range of GBP 3.14 – 3.50/share. Average daily traded volume was 32k in the last 4 weeks. The volume of GHG shares traded was at 0.07% of its capitalization.

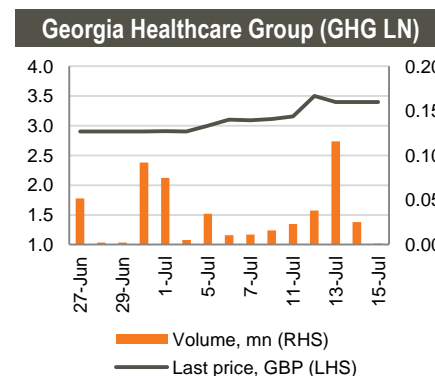
On the Georgian stock exchange, Teliani Valley shares were traded at GEL 0.13 (unchanged w/w) and Liberty Consumer shares were traded at GEL 0.11 (-27.8% w/w). As a result, the G&T Index went down to 863.71 (-0.11% w/w).



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	36.27	1,433	5.8%	23.8%	49.9%	12.1%	18.1%
TBC	TBC	13.40	671	3.1%	34.0%	48.9%	6.3%	37.3%
Halyk Bank	HSBK	5.62	1,545	24.9%	38.8%	18.3%	-33.9%	-31.1%
KKB	KKB	1.59	634	0.0%	72.8%	44.5%	-58.2%	-45.2%
VTB Bank	VTBR	2.09	13,537	-0.1%	-5.5%	21.4%	-9.2%	-19.6%
Vozrozhdenie Bank	VZRZ	10.16	241	3.4%	44.1%	52.3%	37.7%	4.9%
Sberbank	SBER	9.13	49,272	11.3%	20.9%	94.1%	125.4%	72.6%

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	4.50	593	14.7%	77.2%	91.1%	nm	nm
Mouwasat	MOUWASAT	37.08	1,854	8.0%	17.2%	45.2%	12.8%	-7.1%
Fortis	FORH	2.53	1,173	4.0%	-6.6%	-1.7%	44.2%	-13.9%
Raffles	RFMD	1.14	1,995	-2.0%	2.4%	25.0%	16.7%	0.3%
IHH	IHH	1.68	13,794	7.1%	-2.2%	12.6%	21.7%	9.0%
Bangkok Chain	BCH	0.36	892	2.6%	16.0%	42.2%	48.8%	68.6%
Netcare	NTC	2.27	3,316	10.8%	-7.6%	21.5%	-30.9%	-27.5%

Source: Bloomberg

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

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