

Weekly Market Watch

Weekly Market Watch | Georgia
January 30, 2017

Economy

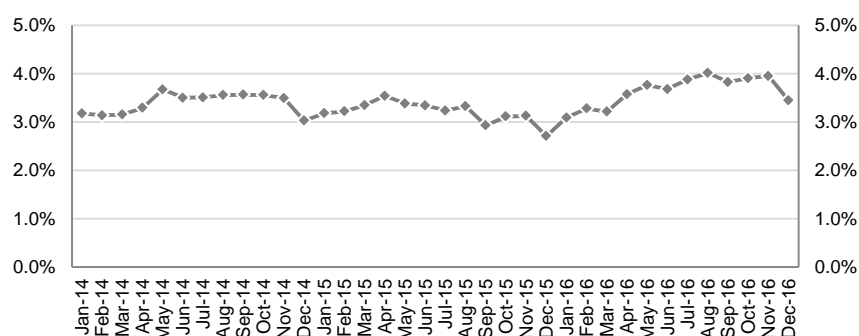
NBG increases its policy rate by 25 basis points to 6.75%

At its meeting on 25 January 2017, NBG's monetary policy committee increased the policy rate by 25 basis points to 6.75% and announced to gradually increase the key rate to 7% in the course of the next two quarters. As NBG cited, decision was based on increased inflation expectations. Annual inflation was 1.8% in December 2016 but NBG expects further rise in prices due to one-off factors – increase in excise taxes and exchange rate fluctuations. NBG cited that the inflation rate expected to be above target of 4.0% in 2017, despite weak demand. NBG expects the inflation rate to decrease in 2018 and remain below the 3.0% target. The next committee meeting is scheduled for March 7, 2017.

NPLs at 3.4% y/y in December 2016

In December 2016, the banking sector loan portfolio increased 10.7% y/y after growing 9.5% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 18.1% y/y and 6.0% m/m to GEL 18.9bn (US\$ 7.1bn). Deposits were up 10.2% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 18.4% y/y and up 5.2% m/m to GEL 17.0bn (US\$ 6.4bn). Deposit dollarization reached 71.4% (+1.9ppts y/y and +0.2ppts m/m). NPLs stood at 3.4% in December 2016, up 0.7ppts y/y and down 0.6ppts m/m.

NPL's



Source: NBG

Key macro indicators

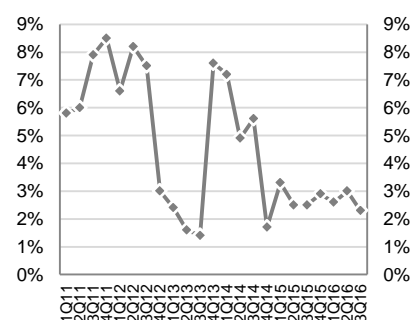
	11M16	2015	2014
GDP (% change)	2.4%	2.9%	4.6%
GDP per capita (ppp)	...	9,630	9,209
GDP per capita (US\$)	...	3,767	3,676
Population (mn)	3.7	3.7	4.5
Inflation (eop)	1.8% ⁽¹⁾	4.9%	2.0%
Gross reserves (US\$ bn)	2.8	2.5	2.7
CAD (% of GDP)	8.4% ⁽²⁾	11.9%	10.6%
Fiscal deficit (% of GDP)	3.7%	3.0%
Total public debt (% of GDP)	...	41.4%	35.7%

Source: Official data, IMF

(1) As of 12M16

(2) As of 3Q16

Real GDP growth, %






Source: GeoStat

International ranking, 2016-17

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

 BB- Stable Affirmed Nov-2016	 Ba3 Stable Affirmed Mar-2016	 BB- Stable Affirmed Sep-2016
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Source: Rating agencies

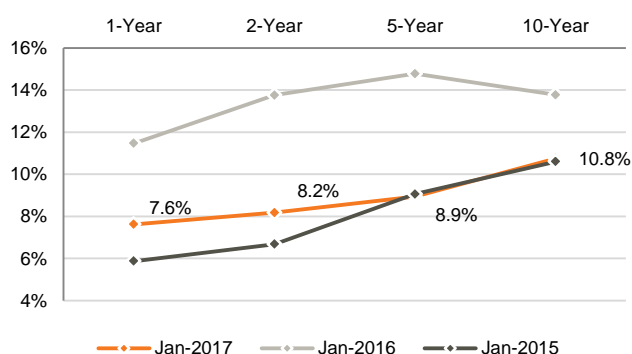
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,160mn (US\$ 430.9mn).

Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 7.4mn) certificates of deposit, with an average yield of 6.82% (down by 15bps from previous issue).

Ministry of Finance Treasury Bills: 5-year GEL 20.0mn (US\$ 7.4mn) T-notes of Ministry of Finance were sold at the auction held at NBG on January 25, 2017. The weighted average yield was fixed at 8.938%. The nearest treasury security auction is scheduled for February 1, 2017, where GEL 40.0mn nominal value 1-year T-bills will be sold.

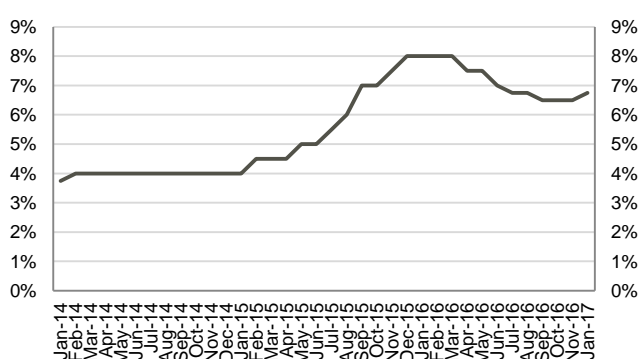
T-bills / T-notes, yield curve



Source: NBG

*Note: As of latest auction.

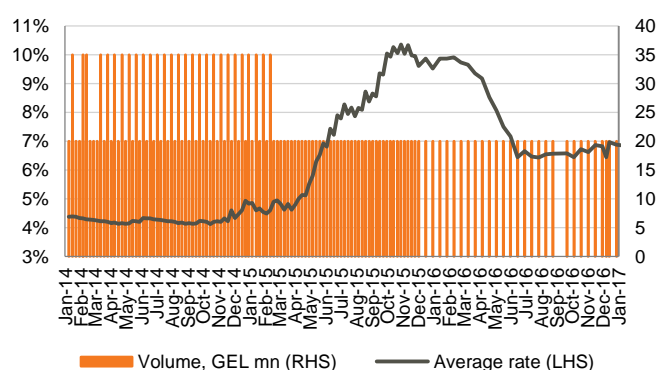
Monetary policy rate



Source: NBG

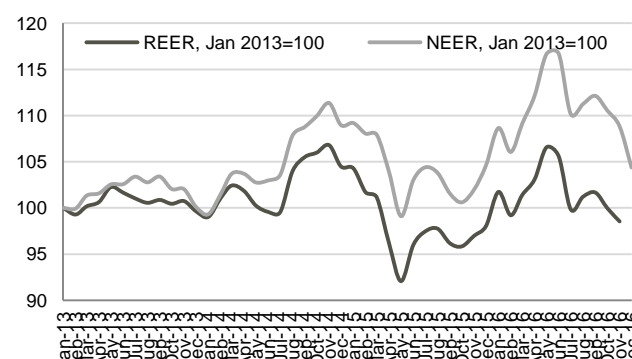
Note: Next revision of a monetary policy rate is scheduled for 7 March 2017

Certificates of Deposits (weighted average rate)



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG

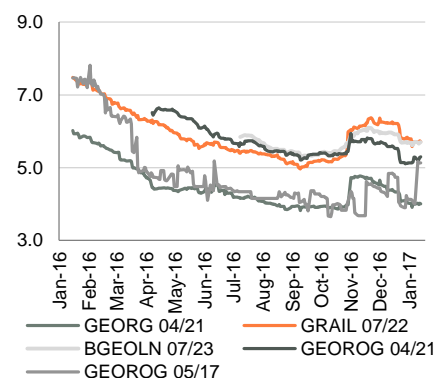
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

Corporate Eurobonds: Bank of Georgia Eurobond (BGEOLN) closed at 5.7% yield, trading at 101.6 (unchanged w/w). GOGC Eurobonds - GEOROG 05/17 traded at 100.5 (-0.2% w/w), yielding 5.1% and GEOROG 04/21 traded at 105.6 (unchanged w/w), yielding 5.3%. Georgian Railway Eurobond (GRAIL) traded at a premium at 109.4 (+0.1% w/w), yielding 5.7%.

Georgian Sovereign Eurobond (GEORG) closed at 111.0 (+0.1% w/w) at 4.0% yield to maturity.

Georgia Eurobonds, YTM (%)



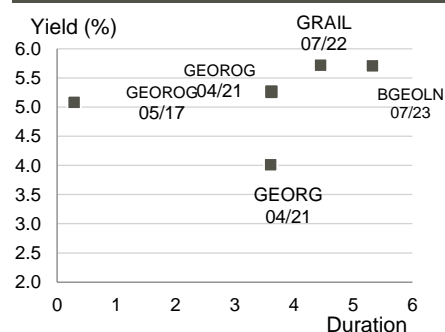
	Local bonds					Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	EVEX 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25	5	15	10	250	53.5	350	500	500
Issue date	12/16	10/16	03/16	05/15	09/14	04/16	05/12	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	05/17	09/17	04/21	05/17	07/23	04/21	07/22
Coupon, %	3.50**	7.50	11.00	9.50	8.75	6.750	6.875	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/I-/	-/-	-/-	-/-	-/-	BB-/B+/-	BB-/B+/-	BB-/B1	BB-/BB-/Ba3	BB-/B+/-
Mid price, US\$	n/a	101.83	102.39	101.36	100.80	105.6	100.5	101.6	111.0	109.4
Mid yield, %	n/a	6.750	8.750	4.750	7.500	5.3	5.1	5.7	4.0	5.7
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	324.9	210.7	346.8	204.6	360.2

Source: Bloomberg

*GWP 12/21 bonds are in Georgian lari

**Coupon rate 3.5% 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	111.0	4.0	205.0
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	100.0	4.8	248.9
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	120.1	0.4	-250.1
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa2	108.3	2.2	193.5
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	112.3	3.2	126.3
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	114.5	3.6	152.0
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.8	2.8	94.9
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	102.7	4.9	293.8

Source: Bloomberg

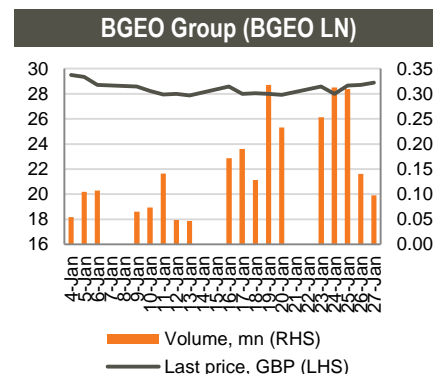
Equities

BGEO Group (BGEO LN) shares closed at GBP 28.88/share (+3.44% w/w and -2.83% m/m). More than 1,113k shares traded in the range of GBP 27.55 – 29.02/share. Average daily traded volume was 144k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BGEO is a constituent, gained 0.22% w/w and gained 1.19% m/m. The volume of BGEO shares traded was at 2.82% of its capitalization.

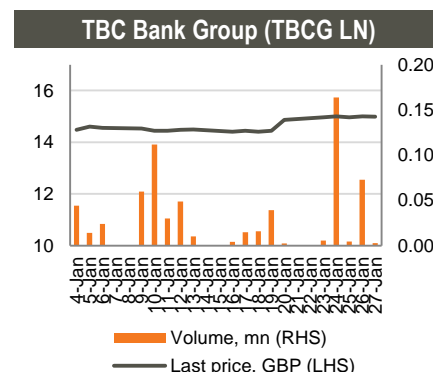
TBC Bank Group (TBCG LN) closed the week at GBP 14.99 (+0.81% w/w and +3.38% m/m). More than 249k shares changed hands in the range of GBP 14.38 – 15.00/share. Averaged daily traded volume was 33k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.57/share (+0.74% w/w and -2.86% m/m). More than 13k shares were traded in the range of GBP 3.40 – 3.50/share. Average daily traded volume was 17k in the last 4 weeks. The volume of GHG shares traded was at 0.01% of its capitalization.

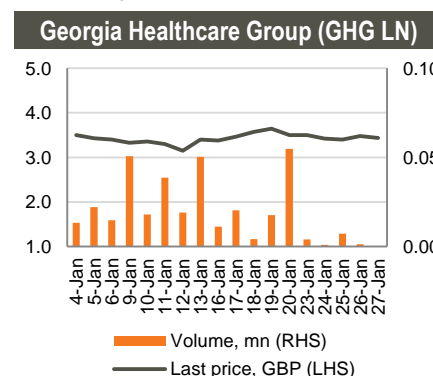
On the Georgian stock exchange, There were no trades. As a result, the G&T Index remained at 1,176.94 (unchanged w/w).



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*	36.20	1,430	-0.3%	0.7%	1.3%	29.0%	47.1%
	TBC*	18.79	980	4.2%	64.1%	42.3%	86.0%	111.1%
	Halyk Bank	HSBK	5.86	1,611	-6.2%	-10.1%	18.3%	46.5%
	KKB	KKB	1.50	598	8.7%	8.7%	-5.7%	66.7%
	VTB Bank	VTBR	2.32	15,015	1.5%	8.6%	15.1%	34.9%
	Vozrozhdenie Bank	VZRZ	12.71	302	2.9%	14.2%	30.8%	90.4%
	Sberbank	SBER	12.16	65,624	7.6%	25.2%	106.8%	134.6%

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

		Share	MCap,	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
Ticker		price, US\$	US\$ mn					
GHG*	GHG	4.31	567	-1.0%	-3.1%	2.5%	88.5%	73.4%
Mouwasat	MOUWASAT	38.48	1,924	-2.4%	20.3%	8.1%	18.6%	31.8%
Fortis	FORH	2.80	1,349	6.5%	5.5%	7.6%	3.0%	9.8%
Raffles	RFMD	1.03	1,800	6.6%	-5.2%	-11.6%	5.2%	9.0%
IHH	IHH	1.42	11,657	0.0%	-7.1%	-12.7%	-7.4%	-7.9%
Bangkok Chain	BCH	0.42	1,038	4.9%	15.1%	9.4%	65.9%	72.3%
Netcare	NTC	2.39	3,497	8.8%	-4.6%	5.8%	9.3%	25.6%

Source: Bloomberg

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

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