

Weekly Market Watch

 Weekly Market Watch | Georgia
 June 19, 2017

Economy

Exports up 24.9% y/y in May 2017

In May 2017, exports increased 24.9% y/y to US\$ 215.2mn, imports were up 3.8% y/y to US\$ 633.2mn and the trade deficit narrowed 4.6% y/y to US\$ 418.0mn according to GeoStat's preliminary figures. In 5M17, trade deficit was up 3.4% y/y to US\$ 1.9bn as exports increased 28.6% y/y, while imports were up 10.8% y/y. Detailed foreign trade statistics will be available on June 19, 2017.

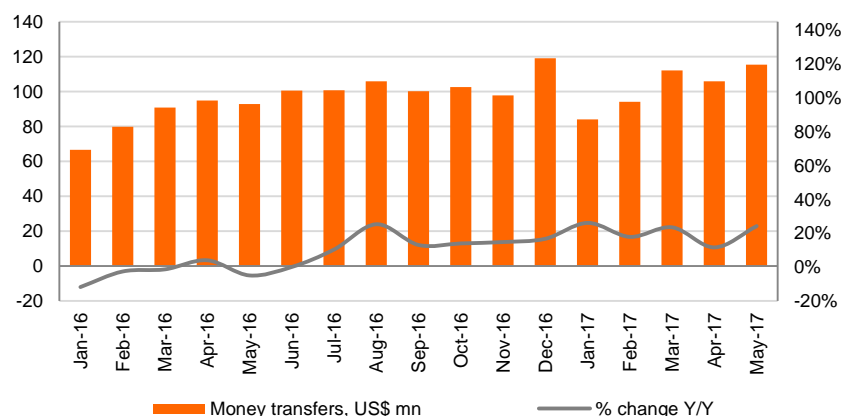
Money transfers up 24.2% y/y in May 2017

In May 2017, money transfers increased 24.2% y/y to US\$ 115.4mn after growing 11.6% y/y in previous month, according to NBG. Money transfers were up from all major remitting countries: Russia (+21.8% y/y, 32.8% of total), USA (+22.7% y/y, 10.5% of total), Greece (+8.9% y/y, 10.2% of total), Italy (+14.5% y/y, 10.1% of total), and Turkey (+32.9% y/y, 8.7% of total). In 5M17 money transfers were up 20.3% y/y to US\$ 511.2mn.

NBG keeps its policy rate unchanged at 7.0%

At its meeting on 14 June 2017, NBG's monetary policy committee decided to keep the policy rate unchanged at 7.0%, after increasing it by 25 basis points last month. The decision is based on the macroeconomic forecast, according to which the inflation is expected to be above 4.0% target rate during 2017 due to one-offs. NBG commented that in the last few months, as a result of excise tax increases on tobacco and fuels, the inflation rate increased and reached 6.6% in May 2017. NBG however added that the increase in inflation is temporary and will start to decline in 2H17 and will get close to its target rate of 3.0% in 2018. NBG also noted that inflation expectations have been declining lately and there is no need of the further policy tightening given the absence of additional factors affecting price level. The next committee meeting is scheduled for 26 July 2017.

Money transfers



Source: NBG

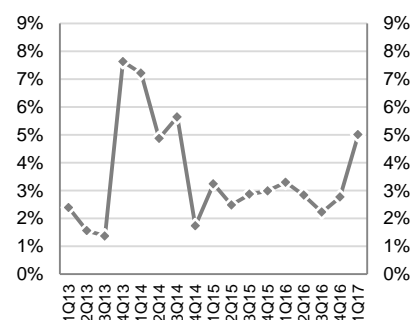
Key macro indicators

	5M17	2016	2015
GDP (% change)	4.2%(1)	2.7%	2.9%
GDP per capita (ppp)	...	10,044	9,601
GDP per capita (US\$)	...	3,853	3,767
Population (mn)	3.7	3.7	3.7
Inflation (eop)	6.6%	1.8%	4.9%
Gross reserves (US\$ bn)	2.8	2.8	2.5
CAD (% of GDP)	...	13.3%	11.9%
Fiscal deficit (% of GDP)	...	4.1%	3.7%
Total public debt (% of GDP)	...	44.6%	41.4%

Source: Official data, IMF, G&T

(1) As of 4M17

Real GDP growth, %



Source: GeoStat

International ranking, 2017

Ease of Doing Business # 16 (Top 20)
 Economic Freedom Index # 13 (mostly free)
 Global Competitiveness Index # 59 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POOR'S BB- Stable Affirmed Nov-2016	Moody's INVESTORS SERVICE Ba3 Stable Affirmed Mar-2016	FitchRatings BB- Stable Affirmed Mar-2017
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Source: Rating agencies



Money market

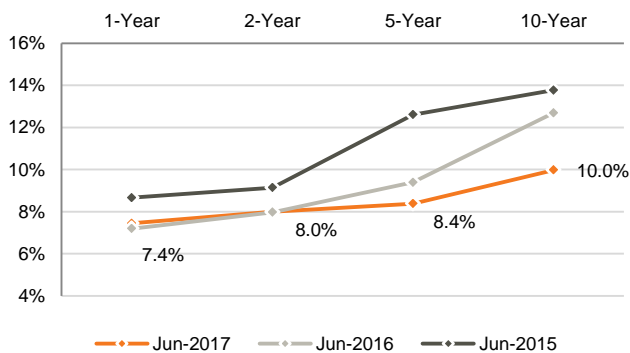
Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,350mn (US\$ 560.1mn).

Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 8.3mn) certificates of deposit, with an average yield of 7.11% (unchanged from previous issue).

Ministry of Finance Treasury Notes: 2-year GEL 40.0mn (US\$ 16.6mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on June 14, 2017. The weighted average yield was fixed at 8.00%. The nearest treasury security auction is scheduled for June 21, 2017, where GEL 50.0mn nominal value 1-year T-Bills will be sold.

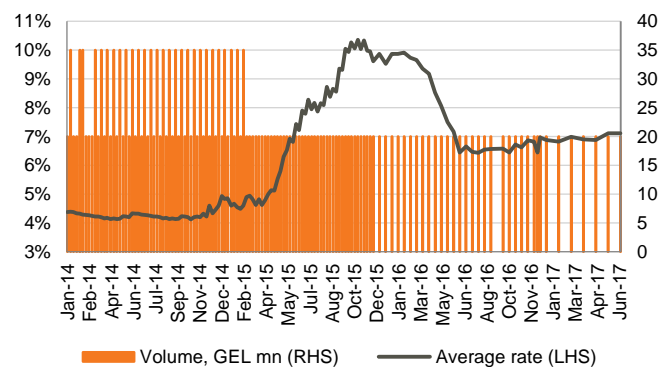
Ministry of Finance Treasury Bills: 182-days GEL 20.0mn (US\$ 8.3mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on June 14, 2017. The weighted average yield was fixed at 7.210%.

T-bills / T-notes, yield curve



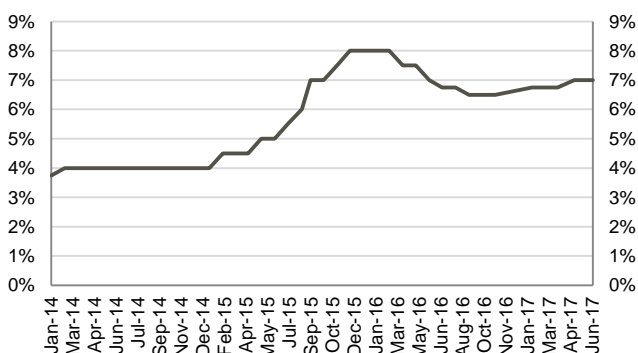
Source: NBG

Certificates of Deposits (weighted average rate)



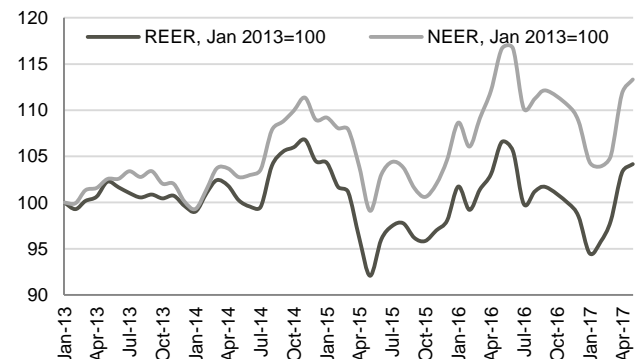
Source: NBG

Monetary policy rate



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG

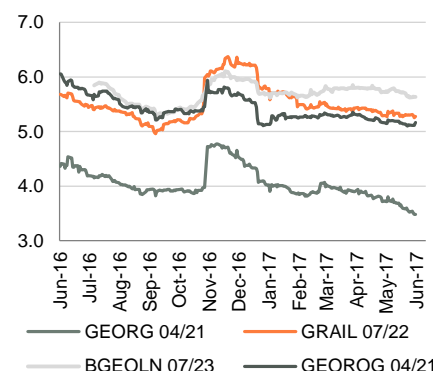
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.6% yield, trading at 101.8 (-0.1% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.3 (-0.2% w/w), yielding 10.9%. GOGC Eurobonds (GEOROG) were trading at 105.4 (-0.2% w/w), yielding 5.2%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 110.7 (unchanged w/w), yielding 5.3%.

Georgian Sovereign Eurobonds (GEORG) closed at 112.0 (+0.1% w/w) at 3.5% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

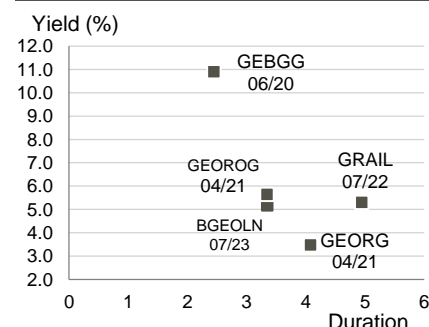
	Local bonds				Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	GLC 09/17	GEBGG 06/20	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	5.0	10.0	500*	250	350	500	500
Issue date	12/16	10/16	03/16	09/14	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	09/17	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	11.0	8.75	11.0	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/	-/-	-/-	-/-	BB-/Ba3	BB-/B+	BB-/B1	BB-/BB-/Ba3	B+/B+
Mid price, US\$	n/a	101.6	101.6	100.5	100.3	105.4	101.8	112.0	110.7
Mid yield, %	n/a	6.75%	9.0%	6.50%	10.9	5.2	5.6	3.5	5.3
Z-spread, bps	n/a	n/a	n/a	n/a	346.1	346.2	176.5	349.2	376.1

Source: Bloomberg

*GWP 12/21 bonds and GEBGG 06/20 bonds are in Georgian lari

**Coupon rate 3.5% over the NBG's refinancing rate

Georgian Eurobond universe



Source: Bloomberg

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	112.0	3.5	176.5
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	101.3	4.5	258.4
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	119.6	0.2	-164.7
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa2	111.3	1.5	137.0
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	113.4	2.6	91.7
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	117.0	2.8	103.0
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.5	2.6	99.1
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Baa1	106.8	3.7	196.5

Source: Bloomberg

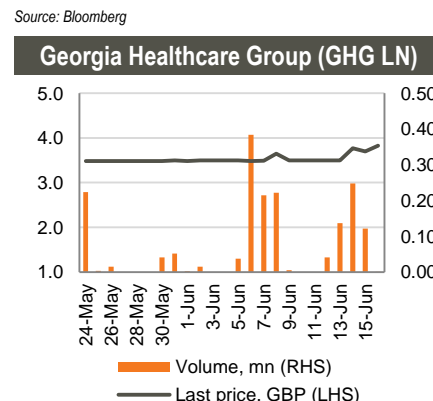
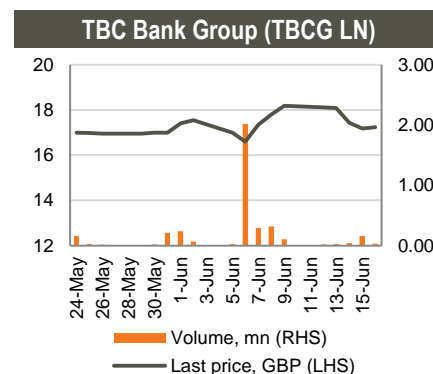
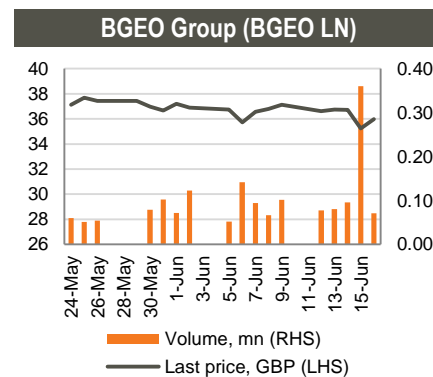


Equities

BGEO Group (BGEO LN) shares closed at GBP 35.96/share (-3.13% w/w and +1.15% m/m). More than 684k shares traded in the range of GBP 34.47 – 37.63/share. Average daily traded volume was 92k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.14% w/w and lost 0.39% m/m. The volume of BGEO shares traded was at 1.73% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 17.23 (-5.23% w/w and +5.97% m/m). More than 276k shares changed hands in the range of GBP 16.88 – 19.04/share. Averaged daily traded volume was 205k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.83/share (+9.43% w/w and +2.89% m/m). More than 546k shares were traded in the range of GBP 3.48 – 3.83/share. Average daily traded volume was 95k in the last 4 weeks. The volume of GHG shares traded was at 0.41% of its capitalization.



Eastern European Banks

	Tick er	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
BGEO*	BGEO	46.83	1,846	1.9%	22.1%	13.4%	23.2%	51.0%
TBC*	TBC	23.05	1,215	10.0%	28.1%	21.1%	24.6%	77.3%**
Halyk Bank	HSBK	7.88	2,166	0.4%	15.9%	25.1%	31.6%	74.1%
KKB	KKB	0.65	259	-39.3%	-54.7%	-51.1%	-55.0%	-59.1%
VTB Bank	VTBR	2.21	14,341	-1.6%	2.2%	-7.4%	-7.3%	1.7%
Vozrozhdenie Bank	VZRZ	13.04	310	0.2%	3.4%	11.6%	6.5%	32.3%
Sberbank	SBER	10.56	56,990	-12.4%	-4.4%	-11.8%	-8.8%	28.4%

Source: Bloomberg

*BGEO and TBC are traded in GBP and are shown in US\$ equivalent

** 1Y change in TBC share prices calculated using GDR price.

Healthcare Sector Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG*	GHG	4.46	587	-4.1%	-0.3%	-6.0%	-2.0%	33.6%
Mouwasat	MOUWASAT	39.86	1,993	2.4%	5.4%	1.0%	1.2%	15.4%
Fortis	FORH	2.94	1,524	-9.4%	9.9%	13.0%	10.6%	20.2%
Raffles	RFMD	0.99	1,739	-1.1%	-2.2%	-1.2%	0.4%	-15.5%
IHH	IHH	1.41	11,595	-1.0%	7.2%	-2.9%	-0.5%	-9.7%
Bangkok Chain	BCH	0.39	978	4.6%	14.5%	-3.8%	-5.0%	9.5%
Netcare	NTC	1.93	2,822	-4.5%	-18.3%	-16.5%	-16.8%	-7.2%

Source: Bloomberg

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

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