

Weekly Market Watch

Weekly Market Watch | Georgia
October 12, 2015

Economy

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

Gross international reserves posted a slight increase (+0.04% m/m, +US\$ 1.1mn) to US\$ 2.5bn in September 2015, despite the central bank's intervention on the FX market on September 22, 2015, with a sale of US\$ 27mn. Net foreign assets of NBG also increased to US\$ 2.2bn (+0.2% m/m, +US\$ 4.8mn) in September 2015, according to NBG. The increase in FX reserves was due to government FX operations and/or asset revaluation.

Property registration up 9.1% y/y and company registration down 8.1% y/y in Sept-2015

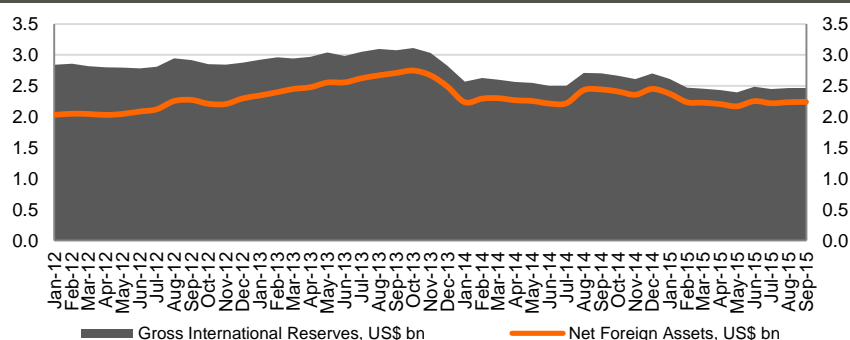
Property registration (commercial and residential real estate) increased 9.1% y/y (+21.4% m/m), reaching 49,079 units in September 2015, according to National Agency of Public Registry. Registration increased for both primary (+22.3% y/y, 18.9% of total) and secondary (+6.4% y/y, 81.1% of total) properties.

Company registration decreased 8.1% y/y (+35.7% m/m) to 3,859 units in September 2015. Out of newly registered companies, 96.9% were business legal entities, while 3.1% comprised non-entrepreneurial (non-commercial) legal entities.

IMF updates world economic growth projection

The IMF lowered global growth outlook for 2015 to 3.1% from 3.3% (July 2015 forecast), which is 0.3ppts lower than in 2014, according to the October 2015 World Economic Outlook update. Prospects across the main countries and regions remain uneven: the recovery in advanced economies is expected to pick up slightly, while activity in emerging market and developing economies is projected to slow for the 5th year in a row, primarily reflecting weaker prospects for some large emerging market economies and oil-exporting countries. Expected growth rates in Georgia for 2015 and 2016 are 2% and 3%, respectively, unchanged from the previous IMF projection.

International Reserves



Source: NBG

Key macro indicators

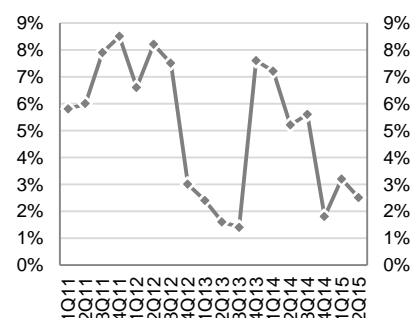
	9M15	2014	2013
GDP (% change)	2.8%*	4.8%	3.3%
GDP per capita (ppp)	...	7,653	7,180
GDP per capita (US\$)	...	3,681	3,600
Population (mn)	3.7**	4.5	4.5
Inflation (eop)	5.2%	2.0%	2.4%
Gross reserves (US\$ bn)	2.5	2.7	2.8
CAD (% of GDP)	...	10.6%	5.8%
Fiscal deficit (% of GDP)	...	3.0%	2.6%
Total public debt (% of GDP)	...	35.5%	34.7%

Source: Official data

*As of 8M15

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

Real GDP growth, %



Source: GeoStat

International ranking of Georgia, 2015

Ease of Doing Business # 15 (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 & POORS 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



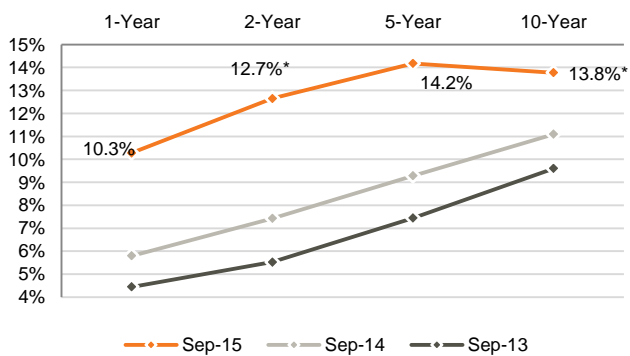
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 700mn (US\$ 291.7mn) with an average yield of 7.0%.

Certificates of deposit: NBG sold 92-day, GEL 20mn (US\$ 8.4mn) certificates of deposit, with an average yield of 9.94% (up by 63bps from previous issue).

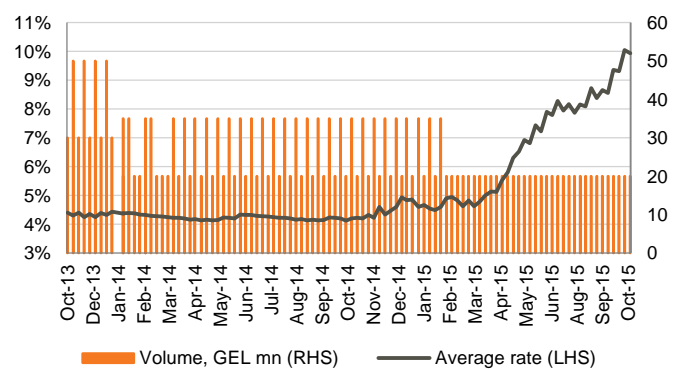
Ministry of Finance Treasury Notes: 2-year GEL 4.5mn (US\$ 1.9mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on October 7, 2015. The weighted average yield was fixed at 13.77%. The nearest treasury securities auction is scheduled for October 13, 2015, where GEL 10mn nominal value 1-year T-Bills will be sold.

T-bills / T-notes, yield curve



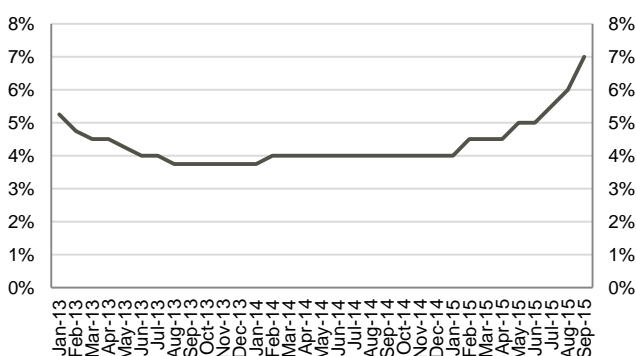
Source: NBG
*As of latest auction

Certificates of Deposits (weighted average rate)



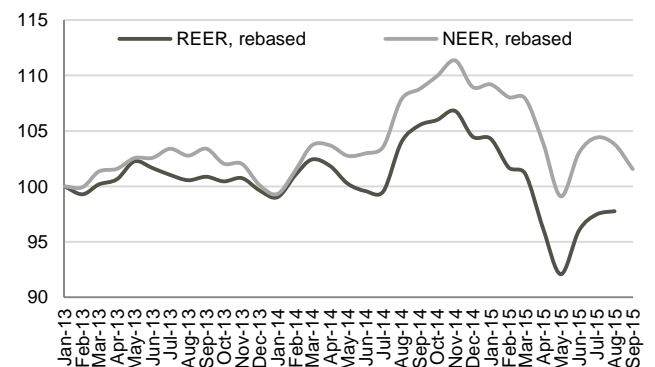
Source: NBG

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

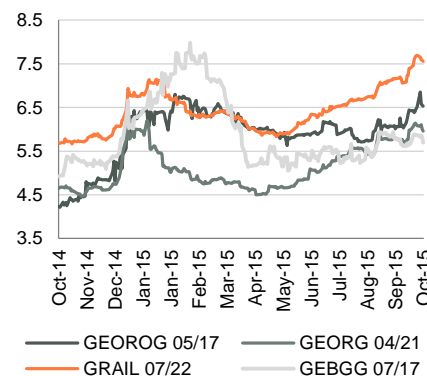


Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG) closed at 5.7% yield, trading at 103.3 (+0.3% w/w). GOGC Eurobonds (GEOROG) were trading at 100.5 (unchanged w/w), yielding 6.5%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 101.8 (+1.4% w/w), yielding 7.4%.

Georgian Sovereign Eurobonds (GEORG) closed at 104.7 (+1.0% w/w) at 5.9% yield to maturity.

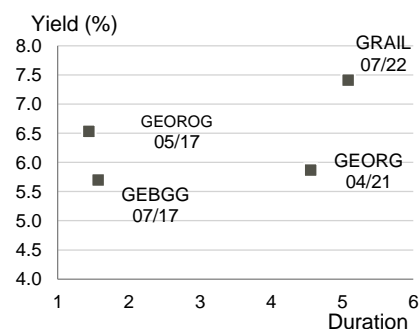
Georgia Eurobonds, YTM (%)



	Local bonds			Eurobonds			
	M2RE 03/17	EVEX 05/17	GLC 09/17	GEOROG 05/17	GEBGG 07/17	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	20	15	10	250	400	500	500
Issue date	03/15	05/15	09/14	May-2012	Jul-2012	Apr-2011	Jul-2012
Maturity date	03/17	05/17	09/17	May-2017	Jul-2017	Apr-2021	Jul-2022
Coupon, %	9.500	9.500	8.750	6.875%	7.750%	6.875%	7.750%
Fitch/S&P/Moody's	-/-	-/-	-/-	BB-/B+/-	BB-/BB-/Ba3	BB-/BB-/Ba3	BB-/BB-/
Mid price, US\$	99.0	100	98.0	100.5	103.3	104.7	101.8
Mid yield, %	10.1	9.5	9.7	6.5	5.7	5.9	7.4
Z-spread, bps	n/a	n/a	n/a	638.0	510.1	425.3	599.8

Source: Bloomberg

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	104.7	5.9	425.3
Azerbaijan	1,250	4.750%	18/03/2024	BBB-/Baa3	98.2	5.0	307.1
Bulgaria	323	5.000%	19/07/2021	BBB/-	117.5	1.8	-185.5
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba1	100.9	3.7	309.6
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	115.5	3.3	170.4
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	119.5	3.3	163.5
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	104.5	3.9	249.8
Turkey	2,000	5.625%	30/03/2021	BBB-/Baa3	107.0	4.2	260.9
Ukraine	1,500	7.950%	23/02/2021	CC/CC/Ca	79.4	13.8	1217.2

Source: Bloomberg

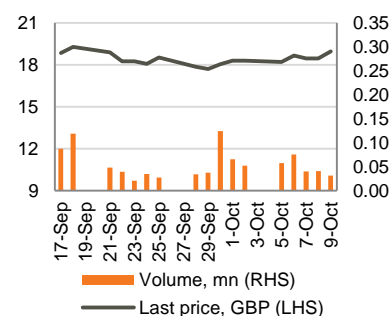
Equities

Bank of Georgia Holdings (BGEO LN) shares closed at GBP 18.96/share (+3.72% w/w and +1.66% m/m). More than 245k shares traded in the range of GBP 17.98 – 19.16/share. Average daily traded volume was 54k in the last 4 weeks, less than in the previous month. FTSE 250 Index, of which BOGH is a constituent, has gained 1.73% w/w and gained 0.39% m/m. The volume of BOGH shares traded was at 0.62% of its capitalization.

TBC Bank (TBCB LI) closed the week at US\$ 8.75 (-1.57 w/w and -6.02% m/m). More than 206k GDRs changed hands in the range of US\$ 8.20 – 8.85/GDR. Average daily traded volume was 25k in the last 4 weeks, more than in the previous month.

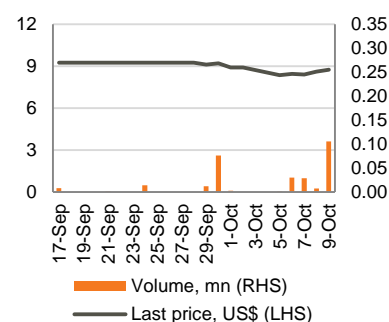
On the Georgian stock exchange, Liberty Bank shares were traded at GEL 0.0129 (-0.8% w/w). As a result, the G&T Index remained at 909.85 (unchanged w/w).

Bank of Georgia (BGEO LN)



Source: Bloomberg

TBC Bank (TBCB LI)



Source: Bloomberg

Eastern European banks

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
	BGEO*	29.02	1,146	1.3%	1.1%	4.4%	-10.3%	-22.7%
	TBC	8.75	429	-6.0%	-10.3%	-26.8%	-30.6%	-44.1%
	Halyk Bank	6.15	1,678	-10.2%	-24.5%	-20.1%	-27.6%	-43.1%
	KKB	2.89	1,152	6.3%	-0.3%	-10.2%	-23.9%	-12.5%
	VTB Bank	2.41	15,598	20.2%	-4.4%	8.1%	4.7%	22.4%
	Vozrozhdenie Bank	11.35	270	0.0%	0.0%	0.0%	0.0%	0.0%
	Sberbank	5.95	32,111	28.0%	20.3%	8.9%	46.9%	-22.0%

Source: Bloomberg

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

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Galt & Taggart

Address: 79 D. Agmashenebeli Avenue, Tbilisi 0102, Georgia

Tel: + (995) 32 2401 111

Email: st@gt.ge