

Weekly Market Watch

 Weekly Market Watch | Georgia
 June 20, 2016

Economy

Trade deficit down 7.8% y/y excluding one-offs in 5M16

In May 2016, imports decreased 13.9% y/y to US\$ 608.6mn, exports fell 11.6% y/y to US\$ 172.3mn, and the trade deficit was down 14.8% y/y to US\$ 436.3mn, according to GeoStat's preliminary figures. Excluding one-offs (donated C-hepatitis medication imports in May 2015), trade deficit was up 18.5% y/y in May 2016, as imports were up 8.1% y/y. In 5M16, the trade deficit is down 7.8% y/y to US\$ 1.87bn excluding one-offs. Detailed foreign trade statistics will be available on June 20, 2016.

Money transfers down marginally in May 2016

In May 2016, money transfers decreased 4.9% y/y to US\$ 92.9mn, according to NBG. Reduced remittances from Russia (-17.4% y/y, 33.4% of total), Greece (-29.9% y/y, 11.6% of total), and Ukraine (-10.2% y/y, 1.7% of total) were the major contributors to the drop in total money transfers. Meanwhile, remittances grew from Italy (+5.8% y/y), USA (+16.6% y/y), Turkey (+19.0% y/y), Israel (+85.3% y/y), and Spain (+8.6% y/y). Overall, money transfers were down 3.1% y/y to US\$ 424.8mn in 5M16.

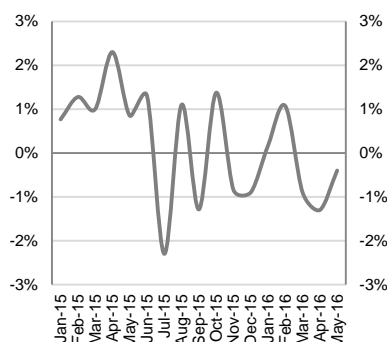
Producer price index down 0.4% m/m and down 2.8% y/y in May 2016

PPI for industrial goods decreased 0.4% m/m in May 2016, according to GeoStat. A 8.2% decline in mining and quarrying prices contributed most to the overall index change. Prices were also down for supply of electricity, gas and water (-1.6% m/m). Annual PPI decreased 2.8% in May 2016. Falling prices in manufacturing contributed most to the overall index change (-4.8% y/y, -4.02ppts) as prices were down for manufacture of food products, beverages and tobacco and manufacture of basic and fabricated metals. Supply of electricity, gas and water prices were up 17.4% y/y.

NBG cuts its policy rate to 7.0%

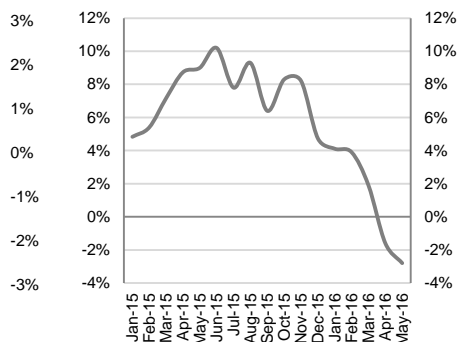
At its meeting on June 15, 2016, NBG's monetary policy committee cut its policy rate by 50 basis points to 7.0%, as the bank is gradually easing its monetary policy given reduced inflation expectations. NBG cited that it would further continue gradual reduction of the key rate in mid-term period to a neutral level (5-6%). The next committee meeting is scheduled for July 27, 2016.

PPI (% change m/m)



Source: GeoStat

PPI (% change y/y)



Key macro indicators

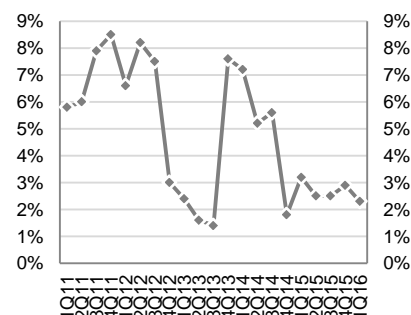
	5M16	2015	2014
GDP (% change)	2.8%*	2.8%	4.6%
GDP per capita (ppp)	...	9,566	9,209
GDP per capita (US\$)	...	3,743	3,676
Population (mn)	3.7**	3.7**	4.5
Inflation (eop)	2.1%	4.9%	2.0%
Gross reserves (US\$ bn)	2.6	2.5	2.7
CAD (% of GDP)	11.8%	10.6%
Fiscal deficit (% of GDP)	3.8%	3.0%
Total public debt (% of GDP)	...	41.5%	35.5%

Source: Official data, IMF, G&T

*As of 4M16

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

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



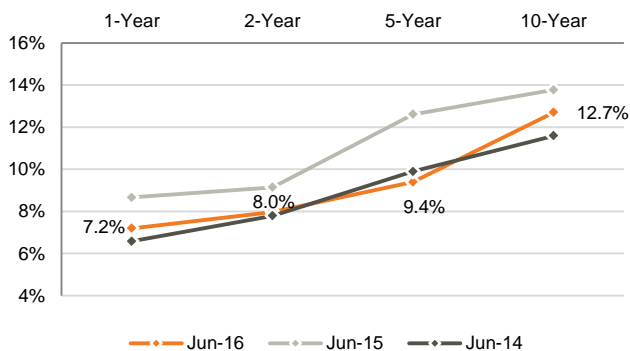
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 350mn (US\$ 164.1mn).

Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 9.4mn) certificates of deposit, with an average yield of 6.45% (down 105bps from previous issue).

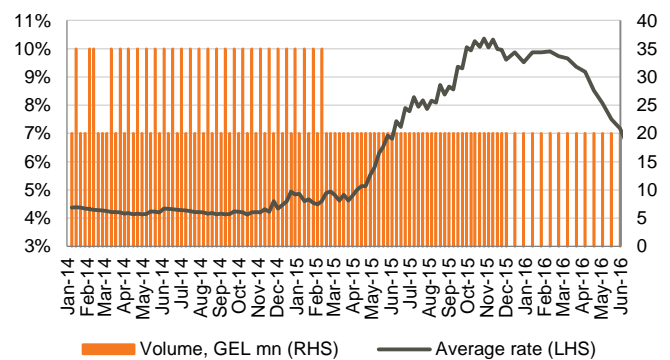
Ministry of Finance Treasury Notes: 5-year GEL 10.0mn (US\$ 4.7mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on June 15, 2016. The weighted average yield was fixed at 9.392%. The nearest treasury securities auction is scheduled for June 29, 2016, where GEL 25mn nominal value 1-year T-Bills will be sold.

T-bills / T-notes, yield curve



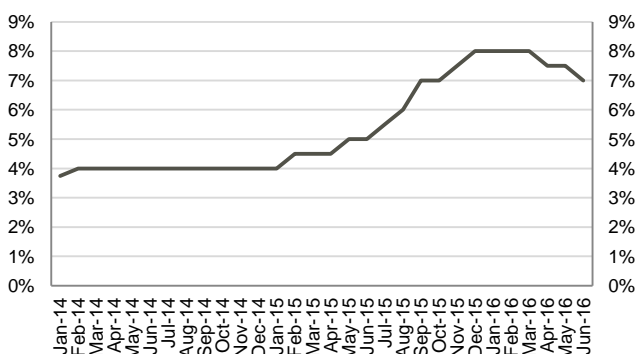
Source: NBG

Certificates of Deposits (weighted average rate)



Source: NBG

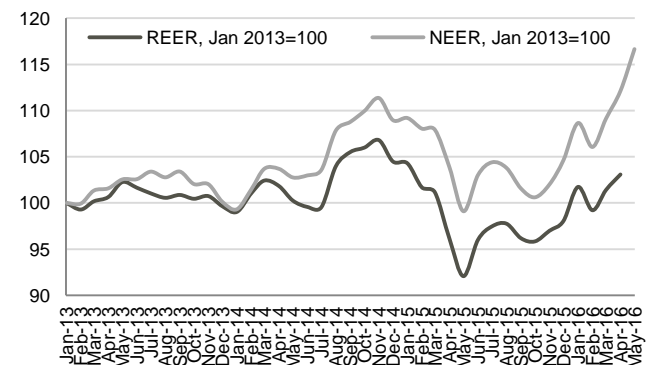
Monetary policy rate



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

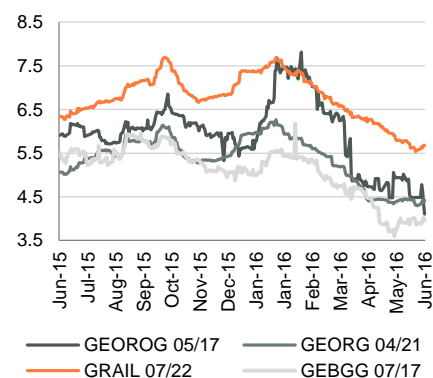


Fixed income

Corporate Eurobonds: Bank of Georgia Eurobonds (GEBGG) closed at 4.0% yield, trading at 103.8 (-0.3% w/w). GOGC Eurobonds (GEOROG) were trading at 102.1 (+0.2% w/w), yielding 4.5%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 110.5 (-0.6% w/w), yielding 5.7%.

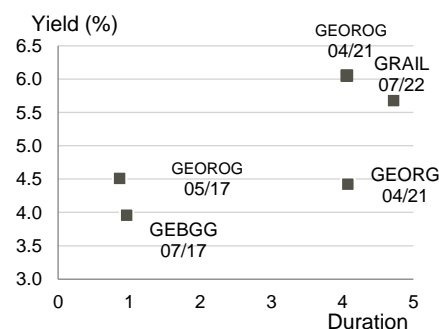
Georgian Sovereign Eurobonds (GEORG) closed at 110.5 (-0.5% w/w) at 4.4% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

	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-/BB-/	BB-/BB-/	BB-/BB-/
Mid price, US\$	100.0	100.0*	101.6	101.87	100.65	102.9	102.1	103.8	110.5	110.5
Mid yield, %	11.0	15.0	7.75	7.75	8.25	6.1	4.5	4.0	4.4	5.7
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	491.7	384.3	336.3	322.8	451.7

Source: Bloomberg

*GWP 11/17 bonds are in Georgian lari

**Floating rate with 7.5% over the NBG's refinancing rate

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	110.5	4.4	322.8
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1	98.8	4.9	362.3
Bulgaria	323	5.000%	19/07/2021	BBB-/	119.1	1.1	-229.5
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa2	102.3	3.4	336.3
Hungary	3,000	6.375%	29/03/2021	BB+/BB+/Ba1	114.1	3.2	216.7
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	117.9	3.2	206.3
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.3	3.3	217.0
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Baa3	108.1	3.8	262.9

Source: Bloomberg

Equities

BGEO Group (BGEO LN) shares closed at GBP 24.92/share (-0.04% w/w and +6.18% m/m). More than 377k shares traded in the range of GBP 23.72 – 25.12/share. Average daily traded volume was 85k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BOGH is a constituent, declined 2.47% w/w and lost 2.57% m/m, respectively. The volume of BOGH shares traded was at 0.96% of its capitalization.

TBC Bank (TBCB LI) closed the week at US\$ 13.00 (unchanged w/w and +11.59% m/m). More than 712k GDRs changed hands in the range of US\$ 12.75 – 13.45/GDR. Average daily traded volume was 59k in the last 4 weeks, more than in the previous month.

Georgia Healthcare Group (GHG LN) shares closed at GBP 2.85/share (+9.41% w/w and +28.05% m/m). More than 143k shares were traded in the range of GBP 2.60 – 2.85/share. Average daily traded volume was 90k in the last 4 weeks. The volume of GHG shares traded was at 0.05% of its capitalization.

On the Georgian stock exchange Bank of Georgia shares were traded at GEL 36.00 (+2.9% w/w), and Liberty Bank shares were traded at GEL 0.15 (unchanged w/w). As a result, the G&T went up to 819.99 (+2.8% w/w).

Eastern European banks								
Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
BGEO*	BGEO	35.56	1,404	4.7%	27.1%	25.7%	9.9%	21.3%
TBC	TBC	13.00	651	11.6%	30.0%	30.1%	3.2%	18.2%
Halyk Bank	HSBK	4.60	1,264	12.2%	15.0%	-8.9%	-45.9%	-41.6%
KKB	KKB	1.59	634	0.0%	59.0%	9.7%	-58.2%	-50.5%
VTB Bank	VTBR	2.07	13,382	-0.5%	-7.1%	-4.7%	-10.2%	-28.8%
Vozrozhdenie Bank	VZRZ	9.92	235	1.5%	28.8%	15.3%	34.4%	27.1%
Sberbank	SBER	8.35	45,036	6.2%	22.0%	35.0%	106.0%	53.8%

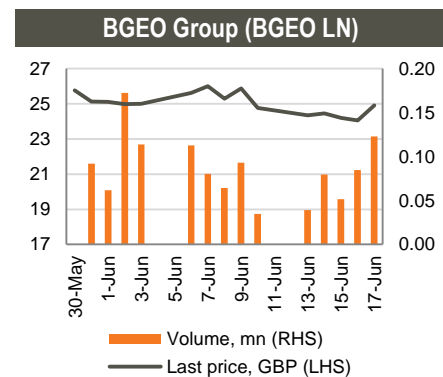
Source: Bloomberg

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

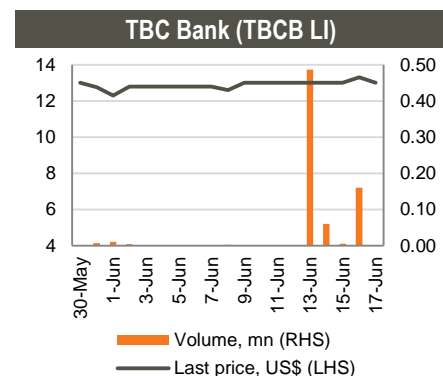
Healthcare sector peers								
Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
GHG*	GHG	4.06	535	26.2%	72.2%	66.8%	nm	nm
Mouwasat	MOUWASAT	33.93	1,697	-4.6%	6.5%	13.6%	3.2%	-10.1%
Fortis	FORH	2.41	1,116	-3.8%	-11.0%	-9.7%	37.2%	-2.3%
Raffles	RFMD	1.10	1,904	-4.8%	1.2%	13.1%	12.3%	-2.3%
IHH	IHH	1.56	12,852	-4.5%	-2.9%	5.6%	13.5%	3.7%
Bangkok Chain	BCH	0.35	877	18.9%	14.3%	47.1%	46.3%	81.3%
Netcare	NTC	2.03	2,966	-2.6%	-9.1%	-7.4%	-38.2%	-31.2%

Source: Bloomberg

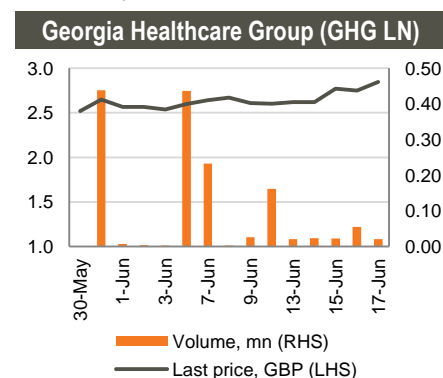
Note: * GHG is traded in GBP and is shown in US\$ equivalent



Source: Bloomberg



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Galt & Taggart

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

Tel: + (995) 32 2401 111

Email: gt@gt.ge