

Weekly Market Watch

 Weekly Market Watch | Georgia
 July 23, 2018

Economy

Exports up 31.1% y/y in June 2018

In June 2018, exports increased by 31.1% y/y to US\$ 308.9mn, imports were up 19.8% y/y to US\$ 771.2mn and the trade deficit widened 13.2% y/y to US\$ 462.3mn, according to GeoStat.

In June 2018, copper (+30.7% y/y), cars (+130.9% y/y), ferro-alloys (+14.2% y/y), wine (-11.3% y/y) and pharmaceuticals (-3.3% y/y) were the top 5 exported commodities. A 23.3% of exports was directed to the EU (+107.8% y/y), 44.1% to the CIS (+43.1% y/y) and 32.6% to other countries (-4.9% y/y).

In June 2018, petroleum (+51.9% y/y), cars (+45.9% y/y), copper (+75.1% y/y), pharmaceuticals (+7.7% y/y) and phones (-32.4% y/y) represented the top 5 imported commodities.

Overall, in 1H18, the trade deficit was up 20.0% y/y at US\$ 2.8bn as exports were up 28.5% y/y to US\$ 1.5bn and imports increased by 22.9% y/y to US\$ 4.4bn.

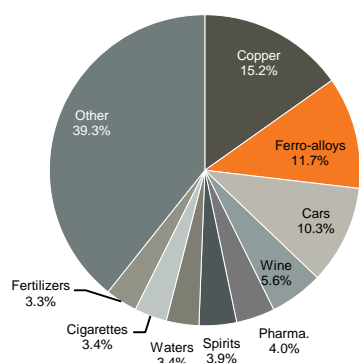
Money transfers up 14.8% y/y in June 2018

In June 2018, money transfers increased 14.8% y/y to US\$ 135.1mn, after growing 13.0% y/y in the previous month, according to NBG. From major remitting countries, money transfers were up from Italy (+32.2% y/y, 11.5% of total), USA (+16.6% y/y, 10.5% of total), Greece (+19.4% y/y, 10.3% of total), Israel (+27.3% y/y, 9.8% of total) and Turkey (+1.9% y/y, 7.2% of total), while remittances were slightly down from Russia (-0.6% y/y, 29.0% of total). Overall, in 1H18 money transfers were up 18.3% y/y to US\$ 744.4mn.

Producer price index up 6.8% y/y in June 2018

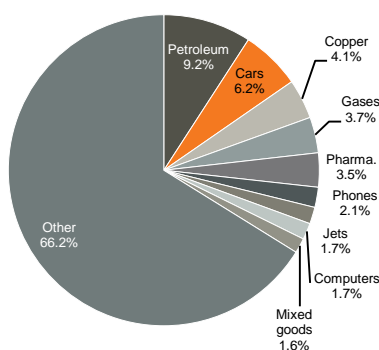
Annual PPI for industrial goods was up 6.8% in June 2018, according to GeoStat. Rising prices in manufacturing (+5.1% y/y) and supply of electricity, gas and water (+14.6% y/y) contributed the most to the overall index change.

Exports by commodities, 1H18



Source: GeoStat

Imports by commodities, 1H18



Key macro indicators

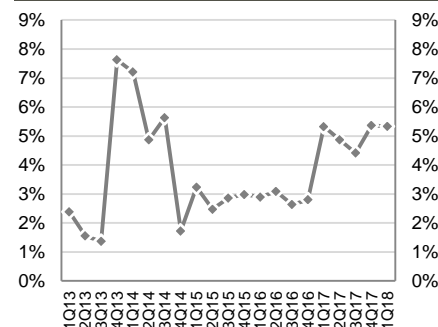
	1H18	2017	2016
GDP (% change)	6.1% ⁽¹⁾	5.0%	2.8%
GDP per capita (ppp)	...	10,644	10,043
GDP per capita (US\$)	...	4,068	3,857
Population (mn)	3.7	3.7	3.7
Inflation (eop)	2.2%	6.7%	1.8%
Gross reserves (US\$ bn)	3.0	3.0	2.8
CAD (% of GDP)	11.6% ⁽²⁾	8.9	13.2%
Fiscal deficit (% of GDP)	...	3.9%	4.1%
Total public debt (% of GDP)	...	44.6%	44.4%

Source: Official data, IMF

1) As of 5M18

2) As of 1Q18

Real GDP growth, %



Source: GeoStat

International ranking, 2017-18

Ease of Doing Business # 9 (Top 10)

Economic Freedom Index # 16 (mostly free)

Global Competitiveness Index # 67

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

STANDARD & POOR'S BB- Stable Affirmed May-2017	Moody's INVESTORS SERVICE Ba2 Stable Upgraded Sep-2017	FitchRatings BB- Positive Affirmed Mar-2018
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Source: Rating agencies

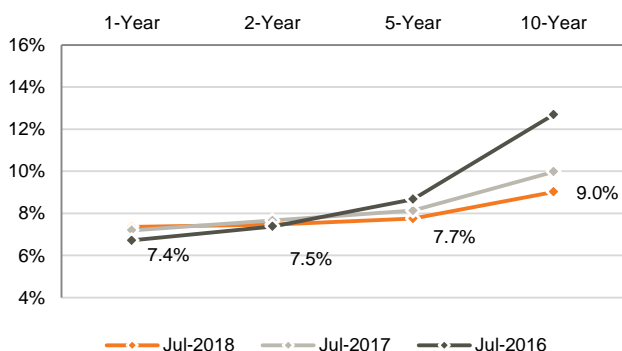
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 950mn (US\$ 387.1mn).

Ministry of Finance Benchmark Bonds:

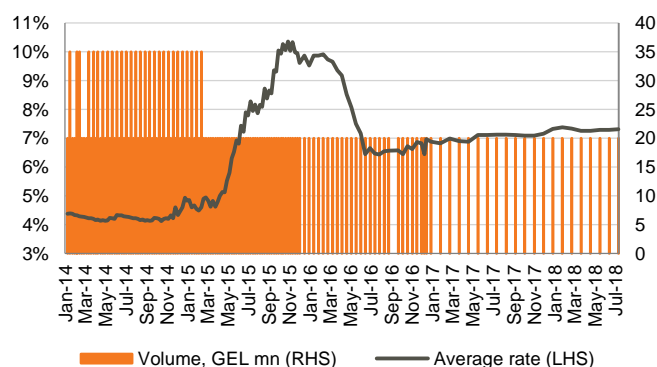
10-year GEL 25.0mn (US\$ 10.2mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on July 18, 2018. The weighted average yield was fixed at 9.016%. The nearest treasury security auction is scheduled for July 25, 2018, where GEL 30mn nominal value 5-year Benchmark bonds will be sold.

T-bills / T-notes, yield curve



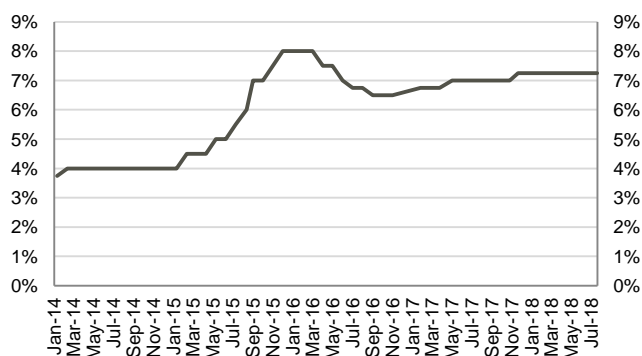
Source: NBG

Certificates of Deposits (weighted average rate)



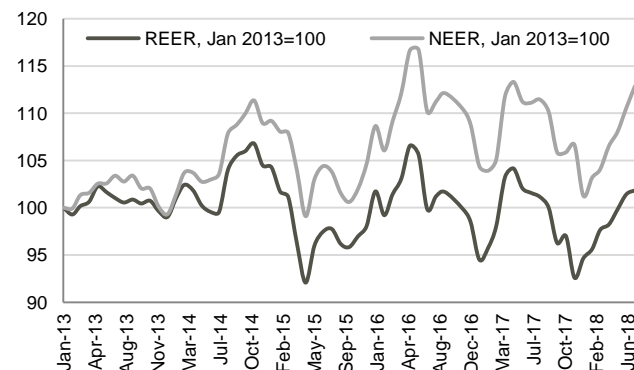
Source: NBG

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



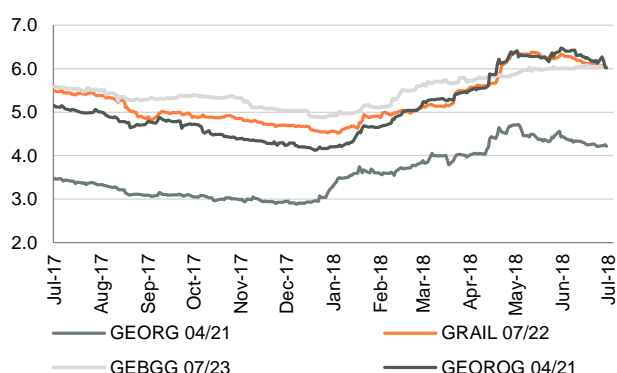
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 6.0% yield, trading at 99.8 (+0.01% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.7%. Georgia Capital Eurobonds (GEOCAP) were trading at 94.5 (+0.2% w/w), yielding 7.4%.

GOGC Eurobonds (GEOROG) were trading at 101.9 (+0.3% w/w), yielding 6.0%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 106.0 (+0.01% w/w), yielding 6.0%.

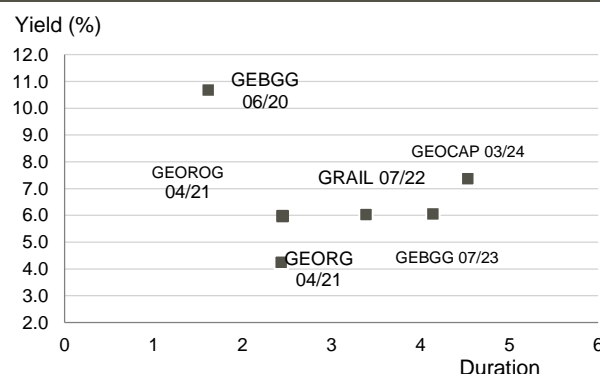
Georgian Sovereign Eurobonds (GEORG) closed at 106.7 (-0.1% w/w) at 4.2% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

Georgia bonds performance

Georgia Eurobonds 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-/Ba2	106.70	4.24	137.31
GRAIL 07/22	500	7.750%	18/07/2022	B+/B+/-	106.03	6.02	312.22
GEOROG 04/21	250	6.750%	18/04/2021	BB-/B+/-	101.93	5.97	310.87
GEBGG 06/20	500*	11.000%	18/06/2020	BB-/B2	100.50	10.68	n/a
GEBGG 07/23	350	6.000%	18/07/2023	BB-/B2	99.82	6.04	313.97
GEOCAP 03/24	300	6.125%	18/03/2024	-/B+/B2	94.40	7.36	445.02

Georgia local bonds performance

GWP 12/21	30*	10.75%**	06/12/2021	BB****/-/-	n/a	n/a	n/a
M2RE 10/19	25	7.500%	07/10/2019	B+/-/-	102.30	5.50	n/a
GLC 08/20	10	7.000%	29/08/2020	-/-/-	101.95	6.00	n/a
GLC 06/21	5	6.500%	22/06/2021	-/-/-	n/a	n/a	n/a
Nikora 06/19	10	9.000%	28/06/2019	-/-/-	n/a	n/a	n/a
Silknet 08/22	34*	10.75%**	18/08/2022	B+****/-/-	n/a	n/a	n/a
Crystal 12/19	10*	11.75%***	28/12/2019	B/-/-	101.05	11.25	n/a

Source: Bloomberg

*GEBGG 06/20 bonds, GWP 12/21 bonds, Silknet 08/22 and Crystal 12/19 bonds are in Georgian lari

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

***Coupon rate 4.5% over the NBG's refinancing rate

****Company ratings

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-/Ba2	106.7	4.2	137.3
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba2	100.2	4.7	180.0
Bulgaria	323	5.000%	19/07/2021	BBB-/B2	115.2	-0.1	-42.6
Croatia	1,250	3.875%	30/05/2022	BB+/BB+/Ba2	111.8	0.8	66.3
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	107.4	3.5	59.4
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	109.9	3.7	84.4
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	102.7	3.4	57.9
Turkey	2,000	5.625%	30/03/2021	BB+/-/Ba2	99.4	5.9	300.5

Source: Bloomberg

Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 17.73/share (-4.48% w/w and -7.09% m/m). More than 414k shares traded in the range of GBP 17.23 – 19.57/share. Average daily traded volume was 79k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.51% w/w and lost 0.03% m/m. The volume of BGEO shares traded was at 0.84% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 9.76/share (-6.39% w/w and -13.55% m/m). More than 545k shares traded in the range of GBP 9.80 – 10.49/share. Average daily traded volume was 103k in the last 4 weeks. The volume of CGEO shares traded was at 1.41% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 17.24 (-0.35% w/w and +2.25% m/m). More than 109k shares changed hands in the range of GBP 16.88 – 17.52/share. Average daily traded volume was 25k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 2.6/share (-0.76% w/w and -1.70% m/m). More than 25k shares were traded in the range of GBP 2.60 – 2.66/share. Average daily traded volume was 17k in the last 4 weeks. The volume of GHG shares traded was at 0.02% of its capitalization.

Eastern European Banks

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
Bank of Georgia	BGEO	17.728*	1,142	-7.1%	-27.7%	-30.7%	-26.3%	-25.5%
TBC	TBC	17.24*	1,226	2.3%	-7.7%	0.0%	-1.5%	4.5%
Halyk Bank	HSBK	11.95	3,285	1.3%	1.3%	-3.6%	21.0%	25.9%
KKB	KKB	0.68	712	0.0%	0.0%	0.0%	0.0%	-9.3%
VTB Bank	VTBR	1.54	9,954	5.9%	-20.8%	-20.7%	-16.1%	-28.9%
Vozrozhdenie	VZRZ	5.76	137	-3.8%	5.9%	-38.7%	-33.8%	-54.3%
Sberbank	SBER	13.19	71,183	-2.4%	-11.6%	-29.4%	-22.1%	13.1%

Source: Bloomberg

*BGEO and TBC share prices traded and shown in GBP

Investment Management Company Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
Georgia Capital	CGEO	9.76*	532	-13.6%	N/A	N/A	N/A	N/A
Creades	CREDA	29.38	244	-6.4%	-14.8%	-28.1%	-19.4%	-10.0%
CIE du Bois	COMB	465.86	775	-0.7%	-6.2%	-2.1%	8.3%	23.0%
Tinc Comm	TINC	14.10	388	0.6%	-4.0%	-9.9%	-6.6%	-1.4%
Edify	EDIFY	71.40	346	2.7%	-7.1%	2.4%	4.2%	14.9%

Source: Bloomberg

*CGEO share price traded and shown in GBP

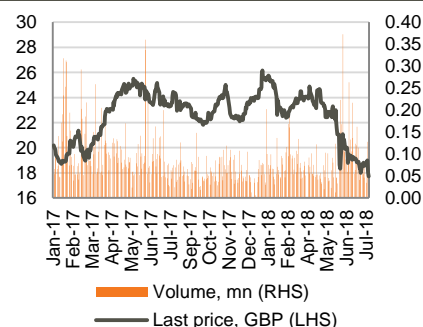
Healthcare Sector Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG	GHG	2.6*	449	-1.7%	-7.1%	-25.2%	-26.8%	-27.8%
Mouwasat	MOUWASAT	25.40	2,540	2.4%	-2.8%	17.7%	25.8%	24.1%
Fortis	FORH	1.97	1,023	-1.0%	-12.8%	-13.5%	-21.5%	-19.2%
Raffles	RFMD	0.81	1,449	8.4%	-9.3%	-4.0%	-3.7%	-14.0%
IHH	IHH	1.48	12,171	0.5%	-6.0%	-3.1%	2.3%	6.3%
Bangkok Chain	BCH	0.48	1,196	-0.3%	-14.1%	-3.3%	-3.6%	19.2%
Netcare	NTC	2.6*	449	-1.7%	-7.1%	-25.2%	-26.8%	-27.8%

Source: Bloomberg

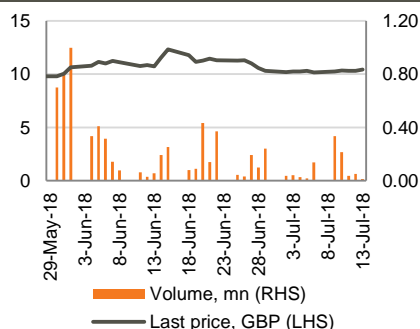
*GHG share price traded and shown in GBP

Bank of Georgia Group (BGEO LN)



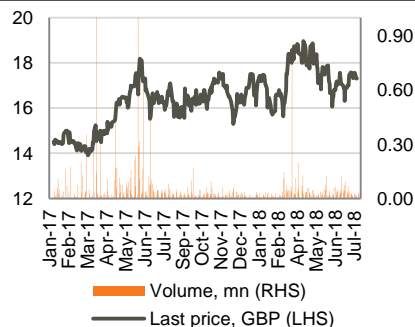
Source: Bloomberg

Georgia Capital (CGEO LN)



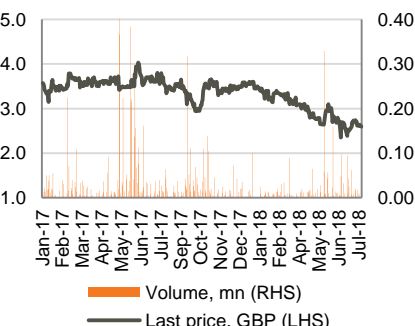
Source: Bloomberg

TBC Bank Group (TBCG LN)



Source: Bloomberg

Georgia Healthcare Group (GHG LN)



Source: Bloomberg



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