



Weekly Market Watch

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Jan 29, 2018

Economy

Exports up 50.0% y/y in December 2017

In December 2017, exports increased 50.0% y/y to US\$ 288.2mn, imports were up 13.5% y/y to US\$ 845.3mn and the trade deficit widened 0.8% y/y to US\$ 557.1mn, according to GeoStat. Overall in 2017, the trade deficit was up 1.3% y/y at US\$ 5.3bn as exports were up 29.1% y/y to US\$ 2.7bn, while imports increased 9.4% y/y to US\$ 8.0bn.

In December 2017, copper (+49.9% y/y), cars (+153.2% y/y), ferro-alloys (+38.7% y/y), spirits (+86.7% y/y) and wine (+51.2% y/y) were the top 5 exported commodities; A 23.1% of exports were directed to the EU (+14.7% y/y), 52.1% were directed to the CIS (+89.0% y/y) and 24.8% to other countries (+30.8% y/y).

Petroleum (-11.3% y/y), gases (-15.6% y/y), cars (-8.4% y/y), pharmaceuticals (+4.2% y/y) and copper (+13.9% y/y) represented the top 5 imported commodities in December 2017.

Producer price index down 0.8% m/m and up 8.7% y/y in December 2017

PPI for industrial goods was down 0.8% m/m in December 2017, according to GeoStat. A 0.6% price decrease for manufacturing contributed the most to the overall index change as prices were down for food, beverages and tobacco (-1.4% m/m) and basic and fabricated metals (-0.8% m/m).

Annual PPI was up 8.7% in December 2017. Rising prices in manufacturing (+8.5% y/y) contributed the most to the overall index change. Prices were also up for supply of electricity, gas and water (+9.2% y/y) and for mining and quarrying (+11.0% y/y).

Key macro indicators

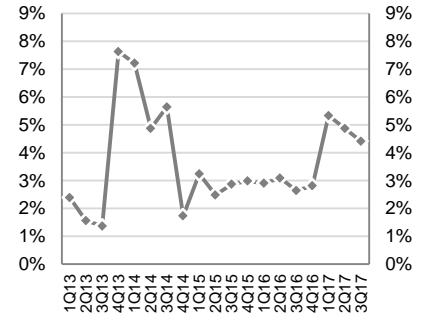
	2017	2016	2015
GDP (% change)	4.8% ⁽¹⁾	2.8%	2.9%
GDP per capita (ppp)	...	10,044	9,601
GDP per capita (US\$)	...	3,865	3,767
Population (mn)	3.7	3.7	3.7
Inflation (eop)	6.7%	1.8%	4.9%
Gross reserves (US\$ bn)	3.0	2.8	2.5
CAD (% of GDP)	7.1% ⁽²⁾	12.8%	12.0%
Fiscal deficit (% of GDP)	...	4.1%	3.7%
Total public debt (% of GDP)	...	44.6%	41.4%

Source: Official data, IMF

(1) As of 11M17

(2) As of 9M17

Real GDP growth, %



Source: GeoStat

International ranking, 2017-18

Ease of Doing Business # 9 (Top 10)
Economic Freedom Index # 13 (mostly free)
Global Competitiveness Index # 67

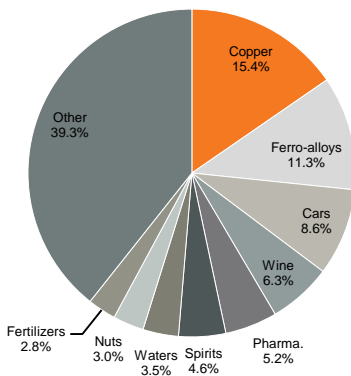
Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

 BB- Stable Affirmed May-2017	 Ba2 Stable Affirmed Sep-2017	 BB- Stable Affirmed Sep-2017
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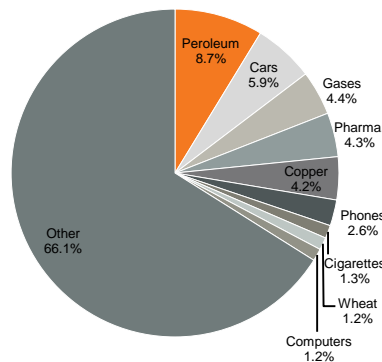
Source: Rating agencies

Exports by commodities, 2017



Source: GeoStat

Imports by commodities, 2017



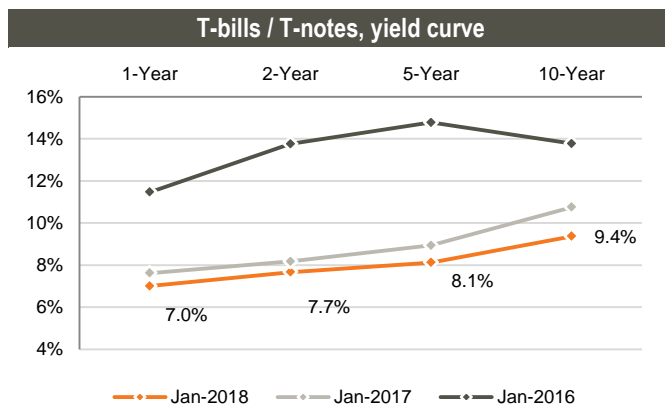
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,060mn (US\$ 422.3mn).

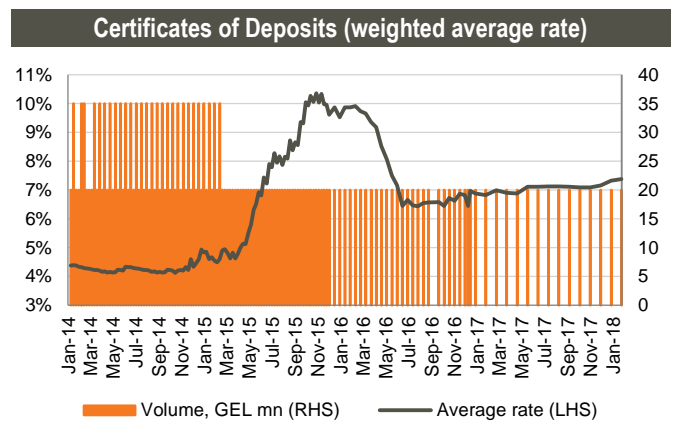
Certificates of deposit: NBG sold 91-day, GEL 20mn (US\$ 8.0mn) certificates of deposit, with an average yield of 7.38% (up 0.05ppts from previous issue).

Ministry of Finance Treasury Notes:

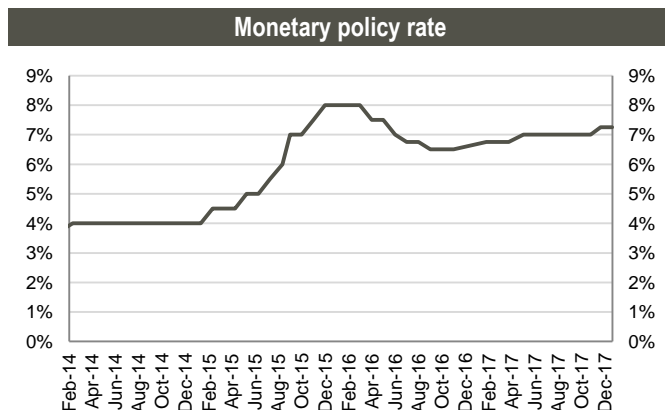
5-year GEL 30.0mn (US\$ 11.9mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on January 24, 2018. The weighted average yield was fixed at 8.119%. The nearest treasury security auction is scheduled for February 7, 2018, where GEL 40.0mn nominal value 1-year T-Bills will be sold.



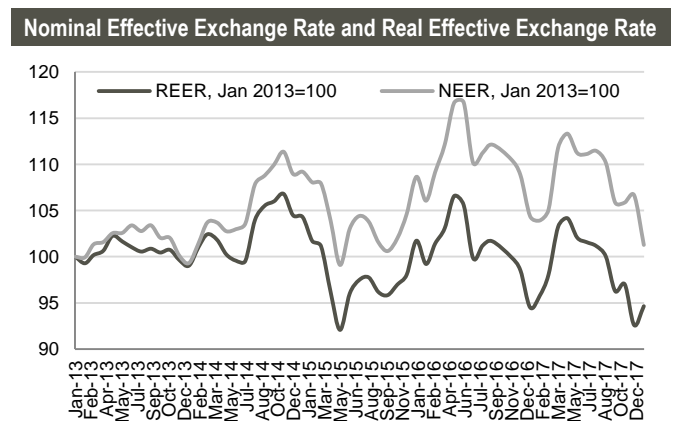
Source: NBG



Source: NBG



Source: NBG



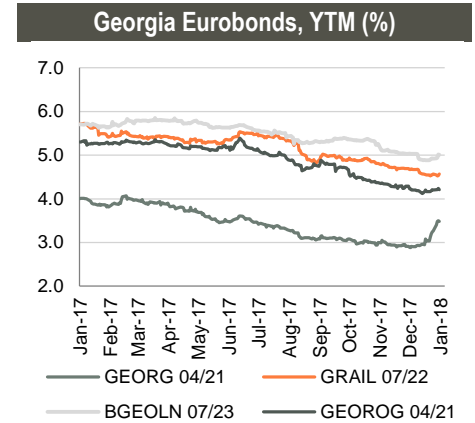
Source: NBG

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

Fixed income

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.0% yield, trading at 104.9 (-0.3% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.7%. GOGC Eurobonds (GEOROG) were trading at 107.6 (unchanged w/w), yielding 4.2%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 112.5 (-0.1% w/w), yielding 4.6%.

Georgian Sovereign Eurobonds (GEORG) closed at 110.1 (-0.4% w/w) at 3.5% yield to maturity.



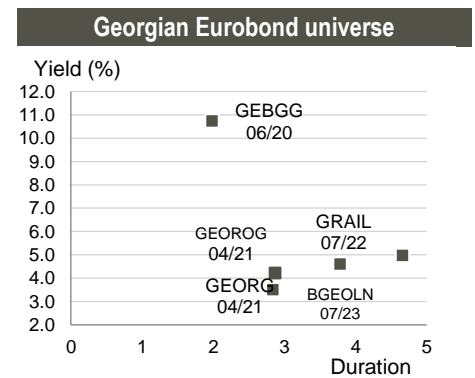
Source: Bloomberg

	Local bonds					Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	Nikora 06/19	GLC 08/20	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	10.0	500*	250	350	500	500
Issue date	12/16	10/16	03/16	08/17	8/17	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	06/19	8/20	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	11.0	9.0	7.00	11.0	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/B-	-/-	-/-	-/-	n/a	BB-/Ba2	BB-/B+	BB-/B1	BB-/BB-/Ba2	B+/B+
Mid price, US\$	n/a	102.8	101.3	101.3	101.19	100.5	107.6	104.9	110.2	112.5
Mid yield, %	n/a	5.75%	8.5%	3.8%	6.50%	10.7	4.2	5.0	3.5	4.6
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	346.1	180.2	244.4	107.9	211.9

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



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-/Ba2	110.2	3.5	107.9
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	104.6	3.9	134.2
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	117.2	0.0	-33.1
Croatia	1,250	3.875%	30/05/2022	BB/BB/Baa2	111.7	1.1	78.0
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	110.3	2.9	52.8
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	113.7	3.1	63.2
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	104.5	2.9	58.6
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Baa1	105.0	3.9	152.5

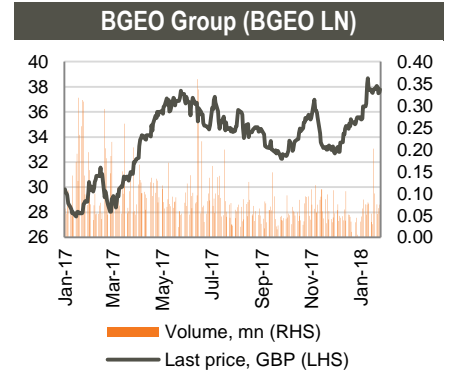
Source: Bloomberg

Equities

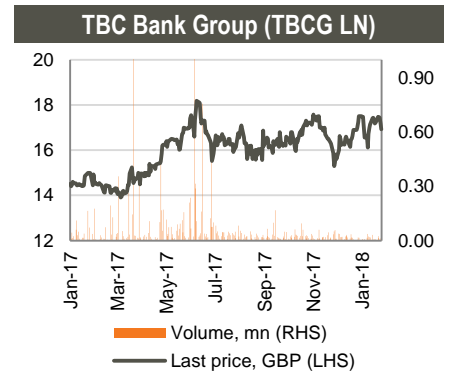
BGEO Group (BGEO LN) shares closed at GBP 37.94/share (+1.01% w/w and +7.88% m/m). More than 328k shares traded in the range of GBP 37.32 – 38.52/share. Average daily traded volume was 64k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 0.99% w/w and gained 0.93% m/m. The volume of BGEO shares traded was at 0.83% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 17.46 (+0.11% w/w and +3.31% m/m). More than 61k shares changed hands in the range of GBP 16.80 – 17.50 share. Averaged daily traded volume was 13k in the last 4 weeks.

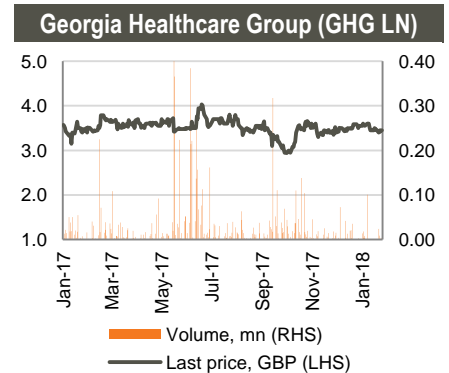
Georgia Healthcare Group (GHG LN) shares closed at GBP 3.45/share (+0.01% w/w and -3.90% m/m). More than 38k shares were traded in the range of GBP 3.40 – 3.50/share. Average daily traded volume was 11k in the last 4 weeks. The volume of GHG shares traded was at 0.03% of its capitalization.



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Eastern European Banks

	Tick er	Share price, US\$	MCap US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
BGEO	BGEO	37.94*	2,089	7.9%	9.3%	9.4%	6.7%	35.9%
TBC	TBC	17.46*	1,292	3.3%	1.5%	7.3%	-0.2%	16.7%
Halyk Bank	HSBK	12.50	3,436	29.5%	35.0%	31.6%	26.5%	115.1%
KKB	KKB	0.68	712	0.0%	0.0%	-9.3%	0.0%	-48.1%
VTB Bank	VTBR	1.93	12,475	8.6%	-8.9%	-6.6%	5.2%	-15.0%
Vozrozhdenie Bank	VZRZ	8.96	213	2.2%	-16.0%	-25.2%	3.0%	-29.2%
Sberbank	SBER	18.71	100,946	12.8%	30.8%	65.1%	10.5%	63.5%

Source: Bloomberg

*BGEO and TBC share prices 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	3.45*	635	-3.9%	0.0%	-9.2%	-2.8%	-1.4%
Mouwasat	MOUWASAT	44.83	2,241	8.3%	8.0%	8.1%	11.0%	22.2%
Fortis	FORH	2.36	1,224	6.0%	5.9%	-9.0%	-6.1%	-11.6%
Raffles	RFMD	0.87	1,532	4.8%	2.5%	-8.0%	3.2%	-15.0%
IHH	IHH	1.53	12,595	7.3%	12.1%	9.5%	5.9%	7.4%
Bangkok Chain	BCH	0.50	1,241	1.8%	2.6%	16.2%	0.0%	13.9%
Netcare	NTC	2.13	3,126	12.2%	20.6%	9.3%	4.7%	-11.6%

Source: Bloomberg

*GHG share price traded and shown in GBP

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