



Weekly Market Watch

Weekly Market Watch | Georgia
May 28, 2018

Economy

Exports up 8.3% y/y in April 2018

In April 2018, exports increased 8.3% y/y to US\$ 229.2mn, imports were up 22.0% y/y to US\$ 727.4mn and the trade deficit widened 29.5% y/y to US\$ 498.2mn, according to GeoStat.

In April 2018, ferro-alloys (-0.8% y/y), cars (+105.8% y/y), copper (+59.6% y/y), wine (+50.3% y/y) and spirits (+36.8% y/y) were the top 5 exported commodities. A 14.1% of exports was directed to the EU (-10.3% y/y), 55.4% to the CIS (+40.2% y/y) and 30.5% to other countries (-17.8% y/y).

In April 2018, petroleum (+10.6% y/y), cars (+3.2% y/y), copper (+6.9% y/y), pharmaceuticals (+20.7% y/y) and gases (-10.1% y/y) represented the top 5 imported commodities.

Overall, in 4M18, the trade deficit was up 22.3% y/y at US\$ 1.9bn as exports were up 22.0% y/y to US\$ 961.4mn, while imports increased 22.2% y/y to US\$ 2.8bn.

Producer price index down 0.1% m/m and up 7.8% y/y in April 2018

PPI for industrial goods was down 0.1% m/m in April 2018, according to GeoStat. A 0.1% price decrease for manufacturing contributed the most to the overall index change. Annual PPI was up 7.8% in April 2018. Rising prices in manufacturing (+6.8% y/y) contributed the most to the overall index change. Prices were also up for supply of electricity, gas and water (+13.2% y/y).

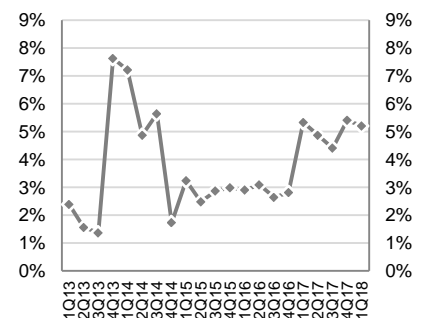
Key macro indicators

| | 4M18 | 2017 | 2016 |
|------------------------------|---------------------|--------|--------|
| GDP (% change) | 5.2% ⁽¹⁾ | 5.0% | 2.8% |
| GDP per capita (ppp) | ... | 10,644 | 10,043 |
| GDP per capita (US\$) | ... | 4,079 | 3,865 |
| Population (mn) | 3.7 | 3.7 | 3.7 |
| Inflation (eop) | 2.5% | 6.7% | 1.8% |
| Gross reserves (US\$ bn) | 3.0 | 3.0 | 2.8 |
| CAD (% of GDP) | ... | 8.7 | 12.8% |
| Fiscal deficit (% of GDP) | ... | 3.9% | 4.1% |
| Total public debt (% of GDP) | ... | 44.7% | 44.4% |

Source: Official data, IMF

1) 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

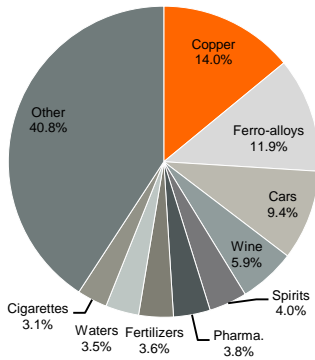
Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

| | | |
|--|--|--|
| BB- Stable Affirmed May-2017 | Ba2 Stable Upgraded Sep-2017 | BB- Positive Affirmed Mar-2018 |
|--|--|--|

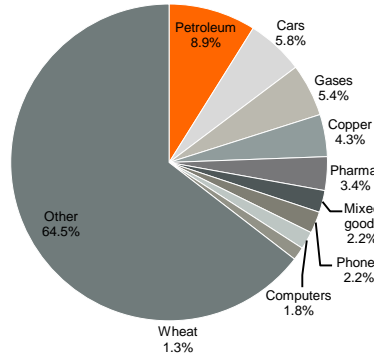
Source: Rating agencies

Exports by commodities, 4M18



Source: GeoStat

Imports by commodities, 4M18

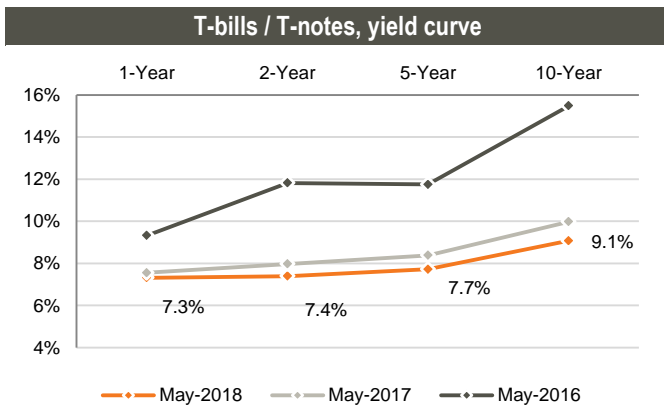


Money market

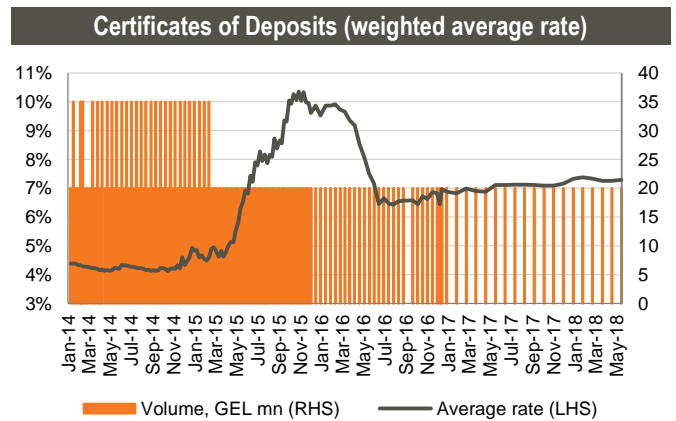
Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 920mn (US\$ 375.7mn).

Ministry of Finance Treasury Notes:

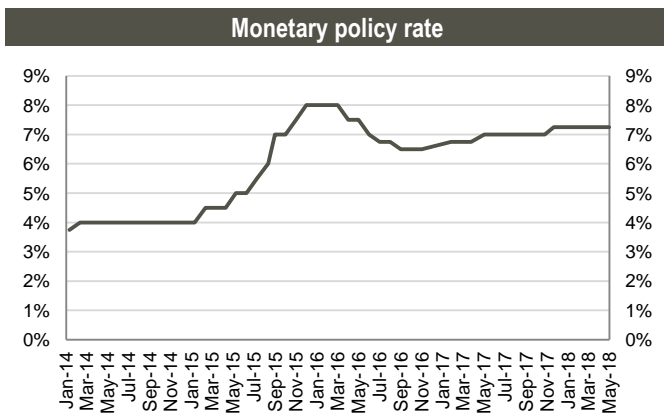
5-year GEL 30.0mn (US\$ 12.3mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on May 23, 2018. The weighted average yield was fixed at 7.716%. The nearest treasury security auction is scheduled for June 6, 2018, where GEL 40mn nominal value 1-year T-bills will be sold.



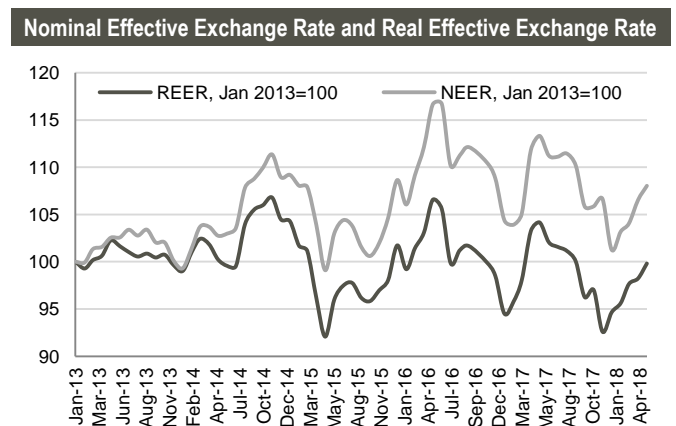
Source: NBG



Source: NBG



Source: NBG



Source: NBG

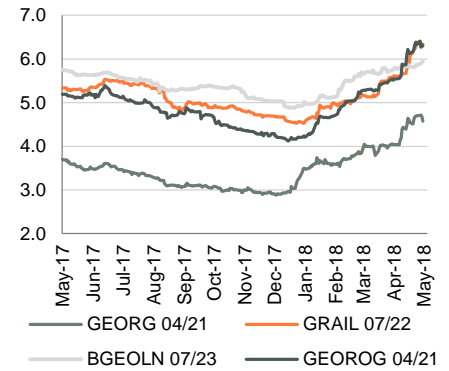
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

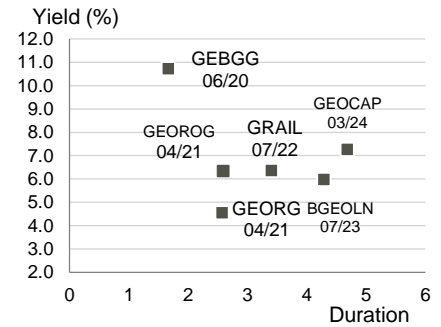
Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 6.0% yield, trading at 100.1 (-0.5% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.7%. Georgia Capital Eurobonds (GEOCAP) were trading at 94.7 (unchanged w/w), yielding 7.3%.

GOGC Eurobonds (GEOROG) were trading at 101.1 (unchanged w/w), yielding 6.3%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 105.0 (+0.2% w/w), yielding 6.4%.

Georgian Sovereign Eurobonds (GEORG) closed at 106.2 (+0.4% w/w) at 4.5% yield to maturity.

Georgia Eurobonds, YTM (%)


Source: Bloomberg

Georgian Eurobond universe


Source: Bloomberg

| | Local bonds | | | | Eurobonds | | | | | |
|-----------------------|--------------|---------------|-----------------|--------------|-----------------|----------------|-----------------|-----------------|-----------------|----------------|
| | GWP 12/21 | M2RE 10/19 | Nikora 06/19 | GLC 08/20 | GEOCAP 03/24 | GEBGG 06/20 | GEOROG 04/21 | BGEOLN 07/23 | GEORG 04/21 | GRAIL 07/22 |
| Amount, US\$ mn | 30* | 25.0 | 10.0 | 10.0 | 300 | 500* | 250 | 350 | 500 | 500 |
| Issue date | 12/16 | 10/16 | 08/17 | 8/17 | 03-18 | 06-17 | 04/16 | 07/16 | 04/11 | 07/12 |
| Maturity date | 12/21 | 10/19 | 06/19 | 8/20 | 03-24 | 06-20 | 04/21 | 07/23 | 04/21 | 07/22 |
| Coupon, % | 10.50** | 7.5 | 9.0 | 7.00 | 6.125% | 11.0 | 6.750 | 6.000 | 6.875 | 7.750 |
| Fitch/S&P/ Moody's | BB-/-/- | -/-/- | -/-/- | n/a | -/-/B2e | B-/-/Ba2 | BB-/B+/- | BB-/-/B1 | BB-/BB- /Ba2 | B+/-B+/- |
| Mid price, US\$ | n/a | 102.6 | 101.3 | 102.08 | 94.7 | 100.5 | 101.1 | 100.1 | 106.2 | 105.0 |
| Mid yield, % | n/a | 5.5% | 3.8% | 6.00% | 7.3 | 10.7 | 6.3 | 6.0 | 4.5 | 6.4 |
| Z-spread, bps | n/a | n/a | n/a | n/a | 437.7 | 346.1 | 355.4 | 309.5 | 175.6 | 351.2 |

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

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 | 106.2 | 4.5 | 175.6 |
| Azerbaijan | 1,250 | 4.750% | 18/03/2024 | BB+/BB+/Ba2 | 100.5 | 4.6 | 175.7 |
| Bulgaria | 323 | 5.000% | 19/07/2021 | BBB-/BB+/Baa2 | 115.5 | 0.1 | -30.3 |
| Croatia | 1,250 | 3.875% | 30/05/2022 | BB/BB/Ba2 | 111.1 | 1.0 | 89.2 |
| Hungary | 3,000 | 6.375% | 29/03/2021 | BBB-/BBB-/Baa3 | 107.4 | 3.6 | 81.3 |
| Romania | 2,250 | 6.750% | 07/02/2022 | BBB-/BBB-/Baa3 | 109.3 | 4.0 | 117.0 |
| Russia | 3,500 | 5.000% | 29/04/2020 | BBB-/BBB-/Ba1 | 102.6 | 3.6 | 88.3 |
| Turkey | 2,000 | 5.625% | 30/03/2021 | BB+/BB-/Ba2 | 100.3 | 5.5 | 272.8 |

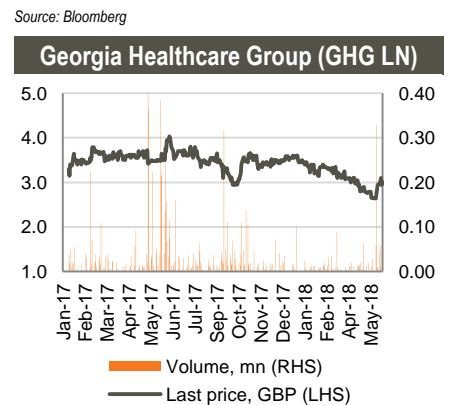
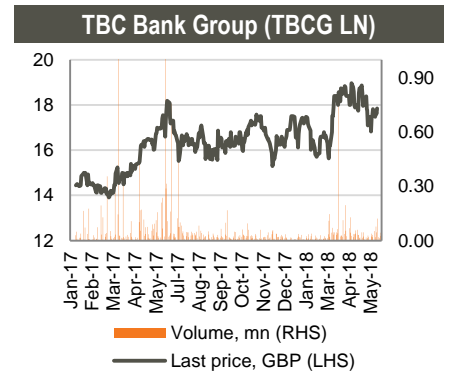
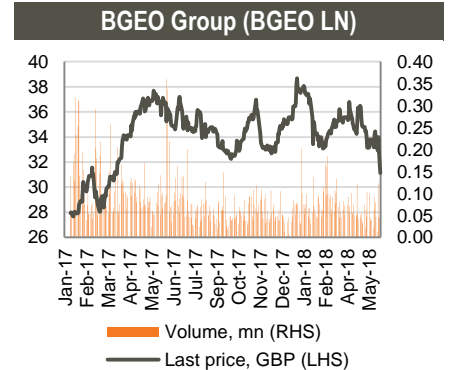
Source: Bloomberg

Equities

BGEO Group (BGEO LN) shares closed at GBP 31.13/share (-7.74% w/w and -12.11% m/m). More than 259k shares traded in the range of GBP 31.00 – 34.50/share. Average daily traded volume was 57k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.55% w/w and gained 5.43% m/m. The volume of BGEO shares traded was at 0.66% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 16.66 (-6.61% w/w and -7.24% m/m). More than 113k shares changed hands in the range of GBP 16.50 – 18.26 share. Averaged daily traded volume was 32k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.02/share (+2.20% w/w and +3.97% m/m). More than 113k shares were traded in the range of GBP 2.87 – 3.10/share. Average daily traded volume was 39k in the last 4 weeks. The volume of GHG shares traded was at 0.09% 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 | 31.13* | 1,551 | -12.1% | -6.3% | -6.6% | -12.5% | -17.4% |
| TBC | TBC | 16.66* | 1,202 | -7.2% | 2.2% | 2.3% | -4.8% | -1.9% |
| Halyk Bank | HSBK | 12.45 | 3,422 | 3.3% | -11.1% | 27.7% | 26.0% | 70.5% |
| KKB | KKB | 0.68 | 712 | 0.0% | 0.0% | 0.0% | 0.0% | -38.2% |
| VTB Bank | VTBR | 1.68 | 10,906 | -9.3% | -20.9% | -12.2% | -8.0% | -28.1% |
| Vozrozhdenie Bank | VZRZ | 6.07 | 144 | 15.4% | -31.0% | -39.6% | -30.2% | -53.6% |
| Sberbank | SBER | 14.56 | 78,576 | -2.0% | -30.3% | -13.6% | -14.0% | 21.3% |

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 | 3.015* | 529 | 4.0% | -9.2% | -11.2% | -15.1% | -13.4% |
| Mouwasat | MOUWASAT | 49.31 | 2,465 | -1.8% | 3.1% | 15.3% | 22.1% | 27.5% |
| Fortis | FORH | 2.14 | 1,110 | -6.1% | -13.2% | -0.4% | -14.8% | -31.8% |
| Raffles | RFMD | 0.80 | 1,414 | -7.8% | -4.5% | -1.5% | -4.8% | -20.2% |
| IHH | IHH | 1.57 | 12,967 | 1.8% | 1.0% | 14.7% | 9.0% | 17.9% |
| Bangkok Chain | BCH | 0.52 | 1,297 | -8.2% | -0.8% | 11.7% | 4.6% | 46.7% |
| Netcare | NTC | 2.42 | 3,552 | 3.0% | 6.8% | 51.8% | 19.0% | 18.4% |

Source: Bloomberg

*GHG share price traded and shown in GBP

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