



# Weekly Market Watch

Weekly Market Watch | Georgia  
Jan 15, 2018

## Economy

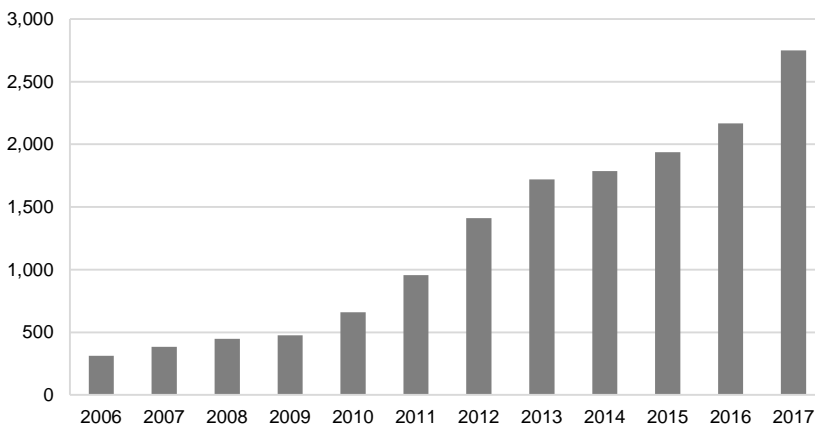
### Tourism revenues up 27.0% y/y in 2017

Tourism revenues were up 27.0% y/y to US\$ 2.75bn in 2017, according to NBG's preliminary figures. In 2017, total international arrivals increased 18.8% y/y to 7.6mn visitors, while tourist arrivals increased 27.9% y/y to 3.5mn.

### Georgia's Tax Code exempts taxes on capital gain and interest income

In the context of Georgia's capital market development, Georgia's amended Tax Code provides for preferential treatment of capital gain and interest income on debt and equity instruments issued by a resident legal entity through a public offering and admitted for trading on an organized market recognized by the National Bank of Georgia; In this context, as of January 2018, resident and non-resident individuals and non-resident legal entities are exempt from personal and corporate income taxes on capital gain from debt and equity securities and on interest income from debt securities. In addition, the tax exemption on interest income from debt securities will apply to securities issued before January 1, 2023.

Tourism revenues, US\$ mn



Source: NBG

### Key macro indicators

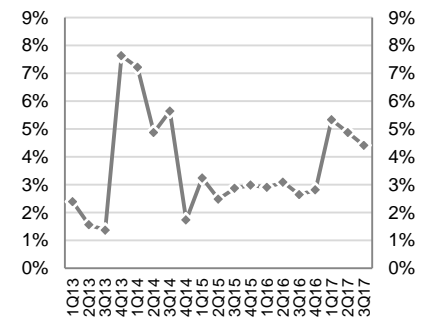
	2017	2016	2015
GDP (% change)	4.8% <sup>(1)</sup>	2.8%	2.9%
GDP per capita (ppp)	...	10,044	9,601
GDP per capita (US\$)	...	3,865	3,767
Population (mn)	3.7	3.7	3.7
Inflation (eop)	6.7%	1.8%	4.9%
Gross reserves (US\$ bn)	3.0	2.8	2.5
CAD (% of GDP)	7.1% <sup>(2)</sup>	12.8%	12.0%
Fiscal deficit (% of GDP)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

 <b>BB-</b> Stable Affirmed May-2017	 <b>Ba2</b> Stable Affirmed Sep-2017	 <b>BB-</b> Stable Affirmed Sep-2017
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Source: Rating agencies



# Money market

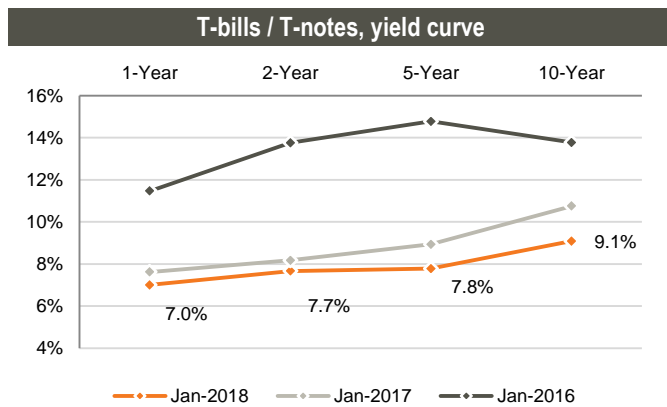
**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,150mn (US\$ 466.1mn).

## Ministry of Finance Treasury Notes:

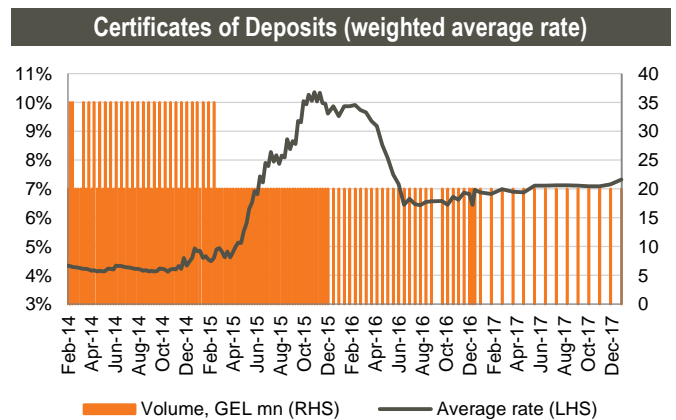
2-year GEL 40.0mn (US\$ 15.5mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on January 10, 2018. The weighted average yield was fixed at 7.663%. The nearest treasury security auction is scheduled for January 17, 2018, where GEL 25.0mn nominal value 10-year T-Notes will be sold.

## Ministry of Finance Treasury Bills:

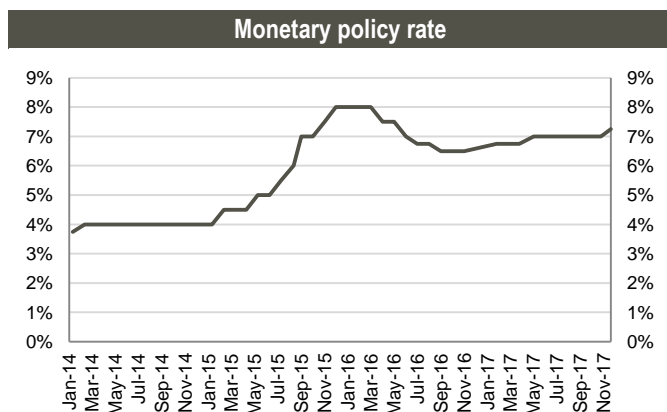
182-days GEL 20.0mn (US\$ 7.8mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on January 10, 2018. The weighted average yield was fixed at 7.381%.



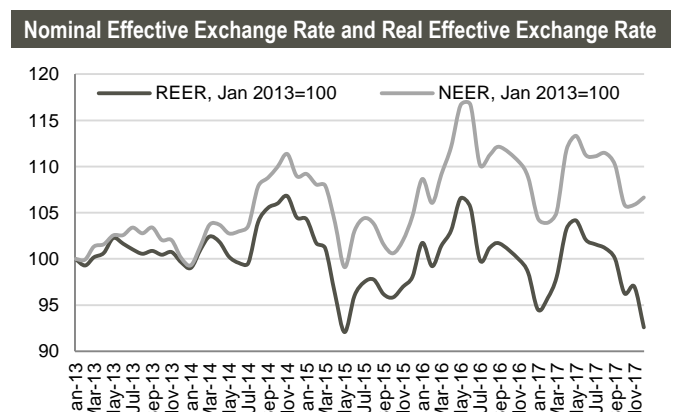
Source: NBG



Source: NBG



Source: NBG



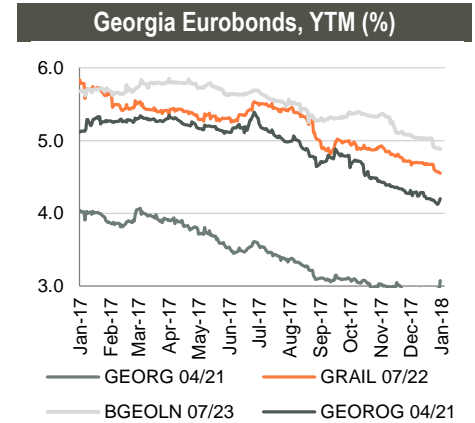
Source: NBG

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

## Fixed income

**Corporate Eurobonds:** BGEO Group Eurobonds (BGEOLN) closed at 4.9% yield, trading at 105.3 (+0.7% 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 107.8 (+0.2% w/w), yielding 4.2%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 112.8 (+0.4% w/w), yielding 4.7%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 111.7 (-0.6% w/w) at 3.1% yield to maturity.

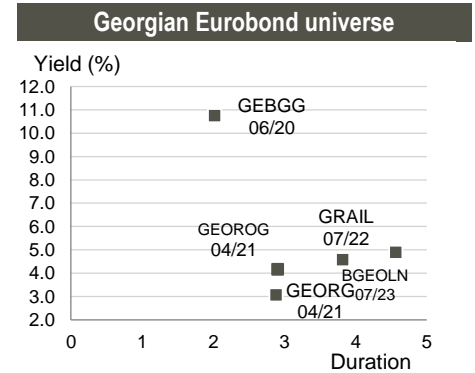


	Local bonds					Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	Nikora 06/19	GLC 08/20	GEBGG 06/20	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	5.0	10.0	10.0	500*	250	350	500	500
Issue date	12/16	10/16	03/16	08/17	8/17	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	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-/-/-	-/-/-	-/-/-	-/-/-	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	107.8	105.3	111.7	112.8
Mid yield, %	n/a	5.75%	8.5%	3.8%	6.50%	10.7	4.2	4.9	3.1	4.6
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	346.1	185.5	248.1	74.7	220.6

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	111.7	3.1	74.7
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	103.9	4.0	159.7
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	117.9	-0.1	-46.7
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	111.8	1.1	83.3
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	110.4	2.9	64.0
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	113.8	3.1	75.1
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	105.0	2.7	49.1
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	105.5	3.8	147.9

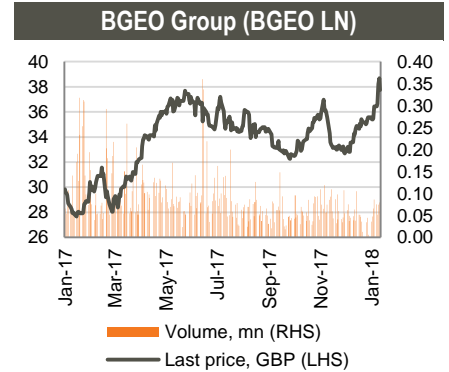
Source: Bloomberg

## Equities

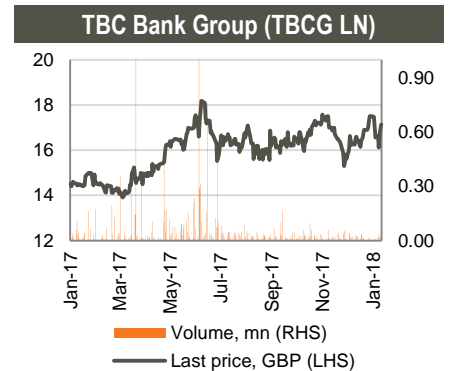
**BGEO Group (BGEO LN)** shares closed at GBP 37.74/share (+3.57% w/w and +10.09% m/m). More than 358k shares traded in the range of GBP 35.96 – 38.84/share. Average daily traded volume was 48k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 0.21% w/w and gained 4.06% m/m. The volume of BGEO shares traded was at 0.91% of its capitalization.

**TBC Bank Group (TBCG LN)** closed the week at GBP 17.14 (+3.50% w/w and +3.75% m/m). More than 109k shares changed hands in the range of GBP 15.80 – 17.40 share. Averaged daily traded volume was 14k in the last 4 weeks.

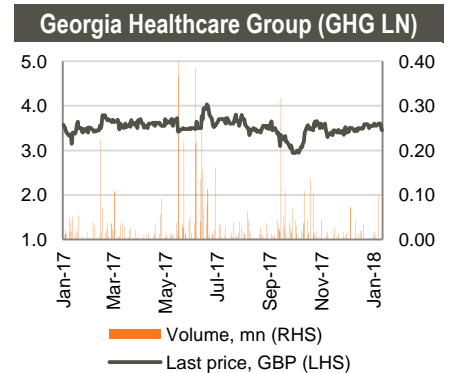
**Georgia Healthcare Group (GHG LN)** shares closed at GBP 3.45/share (-2.82% w/w and -0.58% m/m). More than 104k shares were traded in the range of GBP 3.45 – 3.69/share. Average daily traded volume was 13k in the last 4 weeks. The volume of GHG shares traded was at 0.08% of its capitalization.



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	37.74*	2,034	10.1%	12.6%	8.9%	6.1%	34.8%
TBC	TBC	17.14*	1,241	3.8%	4.0%	3.9%	-2.1%	18.4%
Halyk Bank	HSBK	12.20	3,354	23.7%	28.4%	24.0%	23.5%	103.3%
KKB	KKB	0.68	712	0.0%	0.0%	-9.3%	0.0%	-51.4%
VTB Bank	VTBR	1.97	12,792	8.4%	-6.7%	-4.5%	7.9%	-14.4%
Vozrozhdenie Bank	VZRZ	8.29	197	-16.8%	-17.0%	-33.4%	-4.8%	-33.7%
Sberbank	SBER	18.40	99,300	10.3%	27.0%	63.2%	8.7%	60.1%

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*	622	-0.6%	8.2%	-4.2%	-2.8%	9.5%
Mouwasat	MOUWASAT	40.95	2,048	-2.2%	-4.0%	-2.8%	1.4%	15.1%
Fortis	FORH	2.27	1,180	14.8%	-1.3%	-10.0%	-9.5%	-20.9%
Raffles	RFMD	0.82	1,454	5.8%	-3.4%	-11.0%	-2.0%	-21.3%
IHH	IHH	1.48	12,224	6.8%	8.5%	6.3%	2.8%	3.8%
Bangkok Chain	BCH	0.49	1,218	1.4%	-1.4%	27.6%	-1.8%	12.7%
Netcare	NTC	1.91	2,816	18.5%	2.3%	0.5%	-5.7%	-19.5%

Source: Bloomberg

\*GHG share price traded and shown in GBP



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