



# Weekly Market Watch

Weekly Market Watch | Georgia  
October 19, 2020

## Economy

### Money transfers hit an all-time high, up 28.7% y/y in September 2020

In September 2020, money transfers increased by 28.7% y/y to US\$ 192.7mn, after growing 25.8% y/y in the previous month, according to NBG. From major remitting countries, money transfers increased strongly from Italy (+38.6% y/y, 15.2% of total), USA (+47.2% y/y, 11.8% of total) and Greece (+34.7% y/y, 11.1% of total). Meanwhile, remittances declined from Russia (-3.2% y/y, 18.2% of total). Overall, in 9M20 money transfers were up 6.2% y/y to US\$ 1.3bn.

### Exports surprised on the upside, up 8.7% y/y in September 2020

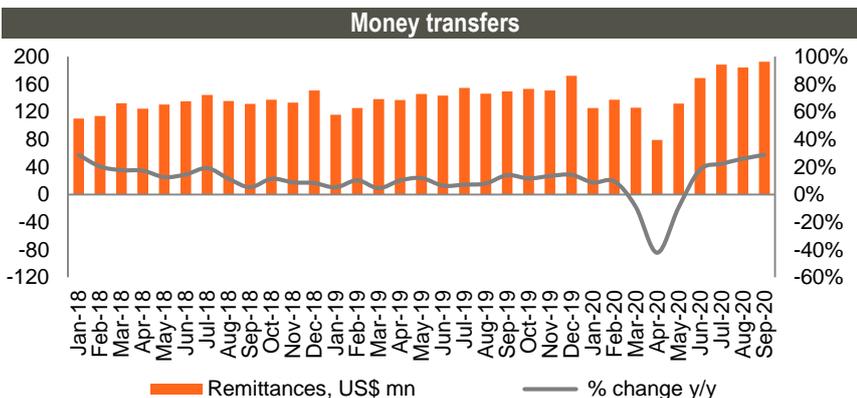
In September 2020, trade deficit narrowed by 19.8% y/y to US\$ 399.3mn according to Geostat's preliminary figures. Exports increased by 8.6% y/y to US\$ 332.0mn, posting the first expansion in 8 months. Imports reduction also slowed to 9.0% y/y to US\$ 731.3mn in September. In 9M20, trade deficit was down 18.5% y/y to US\$ 3.3bn as exports decreased by 12.1% y/y and imports were down 15.9% y/y. Detailed foreign trade statistics will be available on October 19, 2020.

### International arrivals down 93.6% y/y in September 2020

Total international arrivals (tourists and same-day arrivals) to Georgia was down 93.6% y/y to c.50.5k persons in September 2020 according to GNTA, as borders remained closed for international travel due to COVID-19 pandemic. Overall, in 9M20, total international arrivals stood at 1.4mn (-77.1% y/y), of which tourist arrivals reached 0.96mn (-75.9% y/y) persons. Meanwhile, based on NBG, tourism revenues stood at US\$ 499.1mn (-80.7% y/y) in 9M20.

### IMF projects growth to rebound to 5.0% in Georgia in 2021

According to the IMF's October 2020 World Economic Outlook (WEO), global growth is expected to decline by 4.4% in 2020, which is 0.5ppts upgrade from the June 2020 WEO forecasts. Global growth is projected at 5.2% in 2021, a little lower than in the June 2020 WEO update, reflecting the more moderate downturn projected for 2020 and consistent with expectations of persistent social distancing. Notably, IMF projects Georgian economy to contract by 5.0% in 2020 and rebound to 5.0% growth in 2021. Georgia's economic growth is expected to gradually accelerate to about 5.6% over 2022-2025.



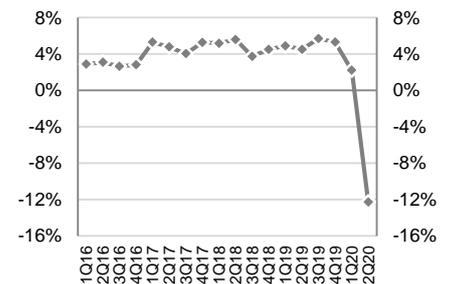
Source: NBG

### Key macro indicators

	2017	2018	2019
GDP (% change)	4.8%	4.8%	5.1%
GDP per capita (ppp)	11,485	12,417	13,559
GDP per capita (US\$)	4,359	4,722	4,763
Population (mn)	3.7	3.7	3.7
Inflation (eop)	6.7%	1.5%	7.0%
Gross reserves (US\$ bn)	3.0	3.3	3.5
CAD (% of GDP)	8.1%	6.8%	5.1%
Fiscal deficit (% of GDP)	2.7%	2.3%	2.0%
Total public debt (% of GDP)	39.4%	38.9%	39.8%

Source: Official data, Galt & Taggart

### Real GDP growth, %



Source: Geostat

### International ranking, 2019-20

Ease of Doing Business # 7 (Top 10)  
Economic Freedom Index # 12 (mostly free)  
Global Competitiveness Index # 74

Source: World Bank, Heritage Foundation and World Economic Forum

### Georgia sovereign credit ratings



Source: Rating agencies



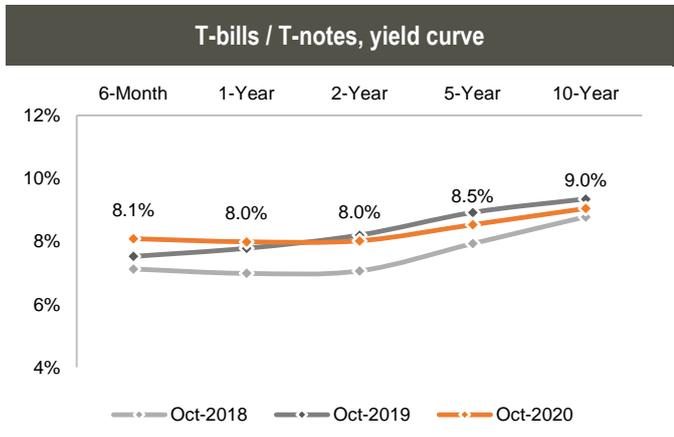
# Money market

**Ministry of Finance T-bills:** 1-year GEL 50.0mn (US\$ 15.5mn) T-bills were sold at the auction held at NBG on October 13, 2020. Total demand was 1.6x higher and the weighted average yield was fixed at 8.123%, up by 0.029ppts from previous auction held in September, 2020. The nearest treasury security auction is scheduled for October 20, 2020, where GEL 40.0mn nominal value 10-year Benchmark Bonds will be sold.

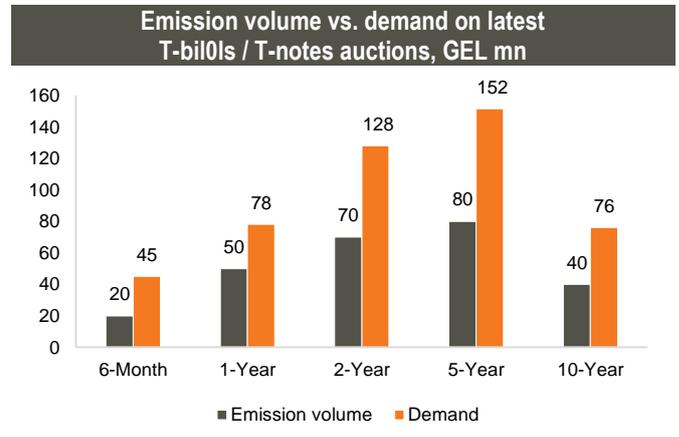
## T-bills / T-notes in 2020

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	310	40	180
1-year	560	100	690
2-year	700	140	1,320
5-year	720	240	2,008
10-year	110	40	1,197
<b>Total</b>	<b>2,400</b>	<b>560</b>	<b>5,395</b>

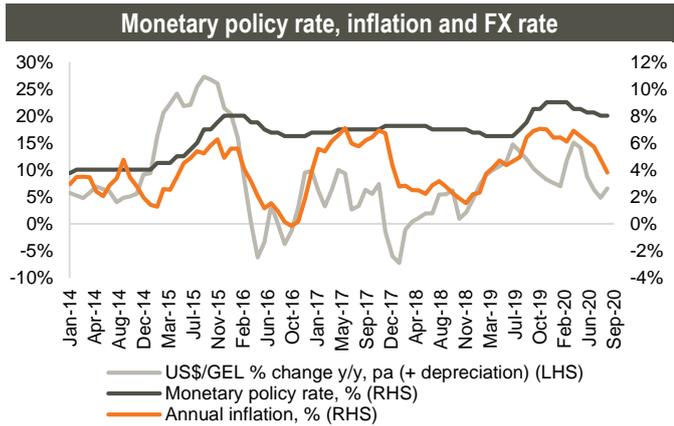
Source: MoF  
Note: \* As of 30 September 2020



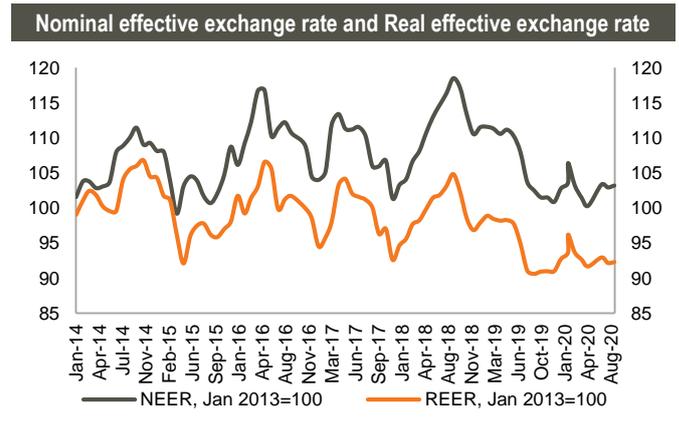
Source: NBG



Source: NBG



Source: NBG



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

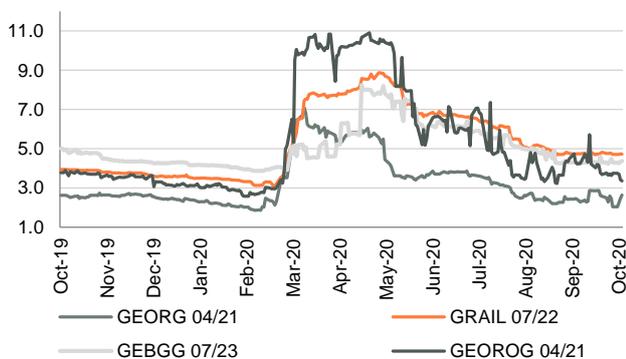
## Fixed income

**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 4.38% yield, trading at 104.18 (-0.22% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 97.45 (-0.28% w/w), yielding 6.98%.

GOGC Eurobonds (GEOROG) were trading at 101.67 (+0.10% w/w), yielding 3.46%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 104.97 (-0.04% w/w), yielding 4.71%.

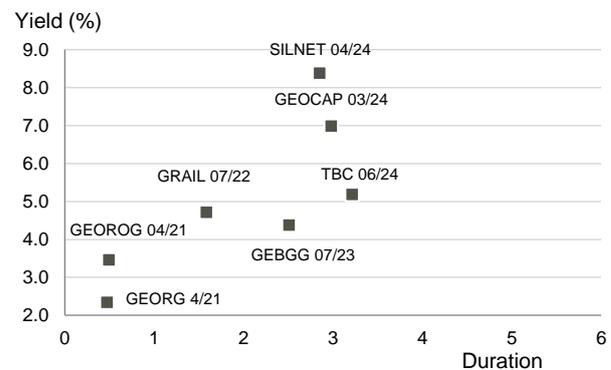
**Georgian Sovereign Eurobonds (GEORG)** closed at 102.14 (-0.23% w/w) at 2.34% yield to maturity.

Georgian Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

### Georgian bonds performance

#### Georgian Eurobonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/ Scope)	Mid price	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	Apr-21	BB/BB/Ba2	102.14	2.34	211.12
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	104.97	4.71	448.47
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/BB/-	101.67	3.46	322.79
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/Ba2	104.18	4.38	412.18
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	102.74	9.43	991.01
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B/B2	97.45	6.98	669.85
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-B1	107.70	8.38	809.80
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/Ba2	101.86	5.18	488.55
TBC PERP	US\$	125	10.775%	n/a	B-/-	99.78	9.92	1,053.43
GGU 07/25	US\$	250	7.750%	Jul-25	-B/-	101.00	7.49	713.42

#### Georgian local bonds performance

GWP 12/21	GEL	30	12.50%	Dec-21	BB-/-	n/a	n/a	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-	100.57	7.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-	100.91	7.00	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	-/-	n/a	n/a	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	-/-	100.37	7.00	n/a
GLC 08/22	US\$	10	7.50%	Aug-22	-/-	n/a	n/a	n/a
CRYSTAL 02/21	GEL	15	13.00%	Feb-21	B-/-	100.00	12.00	n/a
Nikora Trade 08/21	GEL	25	9.00%	Aug-21	-/-/B+	n/a	n/a	n/a
SILKNET 04/24	GEL	34	12.50%	Apr-24	B+/-B1/-	n/a	n/a	n/a
Geo. Beer Company	GEL	25	13.00%	Dec-23	-/-/BB-	n/a	n/a	n/a
Lisi Lake Development	US\$	12	8.00%	Dec-21	-/-/B+	n/a	n/a	n/a
Tegeta 04/22	GEL	30	10.75%	Apr-22	-/-/BB-	n/a	n/a	n/a
Swiss Capital 09/21	GEL	10	13.25%	Sep-21	B-/-	100.00	14.25	n/a
EVEX 11/24	GEL	50	12.10%	Nov-24	-/-/BB	n/a	n/a	n/a

Source: Bloomberg



## Fixed income, continued

### Eastern European sovereign 10-year bonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	Apr-21	BB/BB/Ba2	102.14	2.34	211.12
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	100.98	1.67	145.27
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	98.01	7.81	756.89
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	109.72	1.36	104.32
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	100.69	4.02	379.47
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	103.37	3.74	351.76

Source: Bloomberg

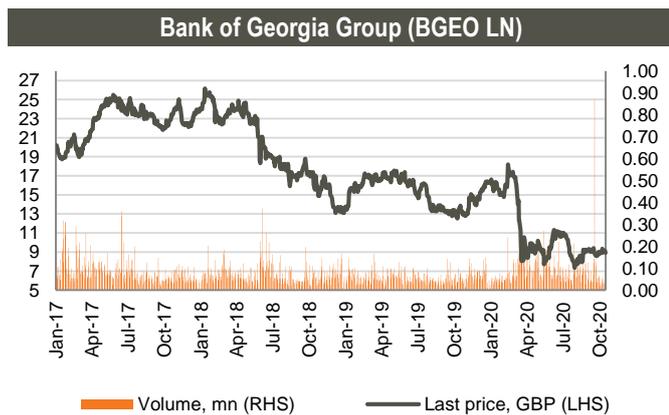


## Equities

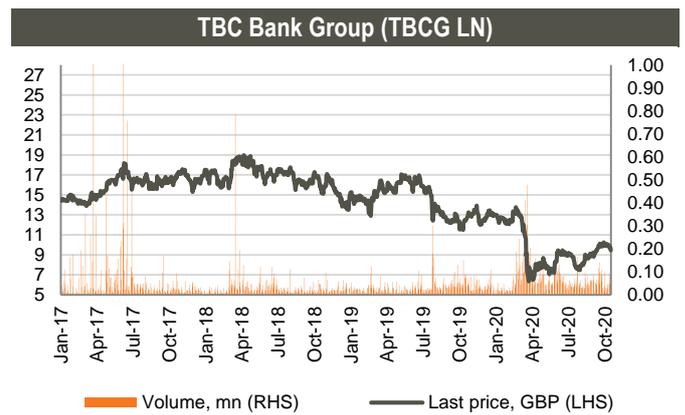
**Bank of Georgia Group (BGEO LN)** shares closed at GBP 8.91/share (-2.94% w/w and -5.21% m/m). More than 179k shares traded in the range of GBP 8.76 - 9.33/share. Average daily traded volume was 50k in the last 4 weeks. The volume of BGEO shares traded was at 0.37% of its capitalization.

**Georgia Capital (CGEO LN)** shares closed at GBP 4.03/share (-1.83% w/w and +10.12% m/m). More than 157k shares traded in the range of GBP 4.02 - 4.51/share. Average daily traded volume was 55k in the last 4 weeks. The volume of CGEO shares traded was at 0.43% of its capitalization.

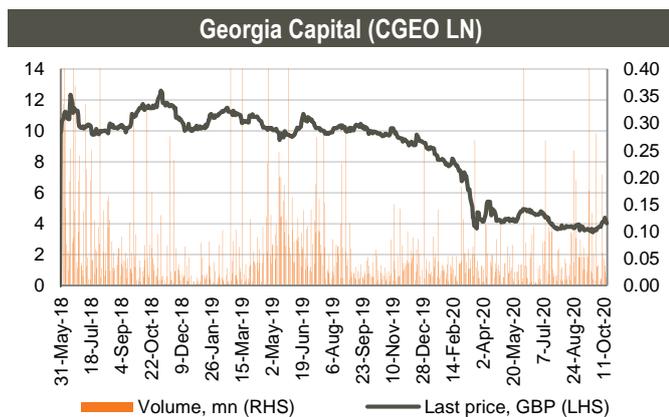
**TBC Bank Group (TBCG LN)** closed the week at GBP 9.46/share (-4.25% w/w and -4.92% m/m). More than 310k shares changed hands in the range of GBP 9.35 - 10.10/share. Average daily traded volume was 53k in the last 4 weeks. The volume of TBCG shares traded was at 0.56% of its capitalization.



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg



## Equities, continued

### Eastern European banks

	Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	P/E		P/B	
								2020F	2021F	2020F	2021F
Bank of Georgia	BGEO	GBP	8.91	438	-3.9%	-35.8%	-45.2%	7.42x	3.91x	0.74x	0.62x
TBC	TBC	GBP	9.46	520	24.5%	-23.7%	-27.2%	7.24x	4.46x	0.76x	0.65x
Halyk Bank	HSBK	US\$	9.94	2,921	9.0%	-22.6%	-25.5%	4.39x	3.79x	0.82x	0.75x
VTB Bank	VTBR	US\$	0.77	5,009	-15.4%	-41.2%	-47.2%	4.84x	3.13x	0.30x	0.28x
Akbank	AKBNK	TRY	5.20	27,040	-8.0%	-23.3%	-35.9%	6.88x	4.70x	0.66x	0.58x
Garanti	GARAN	TRY	7.18	30,156	-13.0%	-16.7%	-35.5%	6.53x	4.61x	0.73x	0.61x
Isbank	ISCTR	TRY	5.47	24,615	13.3%	-4.0%	-14.7%	5.90x	4.43x	0.55x	0.49x
PKO	PKO	PLN	21.01	26,263	-4.7%	-43.4%	-39.0%	10.46x	9.56x	0.60x	0.58x
PEKAO	PEO	PLN	48.27	12,669	-10.2%	-54.8%	-51.9%	12.09x	9.08x	0.52x	0.51x
Millennium	MIL	PLN	2.52	3,052	-21.7%	-58.8%	-57.0%	11.64x	7.67x	0.34x	0.35x
Mbank	MBK	PLN	148.40	6,283	-33.3%	-61.6%	-61.9%	11.03x	8.89x	0.37x	0.38x
BRD	BRD	RON	12.12	8,446	5.0%	-14.8%	-23.5%	11.38x	11.06x	0.95x	1.00x
Banca Transilvania	TLV	RON	2.08	10,849	21.2%	-3.9%	-11.8%	12.59x	10.89x	1.47x	1.42x
OTP	OTPD	USD	22.80	12,768	0.0%	7.5%	7.5%	14.35x	12.78x	0.75x	0.71x
Komercni	KOMB	CZK	484.00	91,984	-11.2%	-35.8%	-41.7%	12.45x	10.13x	0.83x	0.81x
<b>Mean</b>								<b>9.28x</b>	<b>7.27x</b>	<b>0.69x</b>	<b>0.65x</b>
<b>Median</b>								<b>10.46x</b>	<b>7.67x</b>	<b>0.73x</b>	<b>0.61x</b>

Source: Bloomberg, S&P Capital IQ

### Investment management companies

	Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	P/E		P/B	
								2020F	2021F	2020F	2021F
Georgia Capital	CGEO	GBP	4.03	148	-15.8%	-59.1%	-56.3%	n/a	n/a	n/a	n/a
Tinc Comm	TINC	EUR	13.20	360	3.1%	-1.3%	-1.1%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	8.56	17,466	12.3%	0.8%	-10.3%	5.53x	4.91x	0.68x	0.57x
Deutsche Beteiligungs	DBAN	EUR	31.55	475	16.4%	-12.2%	-20.0%	nmf	11.16x	1.04x	0.99x
Eurazeo	RF	EUR	43.98	3,464	11.1%	-36.3%	-27.9%	25.65x	7.00x	0.62x	0.58x
Carlyle Group	CG	USD	27.65	3,060	21.9%	3.9%	-13.8%	4.95x	4.19x	4.27x	5.00x
<b>Mean</b>								<b>12.04x</b>	<b>6.82x</b>	<b>1.65x</b>	<b>1.79x</b>
<b>Median</b>								<b>5.53x</b>	<b>5.96x</b>	<b>0.86x</b>	<b>0.78x</b>

Source: Bloomberg, S&P Capital IQ

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