



Weekly Market Watch

Weekly Market Watch | Georgia
June 11, 2018

Economy

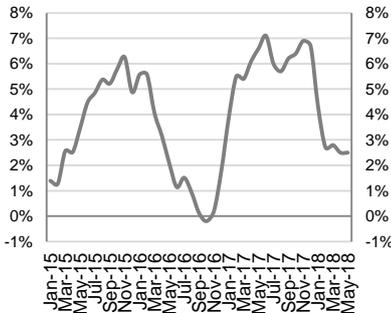
Tourist arrivals up 16.1% y/y in May 2018

Total international visitors to Georgia increased 9.0% y/y to 0.54mn visitors in May 2018, according to the Ministry of Internal Affairs. A 16.1% y/y growth in tourist arrivals (0.36mn trips, 66.4% of total) drove the international visitors' growth. Out of top countries by visitors, in May 2018, international visitors continued to increase from Russia (+24.5% y/y), Azerbaijan (+7.4% y/y), and Iran (+46.1% y/y), while visitors were down from Armenia (-8.9% y/y) and Turkey (-2.4% y/y).

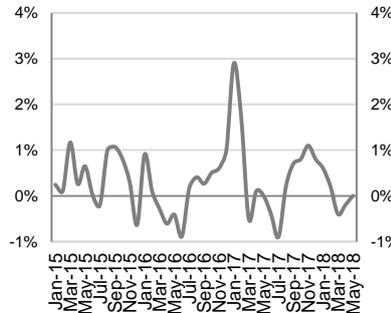
Inflation was 2.5% y/y and flat m/m in May 2018

The annual CPI inflation was 2.5% in May 2018, according to GeoStat. Core inflation was 1.8% in May, unchanged from the previous month. Annual price changes were driven by price increases in food and non-alcoholic beverages (+1.8% y/y, +0.56ppts), transport (+3.5% y/y, +0.49ppts) and alcoholic beverages and tobacco (+6.4% y/y, +0.43ppts) categories. On a monthly basis, there was zero inflation in May 2018. Price decrease in food and non-alcoholic beverages (-0.7% m/m, -0.22ppts) and increase in transport (+1.0% m/m, +0.13ppts) categories were the major drivers of monthly price change dynamics.

Annual CPI inflation (% change, y/y)



Monthly CPI inflation (% change, m/m)



Source: GeoStat

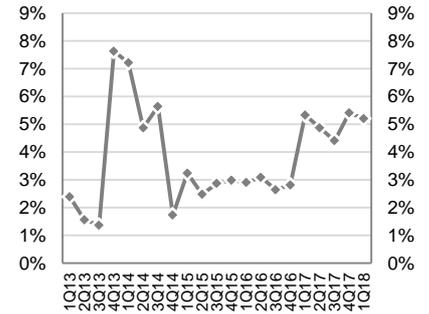
Key macro indicators

	5M18	2017	2016
GDP (% change)	5.5% ⁽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 4M18

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
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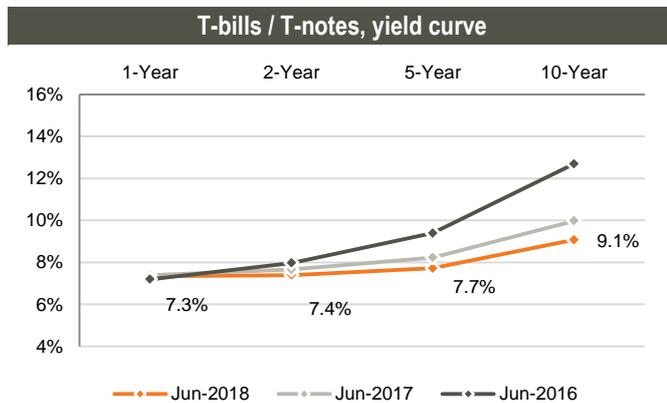
Source: Rating agencies

Money market

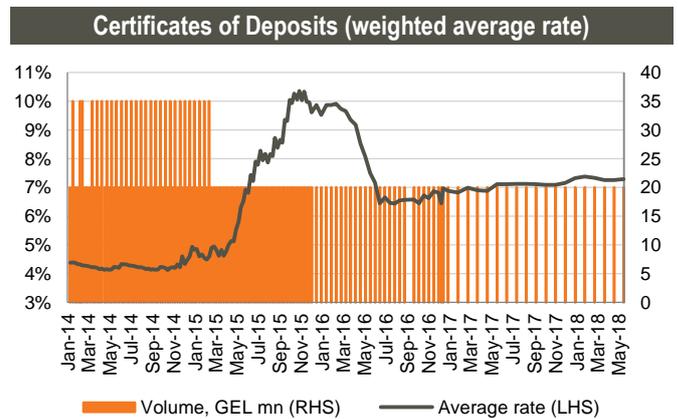
Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,000mn (US\$ 408.8mn).

Ministry of Finance Treasury Bills:

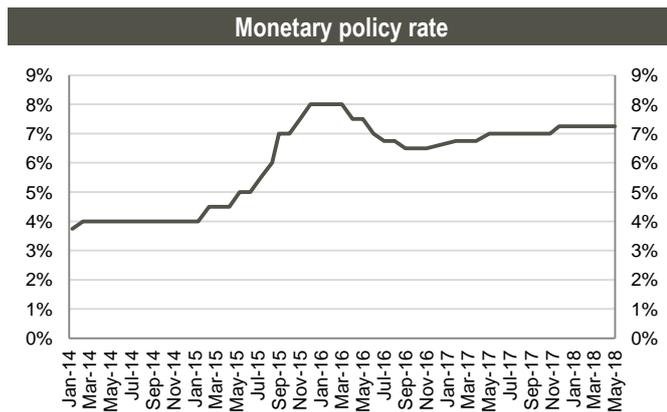
1-year GEL 40.0mn (US\$ 16.3mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on June 6, 2018. The weighted average yield was fixed at 7.346%. The nearest treasury security auction is scheduled for June 13, 2018, where GEL 40.0mn nominal value 2-year T-Notes and GEL 20.0mn nominal value 182-days T-Bills will be sold.



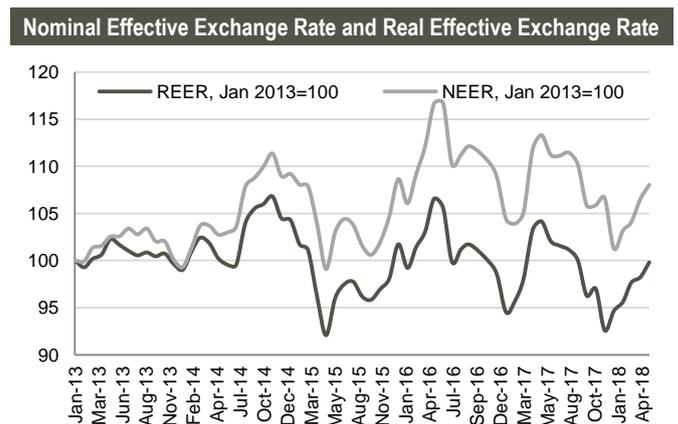
Source: NBG



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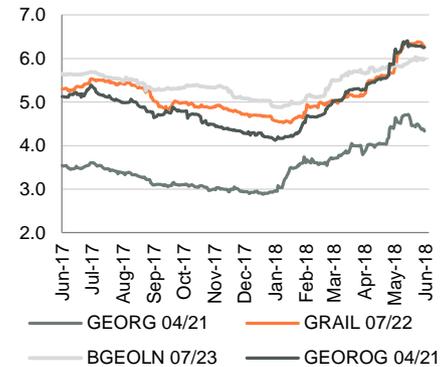
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (BGEOLN) closed at 6.0% yield, trading at 100.0 (+0.1% 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 94.8 (+0.1% w/w), yielding 7.3%.

GOGC Eurobonds (GEOROG) were trading at 101.2 (unchanged w/w), yielding 6.3%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 105.2 (+0.6% w/w), yielding 6.3%.

Georgian Sovereign Eurobonds (GEORG) closed at 106.6 (+0.2% w/w) at 4.4% yield to maturity.

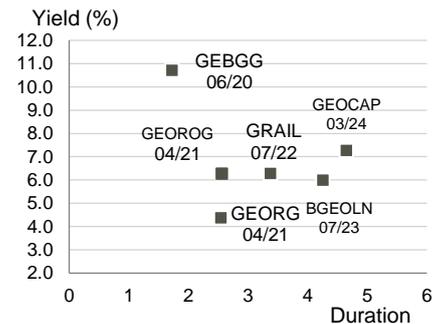
Georgia Eurobonds, YTM (%)


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	-/B+/B2	B-/-/Ba2	BB-/B+/-	BB-/-/B2	BB-/BB- /Ba2	B+/B+/-
Mid price, US\$	n/a	102.5	101.3	102.05	94.8	100.5	101.2	100.0	106.6	105.2
Mid yield, %	n/a	5.5%	3.8%	6.00%	7.3	10.7	6.3	6.0	4.4	6.3
Z-spread, bps	n/a	n/a	n/a	n/a	434.0	346.1	343.8	308.3	152.9	339.5

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

Georgian Eurobond universe


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	106.6	4.4	152.9
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba2	98.9	5.0	204.7
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	115.3	0.1	-29.7
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	110.7	1.1	91.7
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	107.1	3.7	86.5
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	109.0	4.1	120.5
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	102.2	3.8	102.5
Turkey	2,000	5.625%	30/03/2021	BB+/BB-/Ba2	100.0	5.6	280.4

Source: Bloomberg

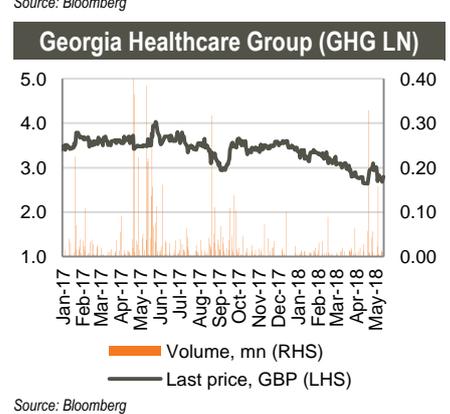
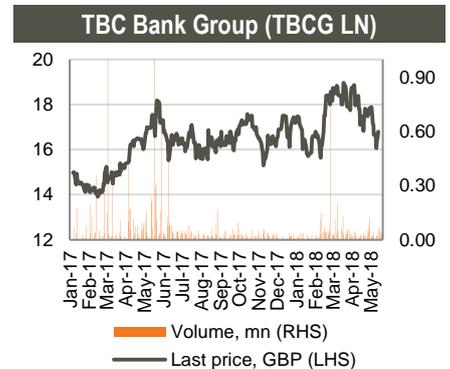
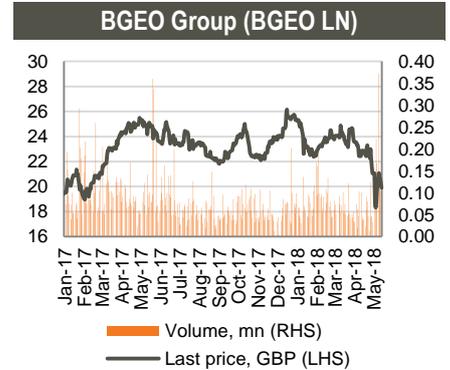
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 19.91/share (+0.96% w/w and -12.97% m/m). More than 808k shares traded in the range of GBP 19.75 – 21.11/share. Average daily traded volume was 102k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.84% w/w and gained 2.75% m/m. The volume of BGEO shares traded was at 2.05% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 11.12/share (+4.4% w/w). More than 4,211k shares traded in the range of GBP 10.71 – 11.21/share.

TBC Bank Group (TBCG LN) closed the week at GBP 17.04 (+1.43% w/w and +1.31% m/m). More than 211k shares changed hands in the range of GBP 16.72 – 17.52 share. Averaged daily traded volume was 40k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 2.80/share (-1.23% w/w and +5.46% m/m). More than 37k shares were traded in the range of GBP 2.68 – 2.80/share. Average daily traded volume was 41k in the last 4 weeks. The volume of GHG shares traded was at 0.03% of its capitalization.



Eastern European Banks								
Ticker	Share price, US\$	MCap US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
BGEO	BGEO	19.91*	1,312	-13.0%	-15.2%	-12.3%	-17.3%	-20.0%
TBC	TBC	17.04*	1,238	1.3%	-4.8%	4.6%	-2.6%	-4.3%
Halyk Bank	HSBK	11.80	3,244	-6.3%	-16.6%	22.9%	19.4%	53.2%
KKB	KKB	0.68	712	0.0%	0.0%	0.0%	0.0%	4.6%
VTB Bank	VTBR	1.44	9,306	-21.4%	-31.2%	-20.8%	-21.5%	-34.9%
Vozrozhdenie Bank	VZRZ	6.35	151	20.8%	-22.5%	-36.1%	-27.0%	-51.2%
Sberbank	SBER	13.93	75,177	-4.3%	-29.1%	-13.6%	-17.7%	27.6%

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	2.8*	494	5.5%	-12.5%	-20.0%	-21.1%	-23.2%
Mouwasat	MOUWASAT	25.33	2,533	5.4%	9.1%	19.5%	25.5%	27.9%
Fortis	FORH	2.17	1,123	-5.0%	-4.8%	-4.9%	-13.8%	-27.9%
Raffles	RFMD	0.79	1,406	-5.9%	-9.8%	0.3%	-5.3%	-20.5%
IHH	IHH	1.52	12,506	0.1%	-1.5%	10.2%	5.2%	6.4%
Bangkok Chain	BCH	0.50	1,237	-5.7%	-5.7%	1.8%	-0.3%	22.4%
Netcare	NTC	2.28	3,357	-5.1%	6.0%	38.3%	12.4%	18.9%

Source: Bloomberg
 *GHG share price traded and shown in GBP

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