



Weekly Market Watch

Weekly Market Watch | Georgia
January 11, 2021

Economy

Inflation was 2.4% y/y and -1.0% m/m in December 2020

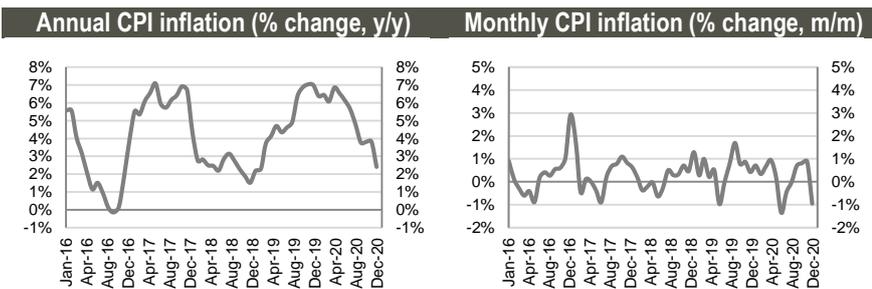
Annual CPI inflation retreated to 2.4% in December 2020, from 3.8% y/y in November 2020, according to Geostat. The decline in inflation mostly reflected the government's subsidies for utility bills, subtracting 1.94ppts from overall inflation rate. Core inflation (non-food, non-energy) was 5.3% in December, while core inflation excluding tobacco was 4.9%. By categories, annual inflation was mainly driven by price changes in food and non-alcoholic beverages (+6.8% y/y, +2.19ppts), health (+9.6% y/y, +0.76ppts), alcoholic beverages and tobacco (+8.6% y/y, +0.56ppts), housing, water, electricity, gas and other fuels (-21.7% y/y, -1.94ppts) and transport (-2.3% y/y, -0.28ppts) categories. On a monthly basis, there was 1.0% deflation in December 2020, reflecting price decrease in utility categories due to the government's subsidies.

International reserves at US\$ 3.9bn in December 2020

Gross international reserves increased by 11.5% y/y to US\$ 3.9bn in December 2020 according to NBG. On a monthly basis, the reserves were up by 4.3% (+US\$ 159.6mn). Changes in reserves were attributed to the disbursement of donor funds to the budget and FX sales totaling US\$ 49.8mn by NBG in December 2020.

NBG sold US\$ 40mn

On 6 January 2020, the NBG intervened on the FX market and sold US\$ 40mn to limit GEL volatility.



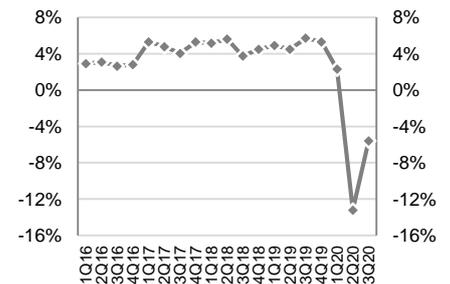
Source: Geostat

Key macro indicators

	2017	2018	2019
GDP (% change)	4.8%	4.8%	5.0%
GDP per capita (ppp)	13,596	14,584	15,634
GDP per capita (US\$)	4,359	4,722	4,696
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%	5.5%
Fiscal deficit (% of GDP)	2.7%	2.3%	2.1%
Total public debt (% of GDP)	39.4%	38.9%	40.4%

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

 BB Stable Affirmed Aug-2020	 Ba2 Stable Affirmed Aug-2020	 BB Negative Affirmed Aug-2020
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Source: Rating agencies



Money market

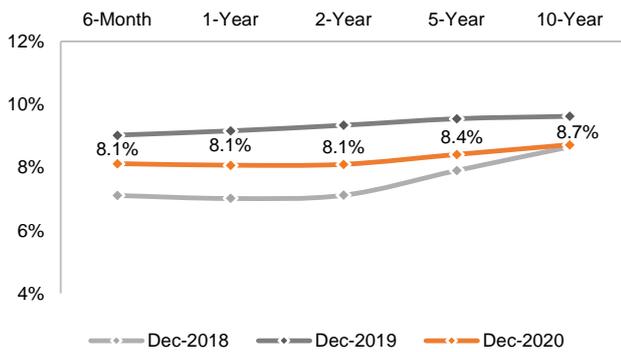
There were no treasury securities auction last week. The nearest treasury security auction is scheduled for January 18, 2021, where GEL 25.0mn nominal value 10-year Benchmark Bonds will be sold.

T-bills / T-notes in 2021

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	0	165	150
1-year	0	165	670
2-year	0	220	1,460
5-year	0	420	2,174
10-year	0	100	1,237
Total	0	1,070	5,691

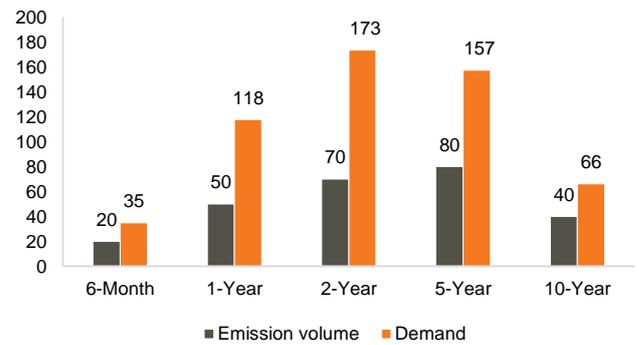
Source: MoF
Note: * As of 30 November 2020

T-bills / T-notes, yield curve



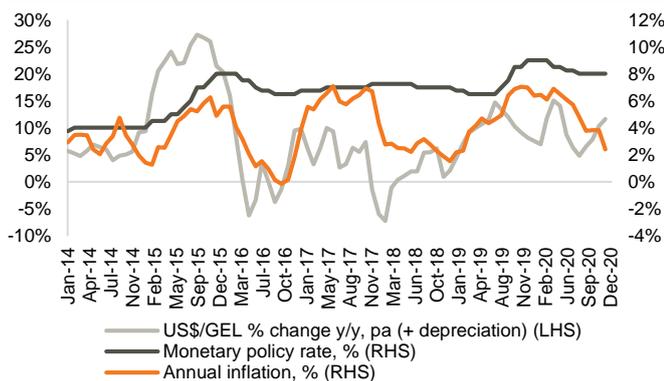
Source: NBG

Emission volume vs. demand on latest T-bill01s / T-notes auctions, GEL mn



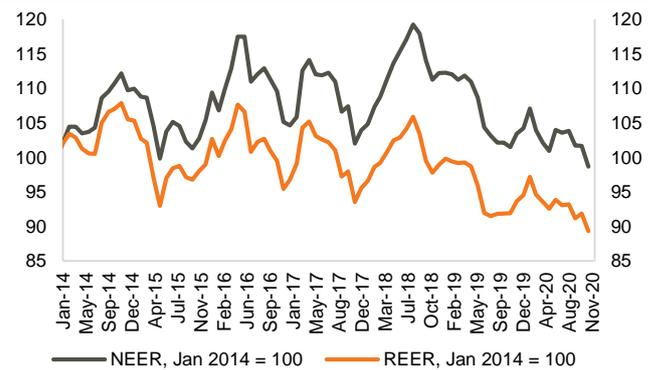
Source: NBG

Monetary policy rate, inflation and FX rate



Source: NBG

Nominal effective exchange rate and Real effective exchange rate



Source: NBG

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

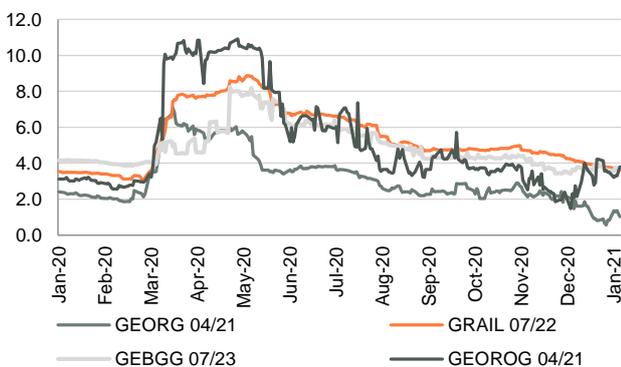
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 3.73% yield, trading at 105.45 (-0.33% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 100.90 (+0.29% w/w), yielding 5.81%.

GOGC Eurobonds (GEOROG) were trading at 100.83 (-0.15% w/w), yielding 3.80%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 105.96 (+0.15% w/w), yielding 3.62%.

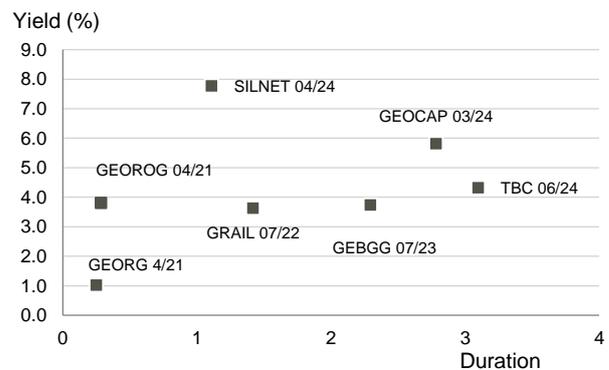
Georgian Sovereign Eurobonds (GEORG) closed at 101.46 (-0.16% w/w) at 1.02% yield to maturity.

Georgian Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg
 Note: For Silknet duration calculation call date is taken as maturity.

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	101.46	1.02	79.32
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	105.96	3.62	342.54
GEOROG 04/21	US\$	250	6.750%	Apr-21	-BB/-	100.83	3.80	359.78
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/Ba2	105.45	3.73	347.47
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	107.02	9.13	839.38
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B/B2	100.90	5.81	549.97
SILKNET 04/24	US\$	200	11.000%	Apr-24	B-/B1	109.03	7.77	728.95
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/Ba2	104.52	4.32	397.78
TBC PERP	US\$	125	10.775%	n/a	B-/-/-	103.51	9.60	925.84
GGU 07/25	US\$	250	7.750%	Jul-25	B+/-/-	102.54	7.09	658.04

Georgian local bonds performance

KTW 12/22	US\$	10	9.00%	Dec-22	-/-/-	n/a	n/a	n/a
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	-/-/-	100.47	7.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	100.39	7.25	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	-/-/-	99.99	7.50	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	-/-/BB+	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	-/-/BB+	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	101.46	1.02	79.32
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	101.03	1.18	98.96
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	104.54	4.61	437.99
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	111.24	0.83	44.89
Russia	US\$	3,000	4.875%	Sep-23	BBB/BBB-/Baa3	110.07	1.05	78.48
Turkey	US\$	2,000	5.625%	Mar-21	BB-/-/B2	100.78	1.99	176.85
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/B3	103.75	1.80	160.42

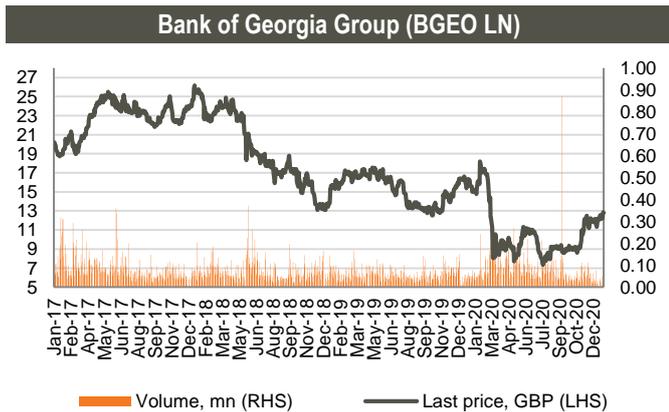
Source: Bloomberg

Equities

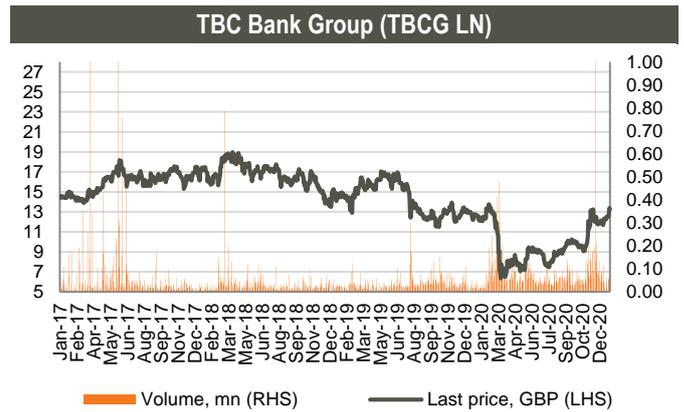
Bank of Georgia Group (BGEO LN) shares closed at GBP 12.82/share (+5.08% w/w and +6.13% m/m). More than 152k shares traded in the range of GBP 12.00 - 12.88/share. Average daily traded volume was 30k in the last 4 weeks. The volume of BGEO shares traded was at 0.31% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 5.56/share (+2.96% w/w and +4.51% m/m). More than 167k shares traded in the range of GBP 5.25 - 5.68/share. Average daily traded volume was 33k in the last 4 weeks. The volume of CGEO shares traded was at 0.46% of its capitalization.

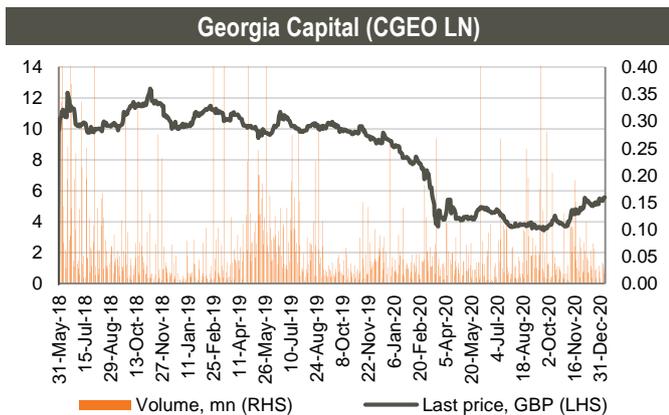
TBC Bank Group (TBCG LN) closed the week at GBP 13.24/share (+5.92% w/w and +11.26% m/m). More than 243k shares changed hands in the range of GBP 12.34 - 13.42/share. Average daily traded volume was 54k in the last 4 weeks. The volume of TBCG shares traded was at 0.44% of its capitalization.



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	12.82	630	18.7%	-16.7%	5.1%	8.86x	5.25x	1.01x	0.86x
TBC	TBC	GBP	13.24	728	47.4%	8.5%	5.9%	6.69x	6.13x	1.04x	0.91x
Halyk Bank	HSBK	US\$	12.35	3,629	-2.0%	-10.8%	6.0%	5.14x	4.71x	1.00x	0.94x
VTB Bank	VTBR	US\$	1.00	6,506	6.8%	-32.8%	5.2%	7.34x	3.28x	0.36x	0.34x
Akbank	AKBNK	TRY	7.51	39,052	27.1%	-5.7%	8.4%	9.20x	6.82x	0.90x	0.78x
Garanti	GARAN	TRY	10.76	45,192	31.9%	-3.1%	3.8%	9.06x	6.37x	0.97x	0.82x
Isbank	ISCTR	TRY	7.38	33,210	37.4%	19.0%	5.4%	6.86x	5.09x	0.69x	0.61x
PKO	PKO	PLN	32.65	40,813	40.0%	-4.2%	13.7%	14.46x	13.55x	0.89x	0.85x
PEKAO	PEO	PLN	68.56	17,995	25.8%	-30.8%	12.2%	14.33x	12.78x	0.70x	0.67x
Millennium	MIL	PLN	3.90	4,731	29.1%	-33.5%	19.3%	13.22x	12.08x	0.51x	0.51x
Mbank	MBK	PLN	212.00	8,975	-7.5%	-46.0%	18.3%	25.34x	18.37x	0.52x	0.51x
BRD	BRD	RON	15.24	10,621	31.2%	-1.7%	2.6%	12.84x	12.56x	1.14x	1.20x
Banca Transilvania	TLV	RON	2.28	11,866	20.0%	-2.2%	1.1%	12.09x	10.65x	1.53x	1.48x
OTP	OTPD	USD	22.80	12,768	0.0%	7.5%	0.0%	12.78x	11.37x	0.71x	0.66x
Komercni	KOMB	CZK	713.00	135,505	26.4%	-13.8%	8.5%	16.12x	14.07x	1.13x	1.09x
Mean								11.62x	9.54x	0.87x	0.81x
Median								12.09x	10.65x	0.90x	0.82x

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	5.56	204	22.6%	-37.5%	3.0%	n/a	n/a	n/a	n/a
Tinc Comm	TINC	EUR	12.80	349	-4.1%	-4.1%	-1.2%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	11.69	23,852	26.4%	21.9%	2.0%	7.14x	6.21x	0.92x	0.77x
Deutsche Beteiligungs	DBAN	EUR	36.55	550	24.1%	-5.3%	10.4%	n/a	11.98x	1.20x	1.16x
Eurazeo	RF	EUR	57.20	4,505	25.6%	-4.5%	3.1%	31.95x	8.70x	0.77x	0.72x
Carlyle Group	CG	USD	31.93	3,533	12.0%	1.4%	1.5%	5.52x	4.71x	5.50x	5.84x
Mean								14.87x	7.90x	2.10x	2.12x
Median								7.14x	7.45x	1.06x	0.97x

Source: Bloomberg, S&P Capital IQ

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Galt & Taggart

Address: 79 D. Agmashenebeli Avenue, Tbilisi 0102, Georgia

Tel: + (995) 32 2401 111

Email: gt@gt.ge