

# Weekly Market Watch

 Weekly Market Watch | Georgia  
 Sep 10, 2018

## Economy

### Inflation was 3.1% y/y and 0.5% m/m in August 2018

Annual CPI inflation was 3.1% in August 2018 up from 2.8% in July 2018, according to GeoStat. Core inflation was 1.5% slightly up from 1.4% recorded in previous month. Annual price changes were driven by price increases in transport (+7.8% y/y, +1.04ppts), food and non-alcoholic beverages (+3.2% y/y, +0.96ppts) and healthcare (+5.2% y/y, +0.44ppts) categories. On a monthly basis, there was 0.5% inflation in August 2018. Price increase in food and non-alcoholic beverages (+1.5% m/m, +0.44ppts) was the major driver of monthly inflation dynamics.

### Tourist arrivals up 13.9% y/y in August 2018

Total international visits to Georgia increased 10.7% y/y to 1.04mn in August 2018, according to the Ministry of Internal Affairs. A 13.9% y/y growth in tourist arrivals (0.74mn trips, 70.8% of total) drove the growth. Out of top countries, in August 2018, international visitors continued to increase from Russia (+15.8% y/y), Azerbaijan (+13.3% y/y) and Turkey (+24.4% y/y), while visitors were down from Armenia (-5.7% y/y) and Iran (-24.4% y/y). Total international visitors stood at 4.9mn (+14.1% y/y) in 8M18.

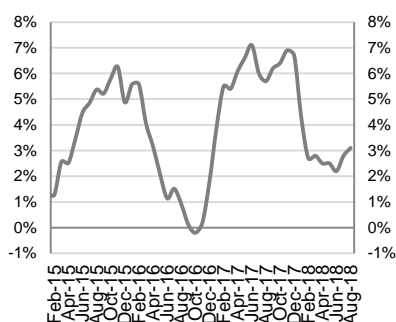
### International reserves flat in August 2018

Gross international reserves stood at US\$ 2.9bn in August 2018, almost unchanged y/y despite the NBG's US\$ 17.5mn purchase on FX auction. The change in reserves is attributed to government FX operations and/or asset revaluation.

### NBG keeps monetary policy rate unchanged at 7.0%

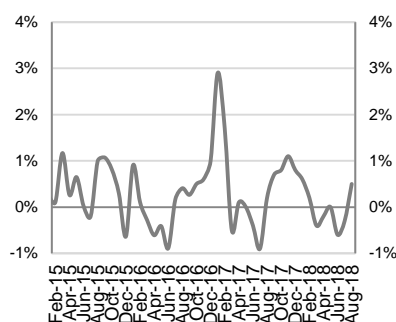
At its meeting on 5 September 2018, NBG's monetary policy committee decided to keep its key rate unchanged at 7.0%. Annual inflation was 3.1% in August, slightly above the 3.0% target. The decision takes into account the increased macroeconomic risks due to high volatility on regional financial markets, however the committee does not expect a significant deviation of inflation from its target throughout 2018 if risks realize. The next committee meeting is scheduled for 24 October 2018.

Annual CPI inflation (% change, y/y)



Source: GeoStat

Monthly CPI inflation (% change, m/m)



### Key macro indicators

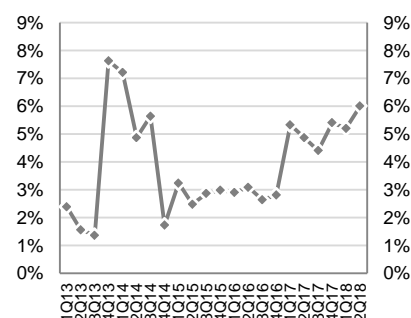
	8M18	2017	2016
GDP (% change)	5.5% <sup>(1)</sup>	5.0%	2.8%
GDP per capita (ppp)	...	10,747	10,053
GDP per capita (US\$)	...	4,068	3,857
Population (mn)	3.7	3.7	3.7
Inflation (eop)	3.1%	6.7%	1.8%
Gross reserves (US\$ bn)	2.9	3.0	2.8
CAD (% of GDP)	11.6% <sup>(2)</sup>	8.9	13.2%
Fiscal deficit (% of GDP)	...	3.9%	4.1%
Total public debt (% of GDP)	...	44.6%	44.4%

Source: Official data, IMF

1) As of 7M18

2) 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

<b>STANDARD &amp; POOR'S</b>  <b>BB-</b> Stable Affirmed May-2017	<b>Moody's</b> INVESTORS SERVICE  <b>Ba2</b> Stable Upgraded Sep-2017	<b>FitchRatings</b>  <b>BB-</b> Positive Affirmed Aug-2018
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Source: Rating agencies

# Money market

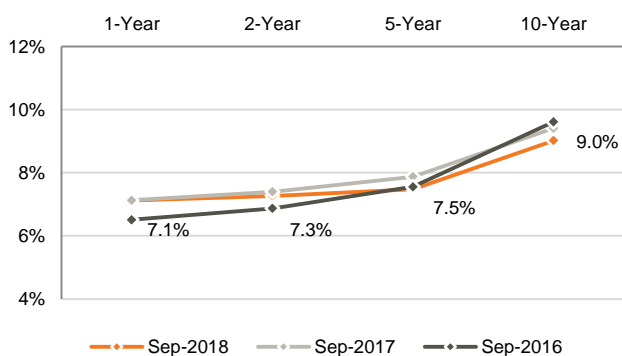
**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,140mn (US\$ 435.7mn).

**Certificates of deposit:** NBG sold 91-day, GEL 20mn (US\$ 7.6mn) certificates of deposit, with an average yield of 7.14% (up 0.01ppts from previous issue).

## Ministry of Finance Treasury Bills:

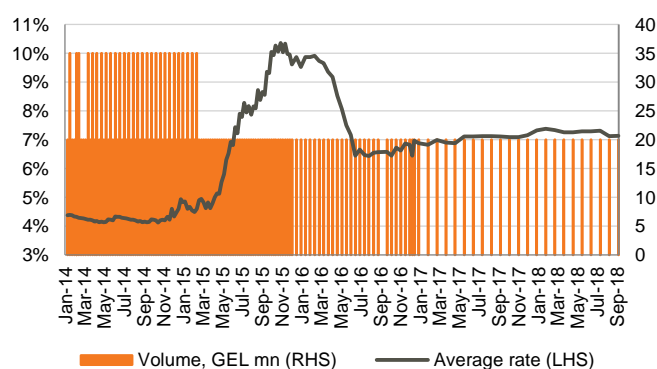
1-year GEL 40.0mn (US\$ 15.5mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on September 5, 2018. The weighted average yield was fixed at 7.115%. The nearest treasury security auction is scheduled for September 12, 2018, where GEL 40.0mn nominal value 2-year Benchmark bonds and GEL 20.0mn nominal value 182-days T-Bills will be sold.

**T-bills / T-notes, yield curve**



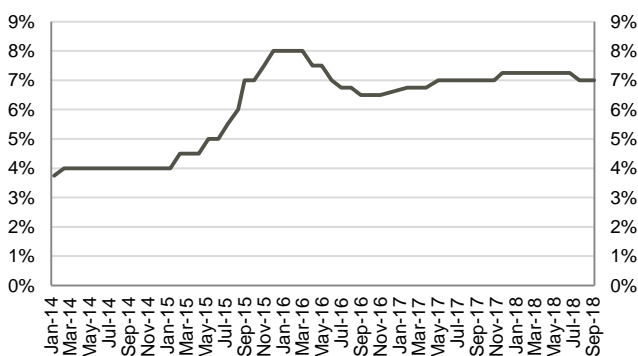
Source: NBG

**Certificates of Deposits (weighted average rate)**



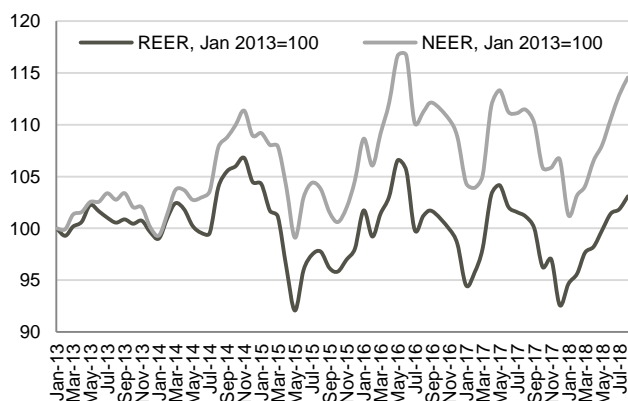
Source: NBG

**Monetary policy 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

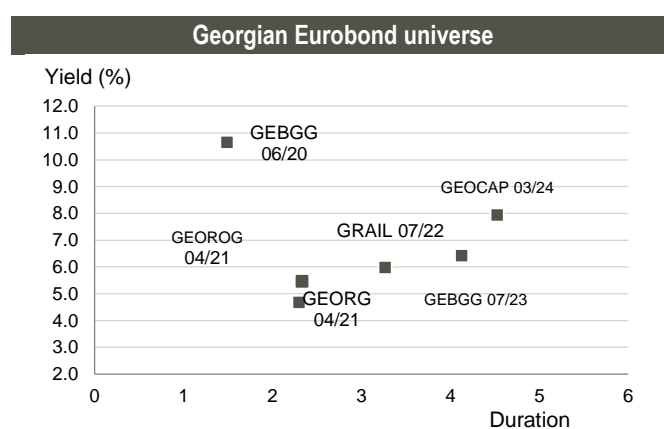
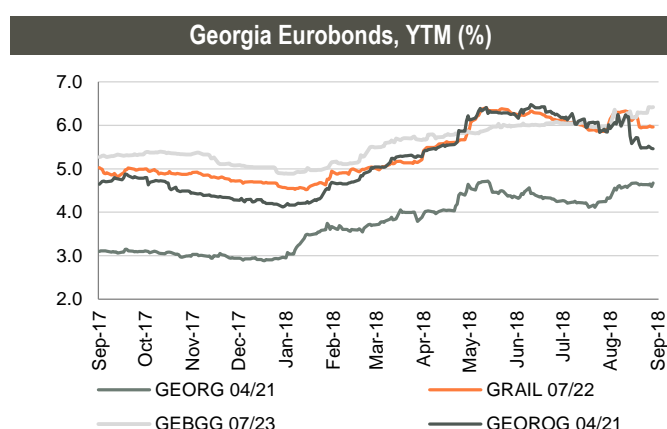


## Fixed income

**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 6.4% yield, trading at 98.3 (-0.7% 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 92.1 (-1.0% w/w), yielding 7.9%.

GOGC Eurobonds (GEOROG) were trading at 103.1 (+1.3% w/w), yielding 5.5%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 106.0 (+0.9% w/w), yielding 6.0%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 105.3 (-0.3% w/w) at 4.7% yield to maturity.



### Georgia bonds performance

#### Georgia Eurobonds 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	105.31	4.67	176.07
GRAIL 07/22	500	7.750%	18/07/2022	B+/B+/-	106.01	5.97	303.13
GEOROG 04/21	250	6.750%	18/04/2021	BB-/B+/-	103.10	5.46	255.28
GEBGG 06/20	500*	11.000%	18/06/2020	BB-/Ba2	100.50	10.65	n/a
GEBGG 07/23	350	6.000%	18/07/2023	BB-/B2	98.26	6.42	347.52
GEOCAP 03/24	300	6.125%	18/03/2024	-/B+/B2	92.09	7.93	498.01

#### Georgia local bonds performance

GWP 12/21	30*	10.50%**	06/12/2021	BB****/-/-	n/a	n/a	n/a
M2RE 10/19	25	7.500%	07/10/2019	B+/-/-	102.37	5.25	n/a
GLC 08/20	10	7.000%	29/08/2020	-/-/-	101.86	6.00	n/a
GLC 06/21	5	6.500%	22/06/2021	-/-/-	n/a	n/a	n/a
Nikora 06/19	10	9.000%	28/06/2019	-/-/-	n/a	n/a	n/a
Silknet 08/22	34*	10.50%**	18/08/2022	B+****/-/-	n/a	n/a	n/a
Crystal 12/19	10*	11.50%***	28/12/2019	B/-/-	101.01	11.25	n/a

Source: Bloomberg

\*GEBGG 06/20 bonds, GWP 12/21 bonds, Silknet 08/22 and Crystal 12/19 bonds are in Georgian lari

\*\*Coupon rate 3.5% over the NBG's refinancing rate

\*\*\*Coupon rate 4.5% over the NBG's refinancing rate

\*\*\*\*Company ratings

#### 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	105.3	4.7	176.1
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba2	100.3	4.7	174.2
Bulgaria	323	5.000%	19/07/2021	BBB-/B2	114.1	0.1	n/a
Croatia	1,250	3.875%	30/05/2022	BB+/BB+/Ba2	112.0	0.6	50.4
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	107.2	3.4	48.3
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	109.4	3.8	84.6
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	101.7	3.9	107.9
Turkey	2,000	5.625%	30/03/2021	BB+/-/Ba2	93.3	8.6	569.9

Source: Bloomberg

## Equities

**Bank of Georgia Group (BGEO LN)** shares closed at GBP 17.03/share (+3.01% w/w and -5.40% m/m). More than 200k shares traded in the range of GBP 16.72 – 17.45/share. Average daily traded volume was 52k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 2.61% w/w and lost 2.55% m/m. The volume of BGEO shares traded was at 0.41% of its capitalization.

**Georgia Capital (CGEO LN)** shares closed at GBP 10.28/share (+0.12% w/w and +2.70% m/m). More than 231k shares traded in the range of GBP 10.10 – 10.51/share. Average daily traded volume was 67k in the last 4 weeks. The volume of CGEO shares traded was at 0.60% of its capitalization.

**TBC Bank Group (TBCG LN)** closed the week at GBP 15.84 (-1.00% w/w and -7.91% m/m). More than 119k shares changed hands in the range of GBP 15.72 – 16.44/share. Average daily traded volume was 23k in the last 4 weeks. The volume of TBCG shares traded was at 0.22% of its capitalization.

**Georgia Healthcare Group (GHG LN)** shares closed at GBP 2.31/share (+0.43% w/w and -13.48% m/m). More than 100k shares were traded in the range of GBP 2.14 – 2.35/share. Average daily traded volume was 36k in the last 4 weeks. The volume of GHG shares traded was at 0.08% of its capitalization.

### Eastern European Banks

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
Bank of Georgia	BGEO	17.028*	1,084	-5.4%	-16.0%	-26.6%	-29.2%	-24.3%
TBC	TBC	15.84*	1,113	-7.9%	-7.4%	-9.5%	-9.5%	-1.7%
Halyk Bank	HSBK	10.35	3,041	-12.3%	-13.4%	-27.6%	4.8%	5.2%
KKB	KKB	0.68	712	0.0%	0.0%	0.0%	0.0%	0.0%
VTB Bank	VTBR	1.23	7,938	-18.8%	-18.3%	-42.9%	-33.1%	-42.3%
Vozrozhdenie	VZRZ	6.14	146	4.5%	-6.6%	-25.1%	-29.4%	-38.0%
Sberbank	SBER	10.25	55,317	-21.8%	-28.5%	-48.3%	-39.5%	-25.2%

Source: Bloomberg

\*BGEO and TBC share prices traded and shown in GBP

### Investment Management Company Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
Georgia Capital	CGEO	10.28*	510	2.7%	-8.5%	N/A	N/A	N/A
Creades	CREDA	28.56	234	-6.9%	-7.9%	-29.1%	-21.6%	-15.3%
CIE du Bois	COMB	471.31	794	2.1%	-0.2%	-4.3%	9.6%	18.1%
Tinc Comm	TINC	13.78	376	-1.4%	-3.9%	-11.8%	-8.8%	-5.9%
Edify	EDIFY	66.59	324	-5.1%	-8.3%	-13.4%	-2.8%	5.6%

Source: Bloomberg

\*CGEO share price traded and shown in GBP

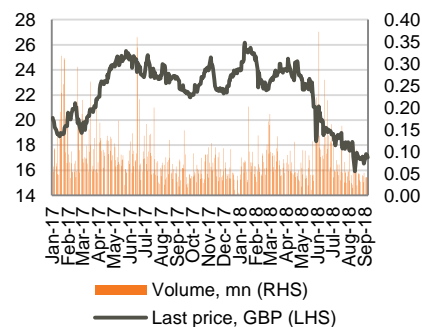
### Healthcare Sector Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG	GHG	2.31*	394	-13.5%	-16.0%	-28.9%	-34.9%	-33.6%
Mouwasat	MOUWASAT	21.55	2,155	-12.3%	-14.9%	-7.1%	6.8%	0.4%
Fortis	FORH	2.04	1,056	-4.7%	-5.7%	-10.3%	-18.9%	-15.1%
Raffles	RFMD	0.81	1,461	-0.1%	0.4%	-6.2%	-3.0%	3.4%
IHH	IHH	1.33	10,945	-9.2%	-12.8%	-14.5%	-8.0%	-6.5%
Bangkok Chain	BCH	0.59	1,475	21.3%	19.0%	13.0%	18.9%	31.3%
Netcare	NTC	1.88	2,772	-10.2%	-17.2%	-13.0%	-7.2%	-0.5%

Source: Bloomberg

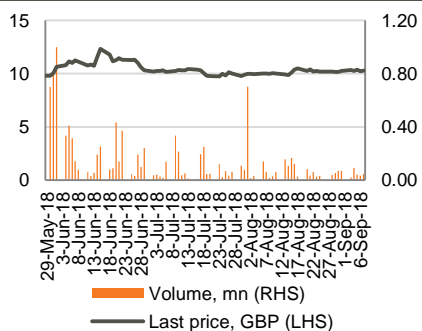
\*GHG share price traded and shown in GBP

### Bank of Georgia Group (BGEO LN)



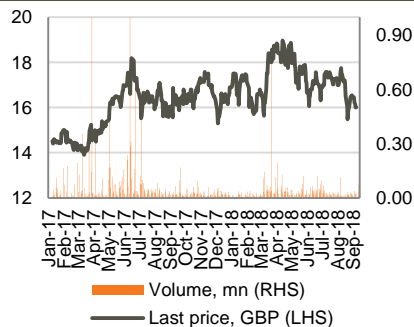
Source: Bloomberg

### Georgia Capital (CGEO LN)



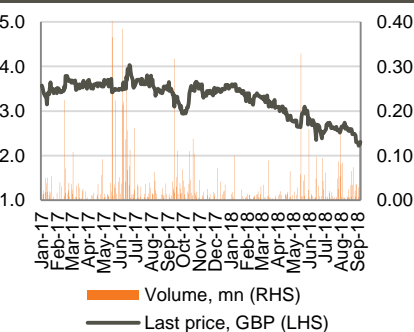
Source: Bloomberg

### TBC Bank Group (TBCG LN)



Source: Bloomberg

### Georgia Healthcare Group (GHG LN)



Source: Bloomberg



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