



Weekly Market Watch

Weekly Market Watch | Georgia
Dec 10, 2018

Economy

Inflation was 1.9% y/y and 0.7% m/m in November 2018

Annual CPI inflation was 1.9% in November 2018 down from 2.3% in previous month, according to Geostat. Core inflation was 1.3% in November 2018 down from 1.7% recorded in previous month. Annual price changes were driven by price increases in transport (+3.8% y/y, +0.49ppts), healthcare (+5.5% y/y, +0.46ppts), alcoholic beverages and tobacco (+4.6% y/y, +0.31ppts) categories. On a monthly basis, there was 0.7% inflation in November 2018 mostly affected by price increase in food and non-alcoholic beverages (+1.4% m/m, +0.41ppts).

Tourist arrivals up 14.0% y/y in November 2018

Total international visits to Georgia increased 5.8% y/y to 0.49mn in November 2018, according to the Ministry of Internal Affairs. A 14.0% y/y increase in tourist arrivals (0.31mn trips, 63.3% of total) drove the growth, while same-day arrivals decreased 5.9% y/y. Out of top countries, in November 2018, international visitors continued to increase from Russia (+25.2% y/y), Azerbaijan (+5.4% y/y) and Iran (+18.2% y/y), while visitors were down from Armenia (-1.3% y/y) and Turkey (-17.4% y/y). Total international visitors stood at 6.7mn (+11.9% y/y) in 11M18, while tourist arrivals stood at 4.5mn (+17.2% y/y).

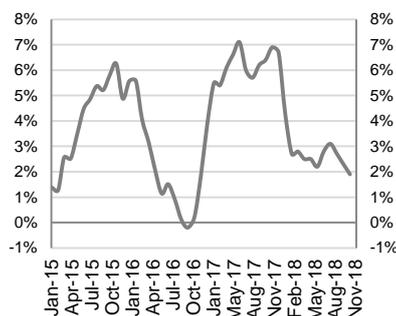
International reserves stood at US\$ 3.1bn in November 2018

Gross international reserves were up 3.0% y/y to US\$ 3.1bn and were flat m/m in November 2018 according to NBG. Change in reserves was attributed to FX auctions (total purchase of US\$ 20.0mn in November), government FX operations and/or asset revaluation.

NBG purchased US\$ 5.0mn

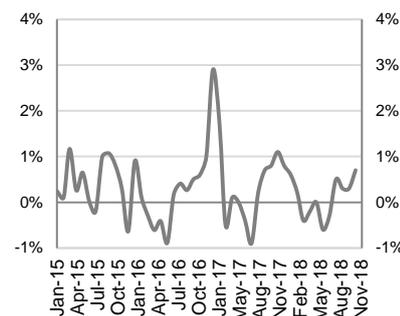
On 6 December 2018, the NBG intervened on the FX market and purchased US\$ 5.0mn to curb GEL's appreciation. Overall, during Apr-Dec 2018, the NBG purchased US\$ 137.5mn on its 13 FX auctions.

Annual CPI inflation (% change, y/y)



Source: GeoStat

Monthly CPI inflation (% change, m/m)



Key macro indicators

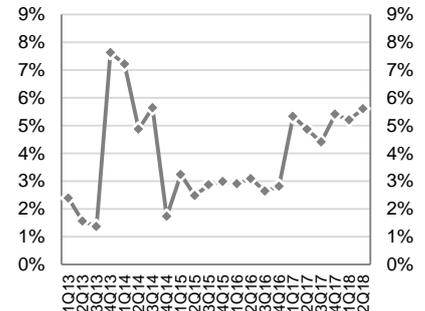
	11M18	2017	2016
GDP (% change)	5.1% ⁽¹⁾	4.8%	2.8%
GDP per capita (ppp)	...	10,742	10,065
GDP per capita (US\$)	...	4,047	3,857
Population (mn)	3.7	3.7	3.7
Inflation (eop)	1.9%	6.7%	1.8%
Gross reserves (US\$ bn)	3.1	3.0	2.8
CAD (% of GDP)	10.3% ⁽²⁾	8.8%	13.1%
Fiscal deficit (% of GDP)	...	2.9%	3.0%
Total public debt (% of GDP)	...	44.8%	44.4%

Source: Official data, IMF

1) As of 10M18

2) As of 1H18

Real GDP growth, %



Source: GeoStat

International ranking, 2018-19

- Ease of Doing Business # 6 (Top 10)
- Economic Freedom Index # 16 (mostly free)
- Global Competitiveness Index # 66

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

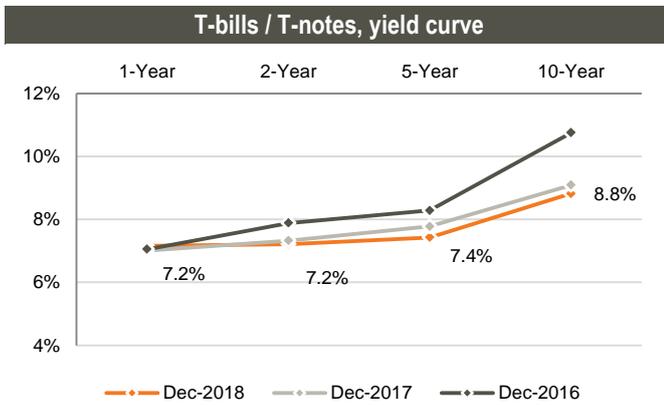
<p>BB- Stable Affirmed May-2018</p>	<p>Ba2 Stable Affirmed Sep-2018</p>	<p>BB- Positive Affirmed Aug-2018</p>
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Source: Rating agencies

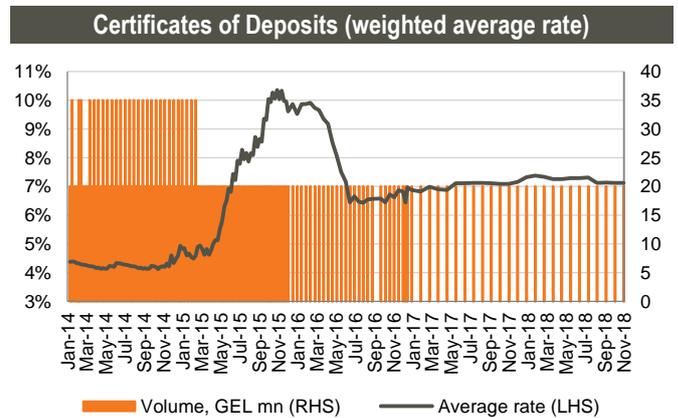
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,360mn (US\$ 508.7mn).

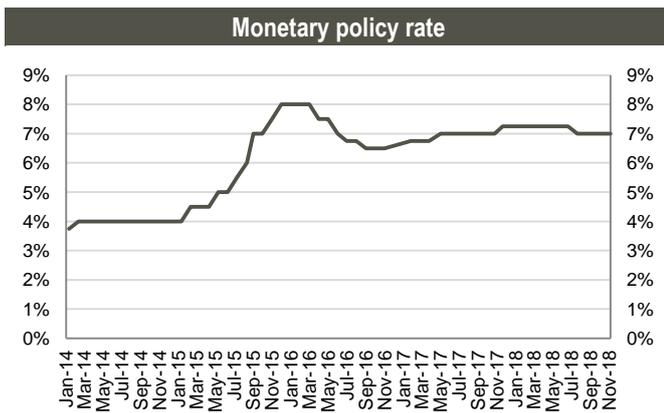
Ministry of Finance T-Bills: 1-year GEL 40.0mn (US\$ 14.9mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on December 5, 2018. The weighted average yield was fixed at 7.160%. The nearest treasury security auction is scheduled for December 12, 2018, where GEL 40.0mn nominal value 2-year Benchmark Bonds and GEL 20.0mn nominal value 182-days T-Bills will be sold.



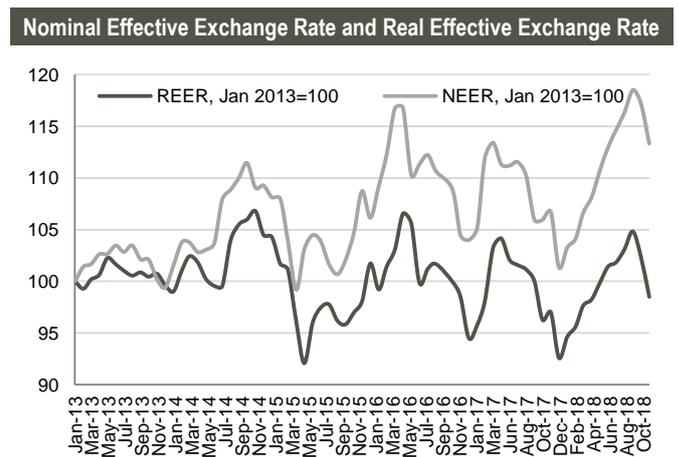
Source: NBG



Source: NBG



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Source: NBG

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

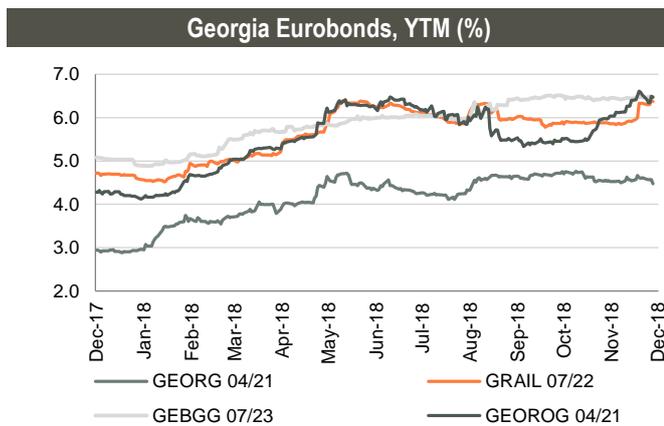


Fixed income

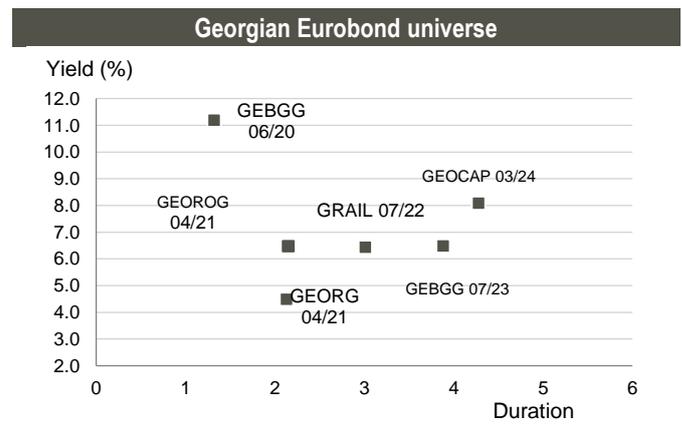
Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 6.5% yield, trading at 98.1 (-0.1% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 99.8 yielding 11.2%. Georgia Capital Eurobonds (GEOCAP) were trading at 91.8 (-0.2% w/w), yielding 8.1%.

GOGC Eurobonds (GEOROG) were trading at 100.6 (-0.2% w/w), yielding 6.5%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 104.2 (-0.5% w/w), yielding 6.4%.

Georgian Sovereign Eurobonds (GEORG) closed at 105.3 (+0.2% w/w) at 4.5% yield to maturity.



Source: Bloomberg



Source: Bloomberg

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	105.26	4.47	158.36
GRAIL 07/22	500	7.750%	18/07/2022	B+/B+/-	104.16	6.43	356.22
GEOROG 04/21	250	6.750%	18/04/2021	BB-/B+/-	100.59	6.47	358.35
GEBGG 06/20	500*	11.000%	18/06/2020	BB-/B2	99.75	11.18	n/a
GEBGG 07/23	350	6.000%	18/07/2023	BB-/B2	98.11	6.48	361.99
GEOCAP 03/24	300	6.125%	18/03/2024	-/B+/B2	91.76	8.08	522.11
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+/-	101.63	5.5	n/a
GLC 08/20	10	7.000%	29/08/2020	B+****-/-	101.21	6.25	n/a
GLC 06/21	5	6.500%	22/06/2021	B+****-/-	99.42	6.75	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/-	100.91	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 B+*

****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	4.5	158.4
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba2	99.6	4.8	197.4
Bulgaria	323	5.000%	19/07/2021	BBB-/-	112.9	0.1	n/a
Croatia	1,250	3.875%	30/05/2022	BB+/BB+/Ba2	110.5	0.8	75.1
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	105.5	3.8	94.3
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	107.2	4.3	140.3
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	101.6	3.8	87.6
Turkey	2,000	5.625%	30/03/2021	BB+/-/Ba2	98.2	6.5	356.8

Source: Bloomberg

Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 13.53/share (-1.24% w/w and -20.12% m/m). More than 363k shares traded in the range of GBP 13.03 – 14.00/share. Average daily traded volume was 68k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 3.45% w/w and lost 6.81% m/m. The volume of BGEO shares traded was at 0.74% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 10.75/share (-0.92% w/w and -13.65% m/m). More than 127k shares traded in the range of GBP 10.52 – 11.00/share. Average daily traded volume was 46 in the last 4 weeks. The volume of CGEO shares traded was at 0.34% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 14.68 (-1.87% w/w and -11.88% m/m). More than 70k shares changed hands in the range of GBP 13.88 – 15.32/share. Average daily traded volume was 21k in the last 4 weeks. The volume of TBCG shares traded was at 0.13% of its capitalization.

Georgia Healthcare Group (GHG LN) shares closed at GBP 2.20/share (-4.56% w/w and -8.33% m/m). More than 155k shares were traded in the range of GBP 2.20 – 2.34/share. Average daily traded volume was 24k in the last 4 weeks. The volume of GHG shares traded was at 0.12% 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	13.53*	847	-20.1%	-20.5%	-33.2%	-43.8%	-39.1%
TBC	TBC	14.68*	1,013	-11.9%	-7.3%	-14.2%	-16.1%	-9.6%
Halyk Bank	HSBK	10.80	3,174	-8.1%	4.3%	-9.6%	9.3%	12.5%
VTB Bank	VTBR	1.24	8,010	-5.5%	0.9%	-17.6%	-32.5%	-31.9%
Vozrozhdenie	VZRZ	7.14	170	0.8%	16.5%	8.6%	-18.0%	-28.2%
Sberbank	SBER	11.69	63,088	-6.1%	14.0%	-18.5%	-31.0%	-27.1%

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	10.75*	522	-13.7%	4.6%	N/A	N/A	N/A
Creades	CREDA	28.85	237	-6.1%	1.3%	-7.0%	-20.8%	-16.3%
CIE du Bois	COMB	432.59	729	-2.7%	-7.8%	-8.4%	0.6%	3.6%
Tinc Comm	TINC	13.49	368	-4.7%	-2.4%	-6.0%	-10.7%	-8.8%
Edify	EDIFY	61.47	299	-3.4%	-7.5%	-15.3%	-10.3%	-0.2%

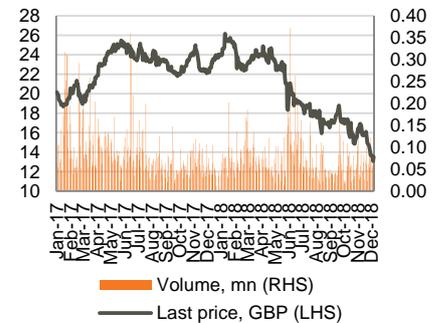
Source: Bloomberg
 *CGEO share price traded and shown in GBP

Healthcare Sector Peers

Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
GHG	GHG	2.2*	369	-8.3%	-4.8%	-20.0%	-38.0%	-37.1%
Mouwasat	MOUWASAT	20.71	2,071	7.6%	-2.3%	-18.2%	2.6%	-2.5%
Fortis	FORH	2.06	1,072	5.4%	1.5%	-4.5%	-17.9%	-8.9%
Raffles	RFMD	0.84	1,507	7.4%	3.3%	3.6%	0.1%	6.8%
IHH	IHH	1.29	11,291	6.9%	-3.0%	-15.4%	-10.8%	-6.5%
Bangkok Chain	BCH	0.58	1,442	-0.7%	-2.2%	16.4%	16.3%	17.9%
Netcare	NTC	1.82	2,677	-1.2%	-2.8%	-20.0%	-10.3%	10.0%

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

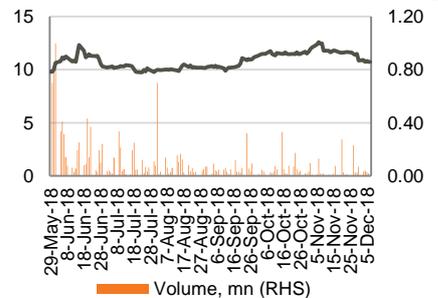
Bank of Georgia Group (BGEO LN)



— Volume, mn (RHS)
 — Last price, GBP (LHS)

Source: Bloomberg

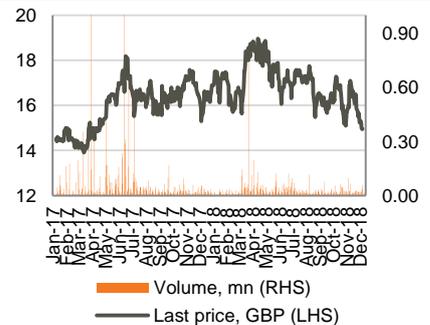
Georgia Capital (CGEO LN)



— Volume, mn (RHS)
 — Last price, GBP (LHS)

Source: Bloomberg

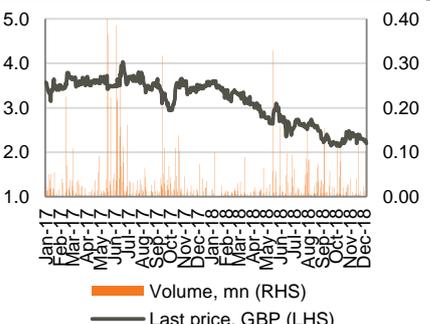
TBC Bank Group (TBCG LN)



— Volume, mn (RHS)
 — Last price, GBP (LHS)

Source: Bloomberg

Georgia Healthcare Group (GHG LN)



— Volume, mn (RHS)
 — Last price, GBP (LHS)

Source: Bloomberg



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