

Weekly Market Watch

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January 16, 2017

Economy

International reserves up 9.4% y/y in 2016

Gross international reserves were up 9.4% y/y to US\$ 2.8bn in December 2016, while reserves were down 0.8% m/m (-US\$ 21.7mn), according to NBG. The reduction in reserves on a monthly basis was attributed to NBG's FX intervention. In December NBG sold US\$ 40mn, however reserves declined by a lesser amount which was likely due to gains in government FX operations (disbursement of foreign assistance).

Property registration up 8.7% y/y in December 2016

Property registration (commercial and residential real estate) increased 8.7% y/y (+2.6% m/m), reaching 60,223 units in December 2016, according to the National Agency of Public Registry. Registration increased for primary (+22.6% y/y, 21.7% of total), as well as secondary (+5.4% y/y, 78.3% of total) properties.

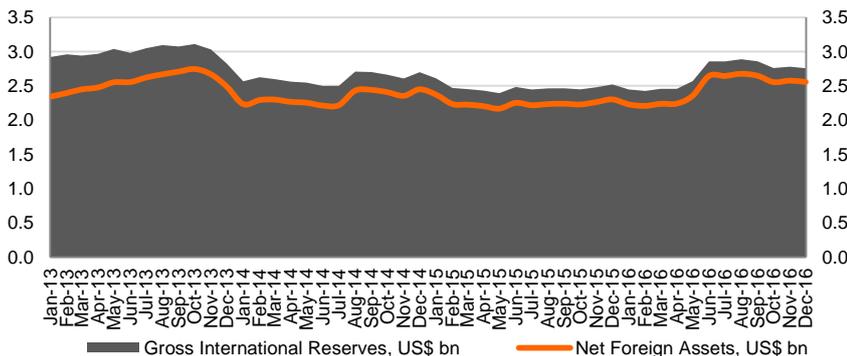
Company registration down 11.3% y/y in December 2016

In December 2016, company registration decreased 11.4% y/y (-11.2% m/m) to 3,726 units, according to National Agency of Public Registry. Out of newly registered companies, 95.3% were business legal entities, while 4.7% comprised non-entrepreneurial (non-commercial) legal entities.

EU transfers EUR 43.95m to Georgian treasury in support of reforms

On 9 January 2017, the EU granted EUR 43.95 million of non-reimbursable aid to Georgia in support of reform progress in several sectors: trade and business development, vocational education and employment, agriculture, and integration of internally displaced people (IDPs). Payments were also made for Georgia's justice sector, public administration, public finance management and regional development policy.

International Reserves



Source: NBG

Key macro indicators

	11M16	2015	2014
GDP (% change)	2.4%	2.9%	4.6%
GDP per capita (ppp)	...	9,630	9,209
GDP per capita (US\$)	...	3,767	3,676
Population (mn)	3.7 ⁽¹⁾	3.7 ⁽¹⁾	4.5
Inflation (eop)	1.8% ⁽³⁾	4.9%	2.0%
Gross reserves (US\$ bn)	2.8	2.5	2.7
CAD (% of GDP)	8.4% ⁽²⁾	11.9%	10.6%
Fiscal deficit (% of GDP)	...	3.7%	3.0%
Total public debt (% of GDP)	...	41.4%	35.7%

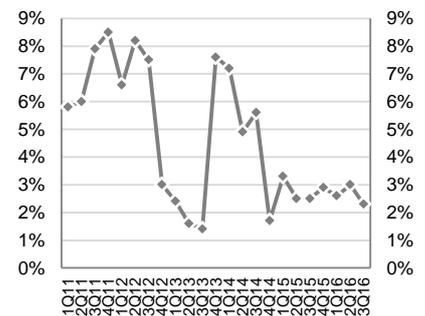
Source: Official data, IMF

(1) Preliminary results of census, previous data is subject to recalculation

(2) As of 3Q16

(3) As of 12M16

Real GDP growth, %



Source: GeoStat

International ranking, 2016-17

Ease of Doing Business # 16 (Top 20)

Economic Freedom Index # 23 (mostly free)

Global Competitiveness Index # 59 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

 BB- Stable Affirmed Nov-2016	 Ba3 Stable Affirmed Mar-2016	 BB- Stable Affirmed Sep-2016
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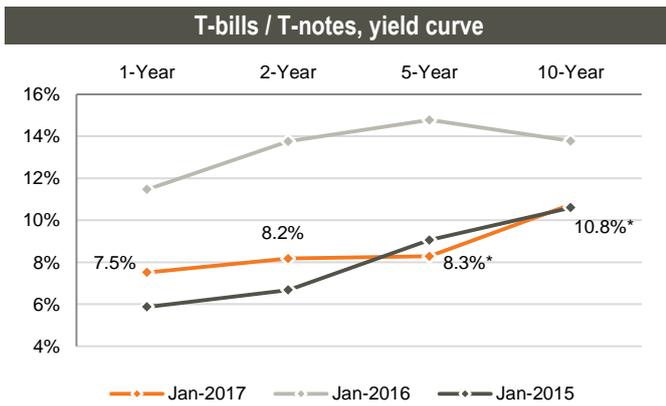
Source: Rating agencies

Money market

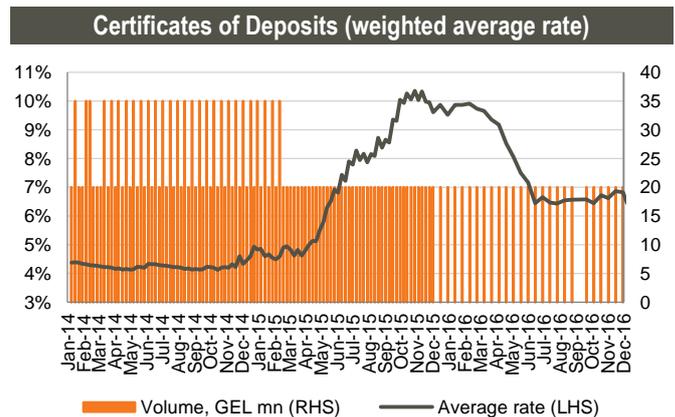
Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,150mn (US\$ 419.8mn).

Ministry of Finance Treasury Bills: 182 days GEL 20.0mn (US\$ 7.3mn) T-bills of Ministry of Finance were sold at the auction held at NBG on January 11, 2017. The weighted average yield was fixed at 6.968%.

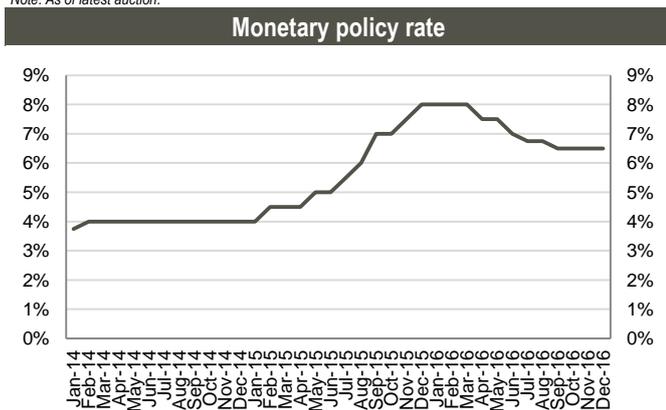
Ministry of Finance Treasury Notes: 2-year GEL 40.0mn (US\$ 14.6mn) T-notes of Ministry of Finance were sold at the auction held at NBG on January 11, 2017. The weighted average yield was fixed at 8.171%. The nearest treasury securities auction is scheduled for January 18, 2017, where GEL 40.0mn nominal value 1-year T-Notes will be sold.



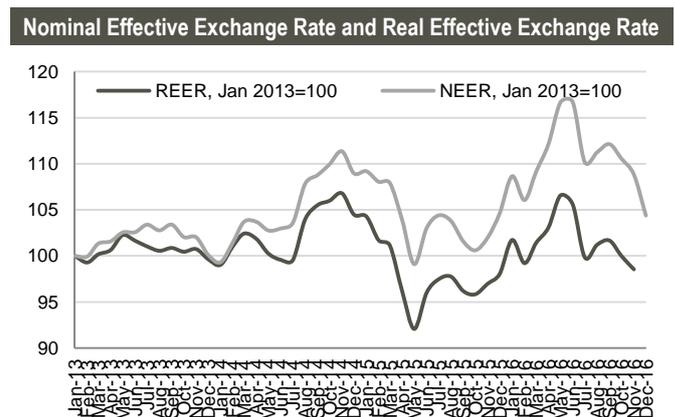
Source: NBG
*Note: As of latest auction.



Source: NBG



Source: NBG
Note: Next revision of a monetary policy rate is scheduled for 25 January 2017



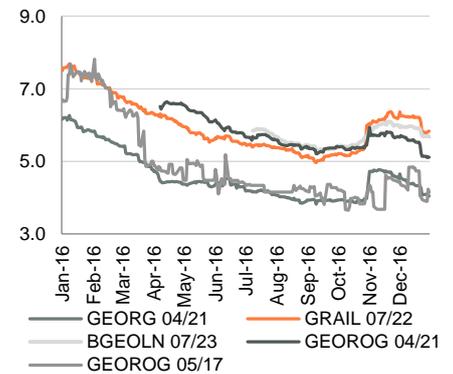
Source: NBG
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

Corporate Eurobonds: Bank of Georgia Eurobond (BGEOLN) closed at 5.9% yield, trading at 100.4 (+0.1% w/w). GOGC Eurobonds - GEOROG 05/17 traded at 100.8 (-0.1% w/w), yielding 4.6% and GEOROG 04/21 traded at 104.4 (+0.2% w/w), yielding 5.5%. Georgian Railway Eurobond (GRAIL) traded at a premium at 107.1 (+0.2% w/w), yielding 6.2%.

Georgian Sovereign Eurobond (GEORG) closed at 109.8 (+0.1% w/w) at 4.3% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

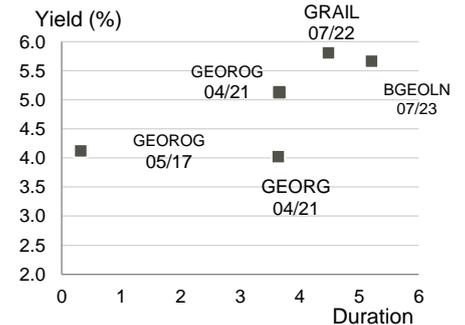
	Local bonds					Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	EVEK 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25	5	15	10	250	53.5	350	500	500
Issue date	12/16	10/16	03/16	05/15	09/14	04/16	05/12	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	05/17	09/17	04/21	05/17	07/23	04/21	07/22
Coupon, %	3.50**	7.50	11.00	9.50	8.75	6.750	6.875	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/-/-	-/-/-	-/-/-	-/-/-	-/-/-	BB-/B+/-	BB-/B+/-	BB-/-/B1	BB-/BB-/Ba3	BB-/B+/-
Mid price, US\$	n/a	103.83	102.57	101.49	100.73	106.1	100.9	101.8	111.0	109.0
Mid yield, %	n/a	6.0	8.750	5.50	7.750	5.1	4.1	5.7	4.0	5.8
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	314.4	197.7	353.6	208.4	369.1

Source: Bloomberg

*GWP 12/21 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-/Ba3	111.0	4.0	240.6
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1	101.1	4.6	240.6
Bulgaria	323	5.000%	19/07/2021	BBB-/-/-	120.0	0.5	-243.2
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	108.6	2.2	197.6
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	113.2	3.0	105.0
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	115.4	3.4	138.1
Russia	3,500	5.000%	29/04/2020	BBB-/BB+ /Ba1	106.4	2.9	108.2
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Ba1	102.0	5.1	314.5

Source: Bloomberg

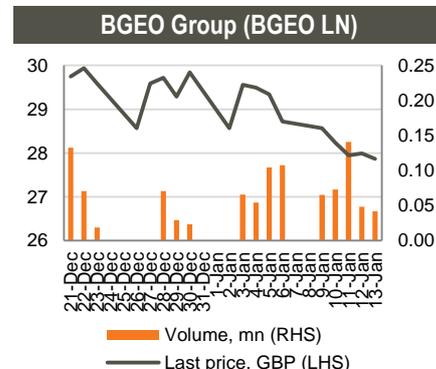
Equities

BGEO Group (BGEO LN) shares closed at GBP 27.87/share (-3.89% w/w and -14.03% m/m). More than 370k shares traded in the range of GBP 27.55 – 28.80/share. Average daily traded volume was 76k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BGEO is a constituent, gained 0.17% w/w and gained 3.70% m/m. The volume of BGEO shares traded was at 0.94% of its capitalization.

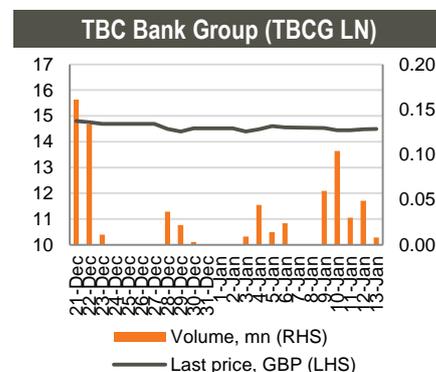
TBC Bank Group (TBCG LN) closed the week at GBP 14.50 (-0.34% w/w and -2.95% m/m). More than 250k shares changed hands in the range of GBP 14.19 – 14.80/share. Averaged daily traded volume was 63k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.40/share (unchanged w/w and -8.66% m/m). More than 166k shares were traded in the range of GBP 3.15 – 3.45/share. Average daily traded volume was 18k in the last 4 weeks. The volume of GHG shares traded was at 0.13% of its capitalization.

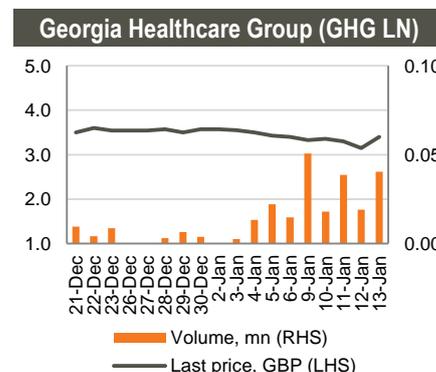
On the Georgian stock exchange: Teliani Valley shares were traded at GEL 0.18 (+38.5% w/w). As a result GT index went up to 1,177.9 (+0.08% w/w).



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Eastern European Banks

Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
BGEO*	34.02	1,344	-17.2%	-6.6%	-4.4%	21.3%	32.7%
TBC*	17.70	923	-6.6%	41.6%	36.2%	75.2%	86.3%
Halyk Bank	6.25	1,718	-0.8%	-4.4%	12.8%	26.3%	33.0%
KKB	1.40	558	5.3%	1.4%	-11.9%	14.3%	26.7%
VTB Bank	2.28	14,775	-4.6%	8.4%	9.6%	8.1%	24.5%
Vozrozhdenie Bank	12.42	295	6.4%	8.6%	23.0%	50.5%	58.6%
Sberbank	11.22	60,524	-6.3%	18.9%	22.7%	90.7%	123.6%

Source: Bloomberg

*BGEO and TBC are traded in GBP and are shown in US\$ equivalent

Note: 6M, YTD, and 1Y changes in TBC share prices calculated using GDR prices on those dates.

Healthcare Sector Peers

Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG*	4.15	547	-12.1%	4.9%	-7.5%	81.7%	75.0%
Mouwasat	35.59	1,780	-9.8%	16.1%	-3.1%	9.7%	23.9%
Fortis	2.78	1,340	6.9%	10.1%	21.1%	2.4%	9.1%
Raffles	1.04	1,820	3.7%	-4.0%	-9.0%	6.4%	12.3%
IHH	1.41	11,642	-2.5%	-7.6%	-15.6%	-7.5%	-4.8%
Bangkok Chain	0.43	1,084	6.6%	31.3%	25.4%	73.2%	65.0%
Netcare	2.39	3,490	3.3%	-3.1%	6.6%	9.0%	18.6%

Source: Bloomberg

*GHG is traded in GBP and is shown in US\$ equivalent

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