

Weekly Market Watch

Weekly Market Watch | Georgia
Dec 24, 2018

Economy

Trade deficit down 13.3% y/y in November 2018

In November 2018, exports increased by 19.6% y/y to US\$ 283.3mn, while imports were down 3.1% y/y to US\$ 738.0mn and the trade deficit narrowed 13.3% y/y to US\$ 454.7mn, according to GeoStat.

In November 2018, cars (+72.2% y/y), copper (+40.4% y/y), wine (+2.6% y/y), ferro-alloys (-42.4% y/y) and cigarettes (+134.6% y/y) were the top 5 exported commodities. A 20.9% of exports was directed to the EU (+21.1% y/y), 62.0% to the CIS (+47.5% y/y) and 17.1% to other countries (-29.6% y/y).

In November 2018, petroleum (+4.5% y/y), copper (+16.1% y/y), cars (-17.6% y/y), gases (-5.8% y/y) and pharmaceuticals (-11.9% y/y) represented the top 5 imported commodities.

Overall, in 11M18, the trade deficit was up 13.0% y/y at US\$ 5.3bn as exports were up 24.0% y/y to US\$ 3.0bn and imports increased by 16.8% y/y to US\$ 8.3bn.

Producer price index up 2.8% y/y in November 2018

Annual PPI growth for industrial goods fell to 2.8% in November 2018, from 5.9% in previous month according to GeoStat. Rising prices in manufacturing (+1.8% y/y) and supply of electricity, gas and water (+12.3% y/y) contributed the most to the overall index change.

NBG purchased US\$ 15.0mn

On 19 December 2018, the NBG intervened on the FX market and purchased US\$ 15.0mn. Overall, during Apr-Dec 2018, the NBG purchased US\$ 177.5mn on its 16 FX auctions.

Key macro indicators

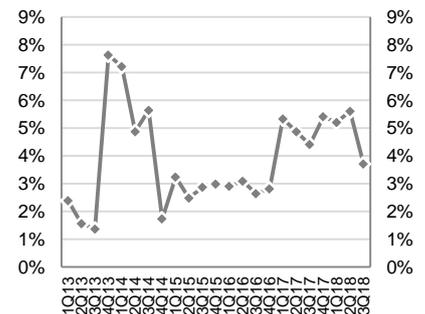
	11M18	2017	2016
GDP (% change)	5.1% ⁽¹⁾	4.8%	2.8%
GDP per capita (ppp)	...	10,742	10,065
GDP per capita (US\$)	...	4,047	3,857
Population (mn)	3.7	3.7	3.7
Inflation (eop)	1.9%	6.7%	1.8%
Gross reserves (US\$ bn)	3.1	3.0	2.8
CAD (% of GDP)	10.3% ⁽²⁾	8.8%	13.1%
Fiscal deficit (% of GDP)	...	2.9%	3.0%
Total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

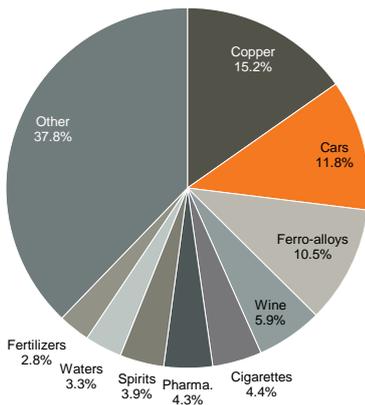
Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

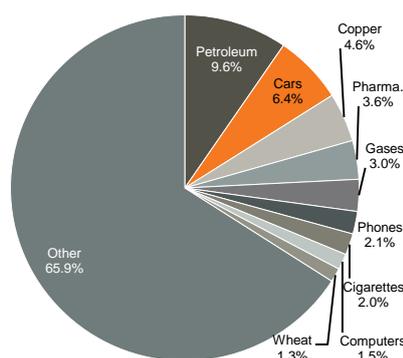
 BB- Stable Affirmed May-2018	 Ba2 Stable Affirmed Sep-2018	 BB- Positive Affirmed Aug-2018
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Source: Rating agencies

Exports by commodities, 11M18



Imports by commodities, 11M18

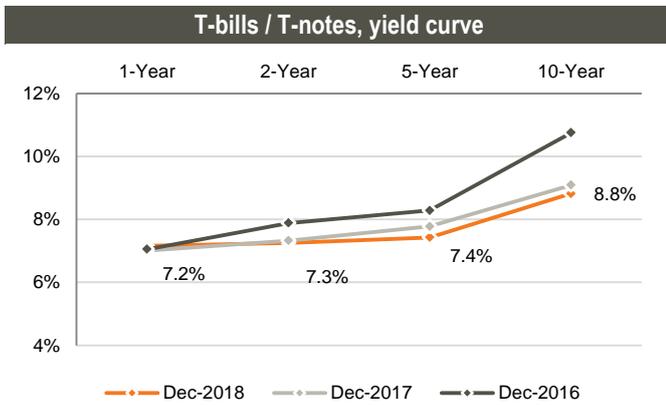


Source: GeoStat

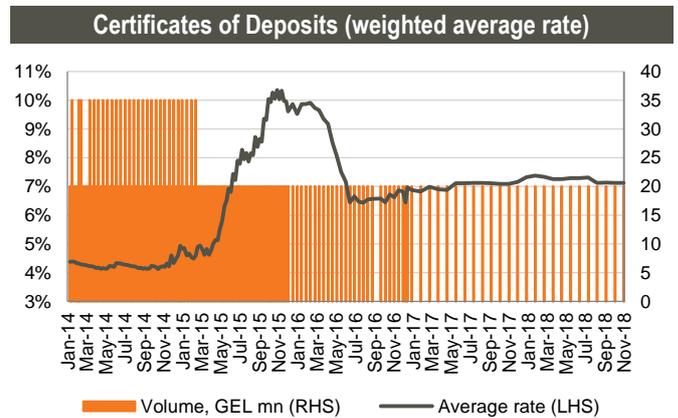
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,590mn (US\$ 596.7mn).

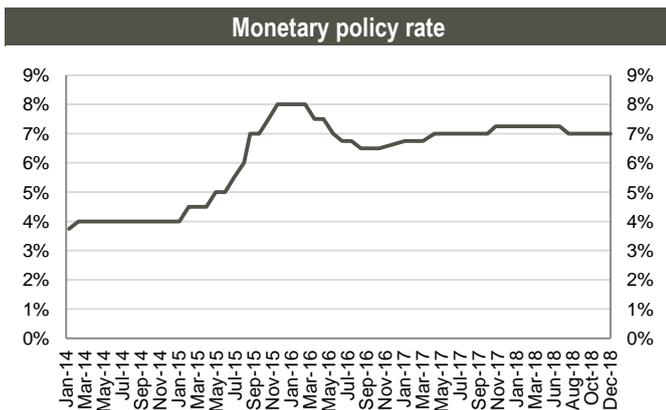
Ministry of Finance Benchmark Bonds: The nearest treasury security auction is scheduled for December 26, 2018, where GEL 30.0mn nominal value 5-year Benchmark Bonds will be sold.



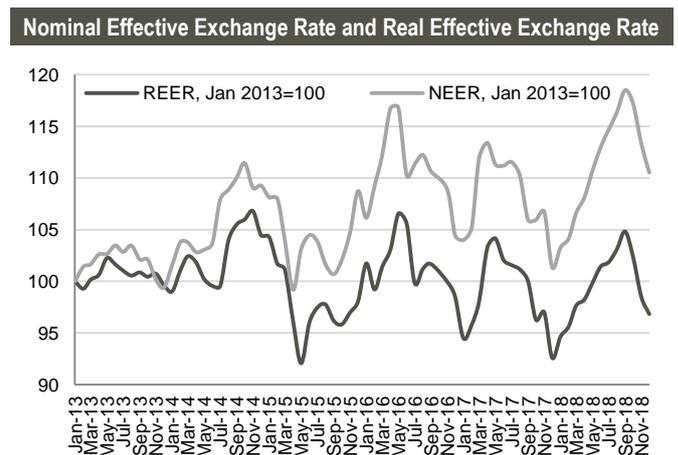
Source: NBG



Source: NBG



Source: NBG



Source: NBG

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

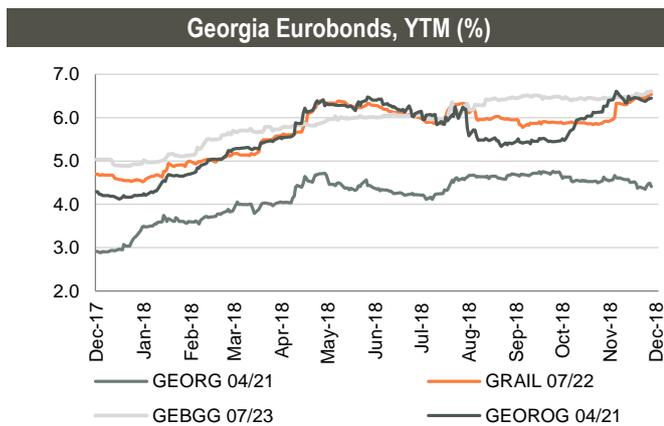


Fixed income

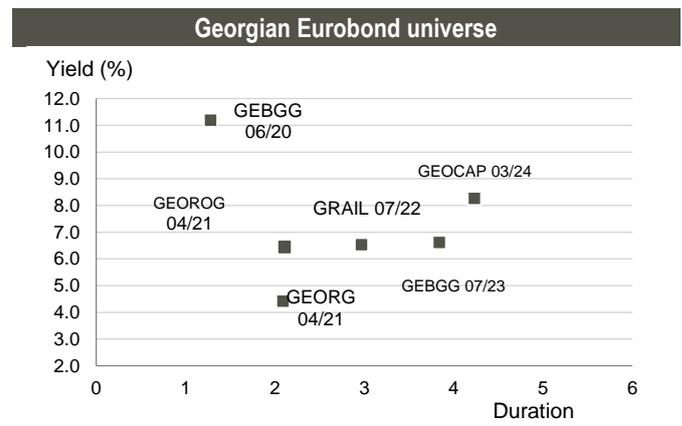
Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 6.6% yield, trading at 97.6 (-0.3% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 99.8 (unchanged w/w), yielding 11.2%. Georgia Capital Eurobonds (GEOCAP) were trading at 91.1 (-0.2% w/w), yielding 8.3%.

GOGC Eurobonds (GEOROG) were trading at 100.6 (-0.1% w/w), yielding 6.4%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 103.8 (-0.3% w/w), yielding 6.5%.

Georgian Sovereign Eurobonds (GEORG) closed at 105.3 (-0.1% w/w) at 4.4% 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	105.31	4.4	161.20
GRAIL 07/22	500	7.750%	18/07/2022	B+/B+/-	103.81	6.5	376.81
GEOROG 04/21	250	6.750%	18/04/2021	BB-/B+/-	100.64	6.4	365.06
GEBGG 06/20	500*	11.000%	18/06/2020	BB-/B2	99.75	11.2	n/a
GEBGG 07/23	350	6.000%	18/07/2023	BB-/B2	97.63	6.6	385.57
GEOCAP 03/24	300	6.125%	18/03/2024	-/B+/B2	91.12	8.3	550.24

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	4.4	161.2
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba2	99.7	4.8	205.1
Bulgaria	323	5.000%	19/07/2021	BBB-/-	112.7	0.0	n/a
Croatia	1,250	3.875%	30/05/2022	BB+/BB+/Ba2	110.7	0.7	70.0
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	105.7	3.7	94.0
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	107.6	4.1	136.1
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	101.7	3.7	82.1
Turkey	2,000	5.625%	30/03/2021	BB+/-/Ba2	100.2	5.5	270.5

Source: Bloomberg



Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 13.20/share (-2.02% w/w and -16.99% m/m). More than 573k shares traded in the range of GBP 13.03 – 13.86/share. Average daily traded volume was 87k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 1.65% w/w and lost 6.51% m/m. The volume of BGEO shares traded was at 1.17% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 10.20/share (+1.98% w/w and -12.11% m/m). More than 120k shares traded in the range of GBP 9.92 – 10.50/share. Average daily traded volume was 37 in the last 4 weeks. The volume of CGEO shares traded was at 0.32% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 13.62 (-3.13% w/w and -13.03% m/m). More than 177k shares changed hands in the range of GBP 13.44 – 14.62/share. Average daily traded volume was 28k in the last 4 weeks. The volume of TBCG shares traded was at 0.33% of its capitalization.

Georgia Healthcare Group (GHG LN) shares closed at GBP 2.08/share (-5.45% w/w and -11.68% m/m). More than 87k shares were traded in the range of GBP 2.08 – 2.30/share. Average daily traded volume was 50k in the last 4 weeks. The volume of GHG shares traded was at 0.07% 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	13.196*	822	-17.0%	-29.8%	-30.7%	-45.2%	-44.9%
TBC	TBC	13.62*	936	-13.0%	-17.1%	-16.5%	-22.2%	-18.1%
Halyk Bank	HSBK	10.00	2,939	-10.3%	-4.8%	-16.0%	1.2%	2.8%
VTB Bank	VTBR	1.15	7,420	-11.7%	-14.9%	-21.5%	-37.4%	-33.0%
Vozrozhdenie	VZRZ	6.90	164	-4.0%	7.7%	12.7%	-20.7%	-22.6%
Sberbank	SBER	10.80	58,285	-12.6%	-9.1%	-19.3%	-36.2%	-34.8%

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	10.2*	493	-12.1%	-8.0%	N/A	N/A	N/A
Creades	CREDA	27.85	228	-4.7%	-6.4%	-10.8%	-23.6%	-20.0%
CIE du Bois	COMB	417.31	703	-3.6%	-12.5%	-10.3%	-3.0%	0.2%
Tinc Comm	TINC	13.40	365	-0.8%	-7.6%	-4.6%	-11.3%	-6.9%
Edify	EDIFY	60.43	294	-4.5%	-14.9%	-13.9%	-11.8%	-9.7%

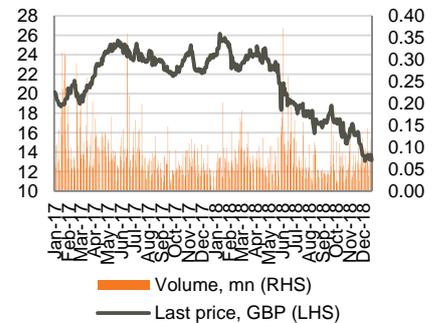
Source: Bloomberg
*CGEO share price traded and shown in GBP

Healthcare Sector Peers

Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
GHG	GHG	2.08*	347	-11.7%	-3.3%	-18.8%	-41.4%	-40.6%
Mouwasat	MOUWASAT	21.43	2,143	11.0%	6.7%	-11.6%	6.1%	3.5%
Fortis	FORH	1.92	999	-6.6%	1.4%	-3.1%	-23.4%	-13.6%
Raffles	RFMD	0.81	1,453	-0.1%	0.3%	8.7%	-3.5%	-3.0%
IHH	IHH	1.28	11,243	11.6%	1.1%	-13.0%	-11.1%	-9.5%
Bangkok Chain	BCH	0.56	1,391	2.0%	-10.3%	18.3%	12.2%	14.1%
Netcare	NTC	1.77	2,604	-0.6%	-8.1%	-13.3%	-12.8%	-5.6%

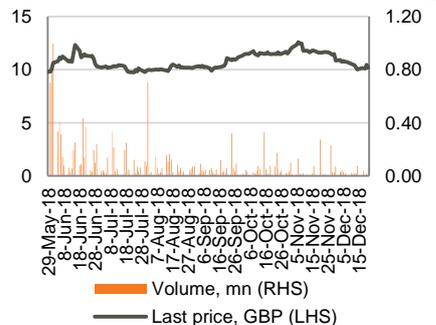
Source: Bloomberg
*GHG share price traded and shown in GBP

Bank of Georgia Group (BGEO LN)



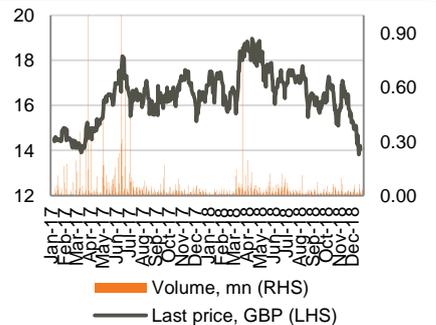
Source: Bloomberg

Georgia Capital (CGEO LN)



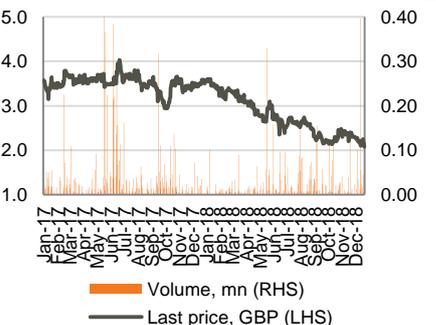
Source: Bloomberg

TBC Bank Group (TBCG LN)



Source: Bloomberg

Georgia Healthcare Group (GHG LN)



Source: Bloomberg

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