

# Weekly Market Watch

Weekly Market Watch | Georgia  
August 24, 2020

## Economy

### Trade deficit down 9.4% y/y in July 2020

In July 2020, trade deficit narrowed by 9.4% y/y to US\$ 442.0mn as exports decreased by 21.6% y/y to US\$ 254.1mn and imports fell by 14.3% y/y to US\$ 696.0mn.

In July 2020, copper (+1.1% y/y), wine (-3.3% y/y), cars (-76.0% y/y), fruits (+62.4% y/y) and ferro-alloys (-24.6% y/y) were the top 5 exported commodities. A 21.4% of exports was directed to the EU (-22.8% y/y), 45.9% to the CIS (-39.7% y/y) and 32.7% to other countries (+37.7% y/y).

Cars (-30.2% y/y), copper (-10.3% y/y), petroleum (-25.8% y/y), pharmaceuticals (-22.3% y/y) and phones (+13.4% y/y) represented the top 5 imported commodities in July 2020.

Overall, in 7M20, trade deficit was down 18.6% to US\$ 2.5bn as exports reduced by 16.8% y/y to US\$ 1.8bn and imports decreased by 17.9% y/y to US\$ 4.3bn.

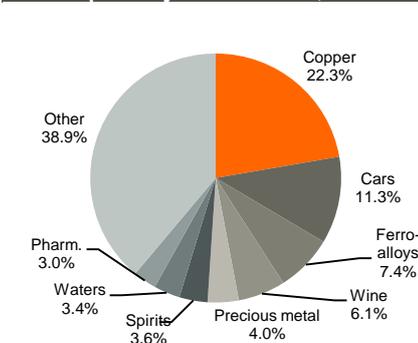
### Producer price index up 7.0% y/y in July 2020

Annual PPI for industrial goods retreated to 7.0% in July 2020 from 10.1% in previous month, according to Geostat. Price changes in manufacturing (+7.3% y/y) and mining (+20.5% y/y) contributed the most to the overall index change.

### International arrivals down 94.8% y/y in July 2020

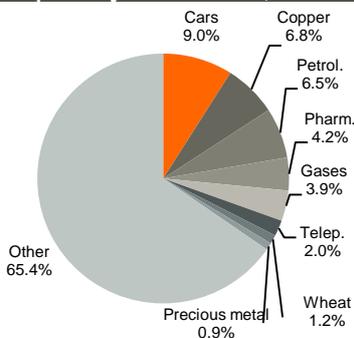
Total international arrivals (tourists and same-day arrivals) to Georgia was down 94.8% y/y to c.46k persons in July 2020 according to GNTA, as borders remained closed for international travel due to COVID-19 pandemic. Overall, in 7M20, total international arrivals stood at 1.3mn (-69.0% y/y), of which tourist arrivals reached 0.88mn (-67.2% y/y) persons. Meanwhile, based on NBG, tourism revenues stood at US\$ 456.5mn (-75.3% y/y) in 7M20.

### Exports by commodities, 7M20



Source: Geostat

### Imports by commodities, 7M20

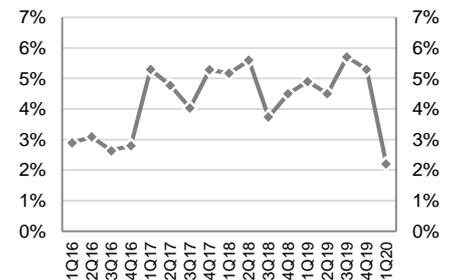


### Key macro indicators

|                              | 2017   | 2018   | 2019   |
|------------------------------|--------|--------|--------|
| GDP (% change)               | 4.8%   | 4.8%   | 5.1%   |
| GDP per capita (ppp)         | 11,485 | 12,417 | 13,559 |
| GDP per capita (US\$)        | 4,359  | 4,722  | 4,763  |
| 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%   | 5.1%   |
| Fiscal deficit (% of GDP)    | 2.7%   | 2.3%   | 2.0%   |
| Total public debt (% of GDP) | 39.4%  | 38.9%  | 39.8%  |

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



Source: Rating agencies



# Money market

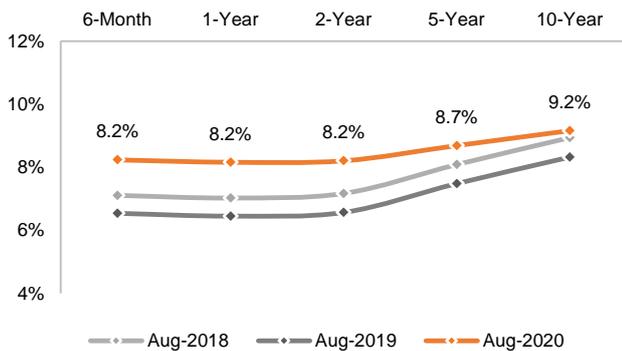
There were no treasury securities auction last week. The nearest treasury securities auction is scheduled for August 25, 2020, where GEL 80.0mn nominal value 5-year Benchmark Bonds will be sold.

## T-bills / T-notes in 2020

| Maturity     | YTD placements, GEL mn | Remaining placements, GEL mn | Outstanding amount, GEL mn* |
|--------------|------------------------|------------------------------|-----------------------------|
| 6-month      | 270                    | 80                           | 180                         |
| 1-year       | 460                    | 200                          | 670                         |
| 2-year       | 560                    | 280                          | 1,180                       |
| 5-year       | 560                    | 400                          | 1,848                       |
| 10-year      | 110                    | 40                           | 1,197                       |
| <b>Total</b> | <b>1,980</b>           | <b>1,000</b>                 | <b>5,075</b>                |

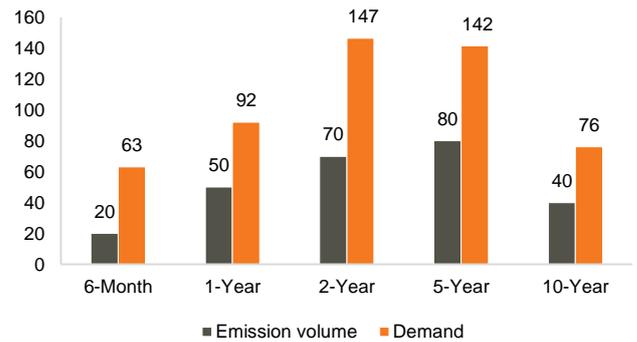
Source: MoF  
Note: \* As of 31 July 2020

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



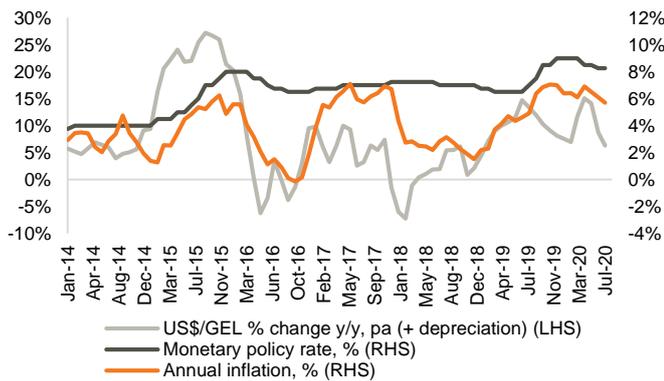
Source: NBG

## Emission volume vs. demand on latest T-bill0s / T-notes auctions, GEL mn



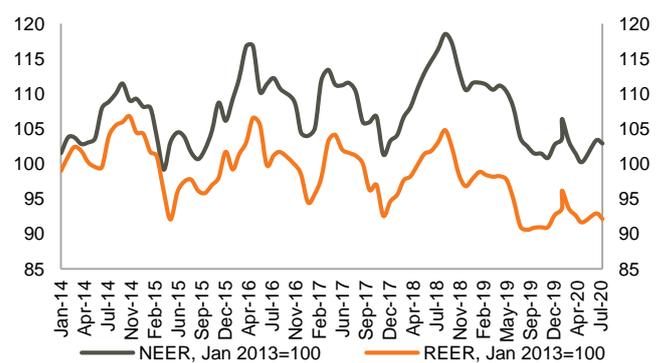
Source: NBG

## 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



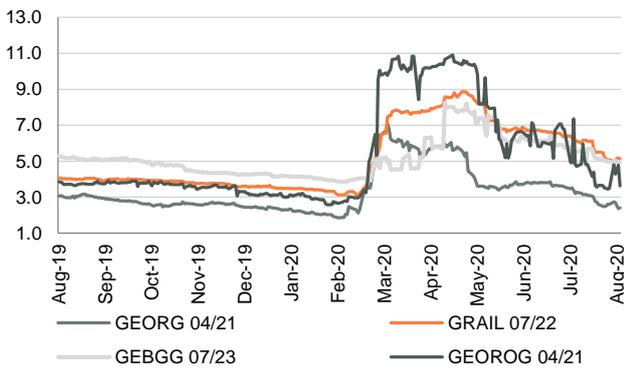
# Fixed income

**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 4.97% yield, trading at 102.76 (+0.04% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 94.65 (+0.18% w/w), yielding 7.89%.

GOGC Eurobonds (GEOROG) were trading at 102.04 (-0.16% w/w), yielding 3.63%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 104.63 (-0.14% w/w), yielding 5.13%.

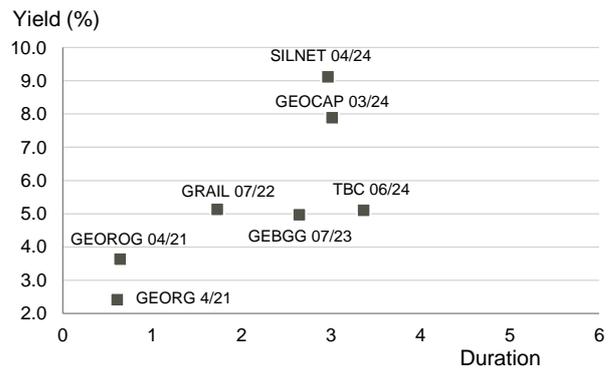
**Georgian Sovereign Eurobonds (GEORG)** closed at 102.78 (+0.04% w/w) at 2.41% yield to maturity.

**Georgian Eurobonds, YTM (%)**



Source: Bloomberg

**Georgian Eurobond universe**



Source: Bloomberg

## 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                       | 102.78    | 2.41         | 215.68        |
| GRAIL 07/22       | US\$     | 500        | 7.750%  | Jul-22        | BB-/B+/-                        | 104.63    | 5.13         | 490.82        |
| GEORG 04/21       | US\$     | 250        | 6.750%  | Apr-21        | BB/BB/-                         | 102.04    | 3.63         | 338.53        |
| GEBGG 07/23       | US\$     | 350        | 6.000%  | Jul-23        | BB-/Ba2                         | 102.76    | 4.97         | 474.09        |
| GEBGG 11 1/8 PERP | US\$     | 100        | 11.125% | n/a           | B-/-                            | 100.46    | 9.62         | 1,070.94      |
| GEOCAP 03/24      | US\$     | 300        | 6.125%  | Mar-24        | -/B/B2                          | 94.65     | 7.89         | 763.72        |
| SILKNET 04/24     | US\$     | 200        | 11.000% | Apr-24        | B+/-/B1                         | 105.64    | 9.12         | 887.16        |
| TBC 06/24         | US\$     | 300        | 5.750%  | Jun-24        | BB-/Ba2                         | 102.23    | 5.10         | 484.18        |
| TBC PERP          | US\$     | 125        | 10.775% | n/a           | B-/-                            | 97.70     | 10.10        | 1,122.03      |
| GGU 07/25         | US\$     | 250        | 7.750%  | Jul-25        | -/B/-                           | 101.10    | 7.45         | 715.70        |

### Georgian local bonds performance

|                       |      |    |        |        |           |        |       |     |
|-----------------------|------|----|--------|--------|-----------|--------|-------|-----|
| 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 | -/-       | 99.36  | 8.00  | n/a |
| M2RE 10/22            | US\$ | 35 | 7.50%  | Oct-22 | -/-       | 97.14  | 9.00  | n/a |
| GLC 08/20             | US\$ | 10 | 7.00%  | Aug-20 | -/-       | n/a    | n/a   | n/a |
| GLC 06/21             | US\$ | 5  | 6.50%  | Jun-21 | -/-       | 98.80  | 8.25  | n/a |
| GLC 08/21             | US\$ | 10 | 7.50%  | Aug-21 | -/-       | 100.46 | 7.00  | 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 | -/-/B+    | 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 | -/-/B+    | 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<br>(Fitch/S&P/Moody) | Mid price | Mid yield, % | Z-spread, bps |
|------------|----------|------------|--------|---------------|------------------------------|-----------|--------------|---------------|
| Georgia    | US\$     | 500        | 6.875% | Apr-21        | BB/BB/Ba2                    | 102.78    | 2.41         | 215.68        |
| Armenia    | US\$     | 500        | 6.000% | Sep-20        | BB-/Ba3                      | 99.94     | 6.44         | 626.52        |
| Azerbaijan | US\$     | 174        | 2.820% | Sep-21        | BB+/-/Ba2                    | 101.29    | 1.53         | 130.37        |
| Belarus    | US\$     | 800        | 6.875% | Feb-23        | B/B/B3                       | 97.55     | 7.97         | 774.28        |
| Kazakhstan | US\$     | 1,500      | 3.875% | Oct-24        | BBB/BBB-/Baa3                | 110.36    | 1.30         | 102.39        |
| Turkey     | US\$     | 2,000      | 5.625% | Mar-21        | BB-/B1                       | 101.00    | 3.91         | 365.49        |
| Ukraine    | US\$     | 1,409      | 7.750% | Sep-21        | B/B/Caa1                     | 104.13    | 3.58         | 335.07        |

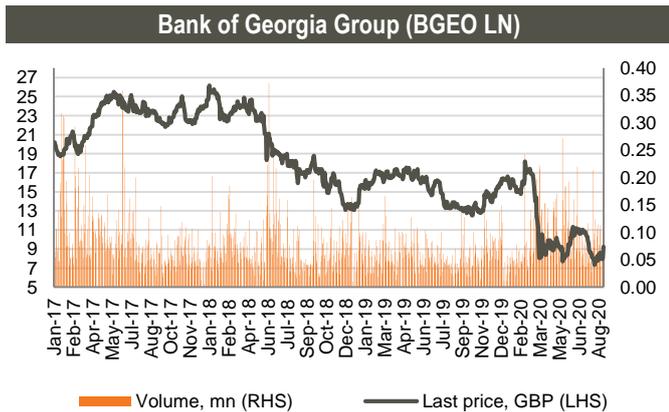
Source: Bloomberg

## Equities

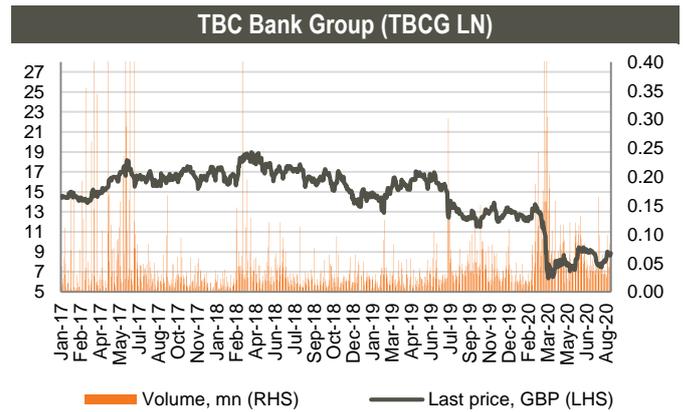
**Bank of Georgia Group (BGEO LN)** shares closed at GBP 9.26/share (+11.43% w/w and +6.93% m/m). More than 507k shares traded in the range of GBP 7.80 - 9.35/share. Average daily traded volume was 96k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 0.89% w/w and gained 0.43% m/m. The volume of BGEO shares traded was at 1.03% of its capitalization.

**Georgia Capital (CGEO LN)** shares closed at GBP 3.84/share (+1.05% w/w and -4.00% m/m). More than 263k shares traded in the range of GBP 3.68 - 3.90/share. Average daily traded volume was 33k in the last 4 weeks. The volume of CGEO shares traded was at 0.72% of its capitalization.

**TBC Bank Group (TBCG LN)** closed the week at GBP 8.87/share (-0.45% w/w and +14.45% m/m). More than 255k shares changed hands in the range of GBP 8.45 - 8.98/share. Average daily traded volume was 46k in the last 4 weeks. The volume of TBCG shares traded was at 0.46% 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          |              |
|--------------------|--------|----------|-------------|----------|--------|---------|---------|--------------|--------------|--------------|--------------|
|                    |        |          |             |          |        |         |         | 2019         | 2020F        | 2019         | 2020F        |
| Bank of Georgia    | BGEO   | GBP      | 9.26        | 455      | -46.4% | -32.8%  | -43.0%  | 3.75x        | 7.85x        | 0.82x        | 0.75x        |
| TBC                | TBC    | GBP      | 8.87        | 488      | -33.6% | -30.7%  | -31.8%  | 3.64x        | 6.51x        | 0.70x        | 0.68x        |
| Halyk Bank         | HSBK   | US\$     | 10.90       | 3,203    | -33.3% | -19.6%  | -18.4%  | 3.82x        | 4.57x        | 0.91x        | 0.87x        |
| VTB Bank           | VTBR   | US\$     | 0.92        | 5,981    | -38.7% | -21.6%  | -36.9%  | 2.28x        | 4.52x        | 0.34x        | 0.34x        |
| Akbank             | AKBNK  | TRY      | 5.07        | 26,364   | -34.1% | -25.8%  | -37.5%  | 3.97x        | 4.61x        | 0.41x        | 0.43x        |
| Garanti            | GARAN  | TRY      | 7.08        | 29,736   | -36.2% | -19.9%  | -36.4%  | 3.74x        | 4.35x        | 0.44x        | 0.48x        |
| Isbank             | ISCTR  | TRY      | 5.02        | 22,590   | -22.4% | -6.2%   | -21.7%  | 3.15x        | 3.60x        | 0.33x        | 0.35x        |
| PKO                | PKO    | PLN      | 22.10       | 27,625   | -35.8% | -44.6%  | -35.9%  | 6.59x        | 10.81x       | 0.67x        | 0.62x        |
| PEKAO              | PEO    | PLN      | 53.10       | 13,937   | -47.3% | -45.9%  | -47.1%  | 6.40x        | 13.42x       | 0.60x        | 0.56x        |
| Millennium         | MIL    | PLN      | 2.92        | 3,542    | -51.3% | -58.6%  | -50.1%  | 4.83x        | 8.04x        | 0.39x        | 0.39x        |
| Mbank              | MBK    | PLN      | 192.30      | 8,141    | -48.7% | -40.9%  | -50.6%  | 6.61x        | 16.25x       | 0.50x        | 0.48x        |
| BRD                | BRD    | RON      | 11.56       | 8,056    | -29.4% | -14.9%  | -27.0%  | 5.40x        | 10.27x       | 1.04x        | 0.92x        |
| Banca Transilvania | TLV    | RON      | 2.19        | 11,423   | -14.6% | -6.8%   | -15.6%  | 6.40x        | 13.12x       | 1.32x        | 1.49x        |
| OTP                | OTPD   | USD      | 22.80       | 12,768   | 0.0%   | 7.5%    | 7.5%    | 9.60x        | 13.77x       | 0.82x        | 0.72x        |
| Komercni           | KOMB   | CZK      | 528.00      | 100,346  | -32.4% | -35.5%  | -36.3%  | 6.79x        | 13.20x       | 0.97x        | 0.88x        |
| <b>Mean</b>        |        |          |             |          |        |         |         | <b>5.13x</b> | <b>8.99x</b> | <b>0.69x</b> | <b>0.66x</b> |
| <b>Median</b>      |        |          |             |          |        |         |         | <b>4.83x</b> | <b>8.04x</b> | <b>0.67x</b> | <b>0.62x</b> |

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          |              |
|-----------------------|--------|----------|-------------|----------|--------|---------|---------|---------------|--------------|--------------|--------------|
|                       |        |          |             |          |        |         |         | 2019          | 2020F        | 2019         | 2020F        |
| Georgia Capital       | CGEO   | GBP      | 3.84        | 141      | -50.5% | -62.3%  | -58.4%  | 5.41x         | n/a          | 0.38x        | n/a          |
| Tinc Comm             | TINC   | EUR      | 13.30       | 363      | -7.3%  | 7.6%    | -0.4%   | n/a           | n/a          | n/a          | n/a          |
| Sabancı Holding       | SAHOL  | TRY      | 8.22        | 16,772   | -14.1% | -4.2%   | -13.8%  | 3.58x         | 3.49x        | 0.42x        | 0.44x        |
| Deutsche Beteiligungs | DBAN   | EUR      | 30.85       | 464      | -20.2% | -3.6%   | -21.8%  | 11.97x        | n/mf         | 1.07x        | 1.04x        |
| Eurazeo               | RF     | EUR      | 43.56       | 3,431    | -32.9% | -27.5%  | -28.6%  | 11.15x        | 25.27x       | 0.67x        | 0.82x        |
| Carlyle Group         | CG     | USD      | 26.56       | 2,940    | -15.1% | 17.0%   | -17.2%  | 15.33x        | 4.70x        | 1.64x        | 3.76x        |
| <b>Mean</b>           |        |          |             |          |        |         |         | <b>9.58x</b>  | <b>8.97x</b> | <b>0.84x</b> | <b>1.54x</b> |
| <b>Median</b>         |        |          |             |          |        |         |         | <b>11.37x</b> | <b>4.80x</b> | <b>0.69x</b> | <b>0.94x</b> |

Source: Bloomberg, S&P Capital IQ

## Disclaimer

This document is the property of and has been prepared by JSC Galt & Taggart ("Galt & Taggart"), a member of Bank of Georgia group PLC ("Group") solely for informational purposes and independently of the respective companies mentioned herein. This document does not constitute or form part of, and should not be construed as, an offer or solicitation or invitation of an offer to buy, sell or subscribe for any securities or assets and nothing contained herein shall form the basis of any contract or commitment whatsoever or shall be considered as a recommendation to take any such actions.

Galt & Taggart is authorized to perform professional activities on the Georgian market. The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by Galt & Taggart to inform themselves about and to observe any and all restrictions applicable to them. This document is not directed to, or intended for distribution, directly or indirectly, to, or use by, any person or entity that is a citizen or resident located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

Investments (or any short-term transactions) in emerging markets involve significant risk and volatility and may not be suitable for everyone. The recipients of this document must make their own investment decisions as they believe appropriate based on their specific objectives and financial situation. When doing so, such recipients should be sure to make their own assessment of the risks inherent in emerging market investments, including potential political and economic instability, other political risks including without limitation changes to laws and tariffs, and nationalization of assets, and currency exchange risk.

No representation, warranty or undertaking, express or implied, is or will be made by Galt & Taggart or any other member of the Group or their respective directors, employees, affiliates, advisers or agents or any other person as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of this document and the information contained herein (and whether any information has been omitted from this document) and no reliance should be placed on it. This document should not be considered as a complete description of the markets, industries and/or companies referred to herein. Nothing contained in this document is, is to be construed as, or shall be relied on as legal, investment, business or tax advice, whether relating to the past or the future, by Galt & Taggart any other member of the Group or any of their respective directors, employees, affiliates, advisers or agents in any respect. Recipients are required to make their own independent investigation and appraisal of the matters discussed herein. Any investment decision should be made at the investor's sole discretion. To the extent permitted by law, Galt & Taggart, any other member of the Group and their respective directors, employees, affiliates, advisers and agents disclaim all liability whatsoever (in negligence or otherwise) for any loss or damages however arising, directly or indirectly, from any use of this document or its contents or otherwise arising in connection with this document, or for any act, or failure to act, by any party, on the basis of this document.

The information in this document is subject to verification, completion and change without notice and Galt & Taggart is not under any obligation to update or keep current the information contained herein. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the information since the date hereof or the date upon which this document has been most recently updated, or that the information contained in this document is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. No representation or warranty, expressed or implied, is made by Galt & Taggart or any other member of the Group, or any of their respective directors, employees, affiliates, advisers or agents with respect to the accuracy or completeness of such information.

The information provided and opinions expressed in this document are based on the information available as of the issue date and are solely those of Galt & Taggart as part of its internal research coverage. Opinions, forecasts and estimates contained herein are based on information obtained from third party sources believed to be reliable and in good faith, and may change without notice. Third party publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. Accordingly, undue reliance should not be placed on any such data contained in this document. Neither Galt & Taggart, any other member of the Group, nor their respective directors, employees, affiliates, advisers or agents make any representation or warranty, express or implied, of this document's usefulness in predicting the future performance, or in estimating the current or future value, of any security or asset.

Galt & Taggart does, and seeks to do, and any other member of the Group may or seek to do business with companies covered in its research. As a result, investors should be aware of a potential conflict of interest that may affect the objectivity of the information contained in this document.

Unauthorized copying, distribution, publication or retransmission of all or any part of this document by any medium or in any form for any purpose is strictly prohibited.

The recipients of this document are responsible for protecting against viruses and other destructive items. Receipt of the electronic transmission is at risk of the recipient and it is his/her responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

### **Galt & Taggart**

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

**Tel:** + (995) 32 2401 111

**Email:** gt@gt.ge