



Weekly Market Watch

Weekly Market Watch | Georgia
September 21, 2020

Economy

Money transfers up 25.8% y/y in August 2020

In August 2020, money transfers increased 25.8% y/y to US\$ 184.2mn, after growing 22.1% y/y in the previous month, according to NBG. From major remitting countries, money transfers increased strongly from Italy (+35.9% y/y, 15.2% of total), USA (+45.8% y/y, 12.0% of total) and Greece (+40.1% y/y, 11.2% of total). Meanwhile, remittances declined from Russia (-1.5% y/y, 19.0% of total). Overall, in 8M20 money transfers were up 3.2% y/y to US\$ 1.1bn.

Trade deficit down 27.1% y/y in August 2020

In August 2020, trade deficit narrowed by 27.1% y/y to US\$ 350.8mn according to Geostat's preliminary figures as exports decreased by 7.5% y/y to US\$ 292.4mn and imports fell by 19.3% y/y to US\$ 643.3mn. In 8M20, trade deficit was down 19.3% y/y to US\$ 2.9bn as exports decreased by 14.7% y/y and imports were down 17.5% y/y. Detailed foreign trade statistics will be available on September 21, 2020.

NBG kept its policy rate unchanged at 8.0%

At its meeting on 16 September 2020, NBG's monetary policy committee decided to keep its policy rate unchanged at 8.0%. Based on NBG's forecast, the downward trend of inflation will continue through 1H21. According to NBG, expected change in inflation is largely driven by weak demand. However, the committee took into consideration the risks of inflation expectation associated with the increased volatility in FX markets and the potential supply-side risks. The next committee meeting is scheduled for 28 October 2020.

NBG sold US\$ 40mn

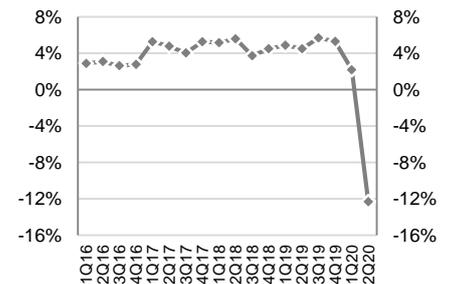
On 16 September 2020, the NBG intervened on the FX market and sold US\$ 40mn to limit GEL volatility. This was 13th FX intervention YTD for a total sale of US\$ 409.7mn through FX auctions.

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

 BB Stable Affirmed Aug-2020	 Ba2 Stable Affirmed Mar-2020	 BB Negative Affirmed Aug-2020
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Source: Rating agencies



Money market

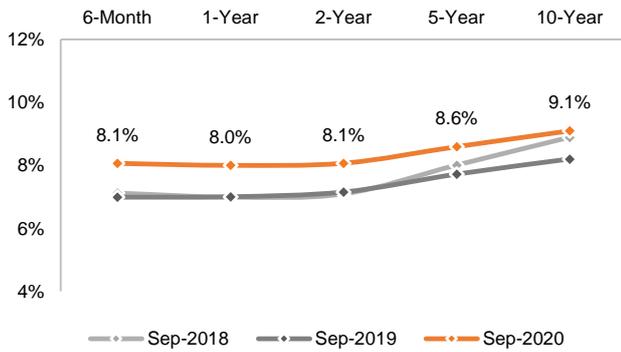
There were no treasury securities auction last week. The nearest treasury securities auction is scheduled for September 22, 2020, where GEL 80.0mn nominal value 5-year Benchmark Bonds will be sold.

T-bills / T-notes in 2020

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	290	60	180
1-year	510	150	680
2-year	630	210	1,250
5-year	640	320	1,928
10-year	110	40	1,197
Total	2,200	780	5,235

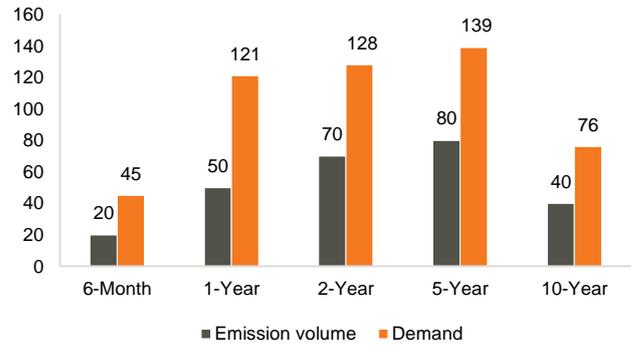
Source: MoF
Note: * As of 31 August 2020

T-bills / T-notes, yield curve



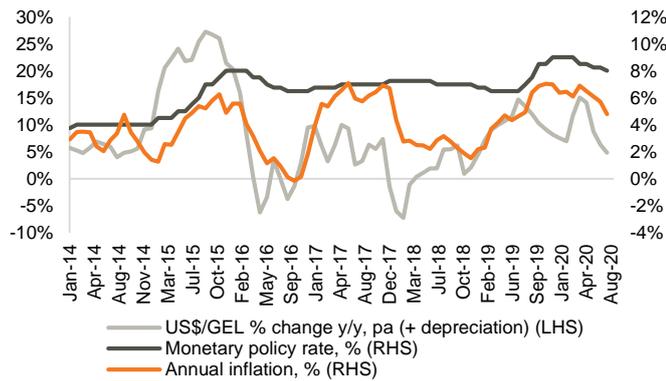
Source: NBG

Emission volume vs. demand on latest T-bill01s / T-notes auctions, GEL mn



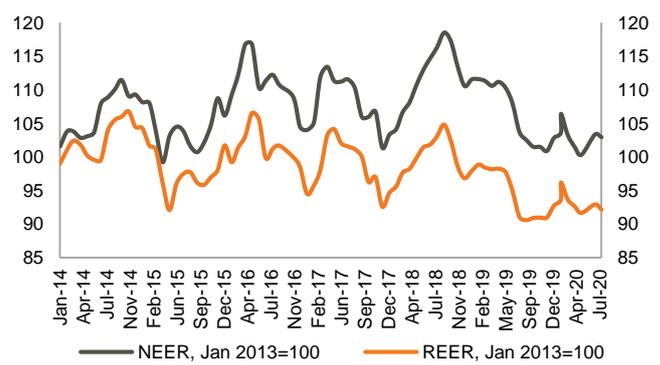
Source: NBG

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



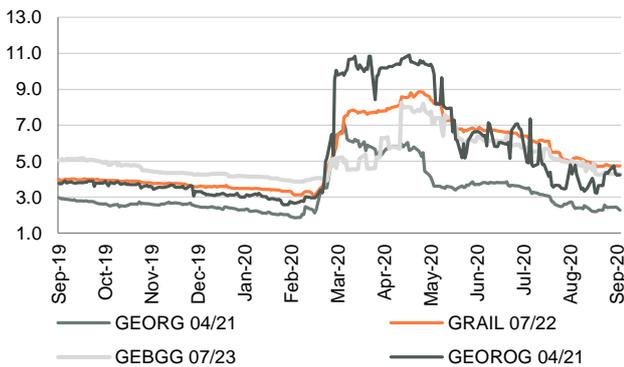
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 4.29% yield, trading at 104.54 (-0.01% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 96.25 (+0.19% w/w), yielding 7.37%.

GOGC Eurobonds (GEOROG) were trading at 101.45 (+0.10% w/w), yielding 4.24%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 105.14 (-0.03% w/w), yielding 4.74%.

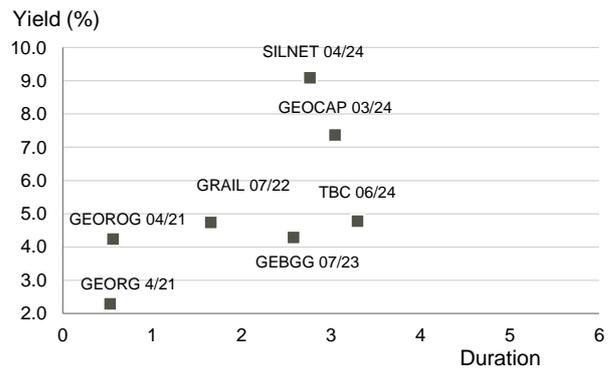
Georgian Sovereign Eurobonds (GEORG) closed at 102.52 (unchanged w/w) at 2.29% yield to maturity.

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	102.52	2.29	203.75
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	105.14	4.74	443.60
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/BB/-	101.45	4.24	411.65
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/Ba2	104.54	4.29	410.51
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	101.94	9.48	1,022.05
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B/B2	96.25	7.37	712.82
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	105.66	9.09	883.27
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/Ba2	103.29	4.78	451.18
TBC PERP	US\$	125	10.775%	n/a	B-/-	102.52	9.61	989.81
GGU 07/25	US\$	250	7.750%	Jul-25	-/B/-	101.07	7.48	715.29

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	-/-	99.40	8.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-	97.07	8.00	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	-/-	99.08	7.75	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	-/-	99.78	7.75	n/a
GLC 08/22	US\$	10	7.50%	Aug-22	-/-	100.45	7.25	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 (Fitch/S&P/Moody)	Mid price	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	Apr-21	BB/BB/Ba2	102.52	2.29	203.75
Armenia	US\$	500	6.000%	Sep-20	BB-/-/Ba3	99.92	9.49	1,361.45
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	101.13	1.61	136.65
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	99.65	7.03	673.31
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	110.14	1.30	100.23
Russia	US\$	3,000	4.875%	Sep-23	BBB/BBB-/Baa3	110.21	1.37	111.70
Turkey	US\$	2,000	5.625%	Mar-21	BB-/-/B1	101.04	3.59	325.42
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	103.49	3.93	362.96

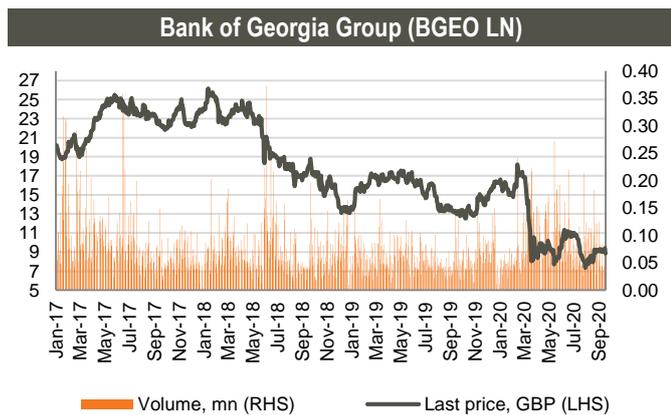
Source: Bloomberg

Equities

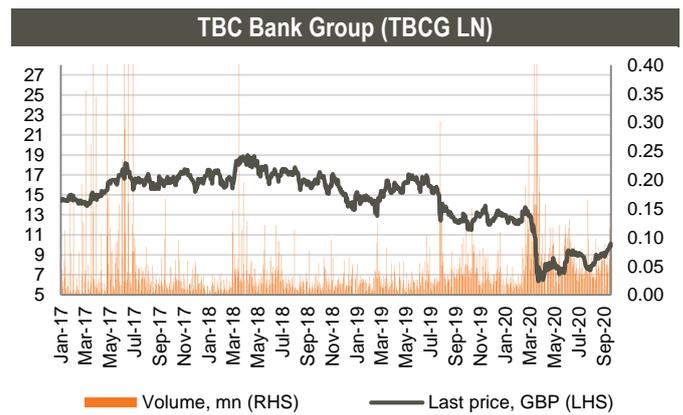
Bank of Georgia Group (BGEO LN) shares closed at GBP 8.85/share (-2.32% w/w and +11.60% m/m). More than 1.2mn shares traded in the range of GBP 8.85 - 9.52/share. Average daily traded volume was 117k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.08% w/w and lost 0.30% m/m. The volume of BGEO shares traded was at 2.54% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 3.63/share (+0.83% w/w and -4.22% m/m). More than 1.5mn shares traded in the range of GBP 3.50 - 3.74/share. Average daily traded volume was 140k in the last 4 weeks. The volume of CGEO shares traded was at 4.33% of its capitalization.

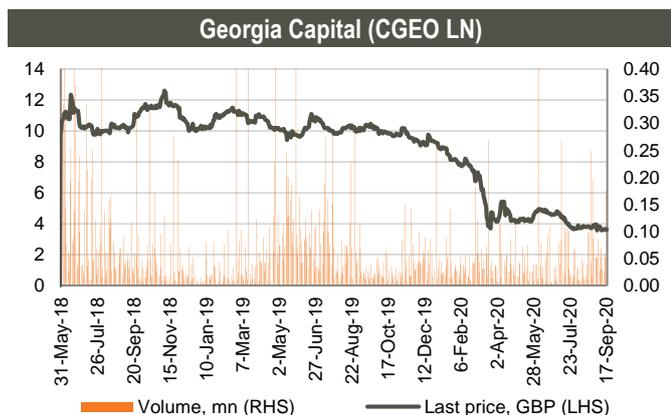
TBC Bank Group (TBCG LN) closed the week at GBP 10.14/share (+6.74% w/w and +16.42% m/m). More than 469k shares changed hands in the range of GBP 9.32 - 10.16/share. Average daily traded volume was 66k in the last 4 weeks. The volume of TBCG shares traded was at 0.85% of its capitalization.



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	8.85	435	6.4%	-32.2%	-45.5%	3.57x	7.29x	0.78x	0.73x
TBC	TBC	GBP	10.14	558	11.1%	-17.7%	-22.0%	4.14x	6.97x	0.80x	0.81x
Halyk Bank	HSBK	US\$	11.35	3,335	51.3%	-14.7%	-15.0%	3.97x	4.51x	0.95x	0.91x
VTB Bank	VTBR	US\$	0.88	5,712	24.3%	-33.3%	-39.7%	2.18x	4.45x	0.33x	0.33x
Akbank	AKBNK	TRY	4.87	25,324	-16.9%	-36.1%	-40.0%	5.24x	5.83x	0.54x	0.59x
Garanti	GARAN	TRY	6.66	27,972	-16.8%	-29.7%	-40.2%	4.84x	5.40x	0.57x	0.63x
Isbank	ISCTR	TRY	4.97	22,365	-0.6%	-17.2%	-22.5%	4.29x	4.89x	0.45x	0.48x
PKO	PKO	PLN	21.41	26,763	2.0%	-48.1%	-37.9%	6.25x	10.41x	0.64x	0.59x
PEKAO	PEO	PLN	50.52	13,260	-4.2%	-52.3%	-49.7%	5.96x	12.53x	0.56x	0.53x
Millennium	MIL	PLN	2.83	3,433	-22.6%	-55.0%	-51.6%	4.58x	12.65x	0.37x	0.37x
Mbank	MBK	PLN	182.60	7,731	-24.5%	-43.2%	-53.1%	6.15x	15.18x	0.47x	0.44x
BRD	BRD	RON	12.86	8,962	12.8%	-6.1%	-18.8%	5.89x	11.88x	1.14x	0.99x
Banca Transilvania	TLV	RON	2.46	12,831	42.2%	3.6%	-5.2%	7.04x	14.65x	1.45x	1.55x
OTP	OTPD	USD	22.80	12,768	0.0%	7.5%	7.5%	9.60x	14.05x	0.82x	0.74x
Komercni	KOMB	CZK	494.50	93,979	1.8%	-39.0%	-40.4%	6.23x	12.27x	0.89x	0.82x
Mean								5.33x	9.53x	0.72x	0.70x
Median								5.24x	10.41x	0.64x	0.63x

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	3.63	133	-15.8%	-64.6%	-60.6%	5.09x	n/a	0.36x	n/a
Tinc Comm	TINC	EUR	13.30	363	16.7%	0.2%	-0.4%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	7.77	15,854	5.6%	-16.7%	-18.6%	4.66x	4.83x	0.54x	0.59x
Deutsche Beteiligungs	DBAN	EUR	31.75	478	32.6%	0.5%	-19.5%	11.86x	nmf	1.06x	1.03x
Eurazeo	RF	EUR	47.34	3,729	17.5%	-24.8%	-22.4%	11.68x	26.27x	0.70x	0.64x
Carlyle Group	CG	USD	24.73	2,737	44.8%	-5.3%	-22.9%	14.27x	4.38x	1.53x	3.50x
Mean								9.51x	11.82x	0.84x	1.44x
Median								11.68x	4.83x	0.70x	0.84x

Source: Bloomberg, S&P Capital IQ



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