



Weekly Market Watch

Weekly Market Watch | Georgia
September 9, 2019

Economy

NBG increases its policy rate by 50bps to 7.0%

At its meeting on September 4, 2019, NBG's monetary policy committee increased the policy rate by 50bps to 7.0%, first rate hike since December 2017. This decision was guided by increased inflation expectations related to GEL depreciation. The annual growth in consumer prices came in at 4.9% in August 2019. NBG cited that increased tobacco excises remain one of the major contributors to high inflation (0.8ppts), while the pass through of the exchange rate depreciation to inflation also increased recently. Meanwhile, demand-side pressure on inflation is limited as core inflation which excludes food, energy and tobacco prices, is still low at 2.4%. Being committed to price stability, NBG expressed readiness to further continue policy tightening until the pressure from exchange rate recedes. According to NBG, the inflation will remain above the 3.0% target during this year, will start to decline from March 2020 and stay close to target in the medium term. Regulator also expects further improvement in CA deficit on the back of improved external balance despite Russia's direct flight ban and related tourism weakness. Next monetary committee meeting will take place on 23 October 2019. If necessary, the committee will consider the possibility of extraordinary meeting.

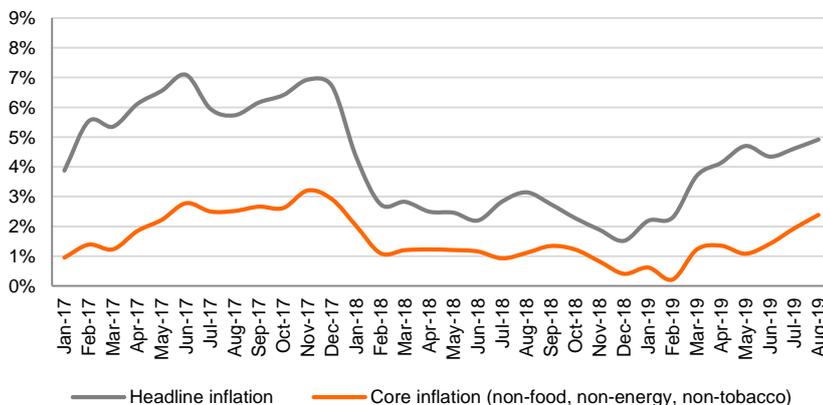
Annual inflation was 4.9% in August 2019

Annual CPI inflation was 4.9% in August 2019 up from 4.6% in previous month, according to Geostat. Core inflation (non-food, non-energy, non-tobacco) was 2.4% in August 2019 up from 1.9% in previous month. Annual price changes were driven by price increases in food and non-alcoholic beverages (+8.0% y/y, +2.38ppts), alcoholic beverages and tobacco (+13.8% y/y, +0.92ppts) and transport (+4.4% y/y, +0.53ppts) categories. Meanwhile, prices were down in clothing and footwear (-6.9% y/y) and communication (-2.4% y/y) categories.

International reserves up 27.0% y/y in August 2019

Gross international reserves were up 27.0% y/y to US\$ 3.7bn in August 2019 according to NBG. On a monthly basis reserves also increased by 0.6%. There was one FX intervention in August, where NBG sold US\$ 32.8mn to curb GEL depreciation. Change in reserves was attributed to government and banking sector FX operations and/or asset revaluation.

Annual Inflation



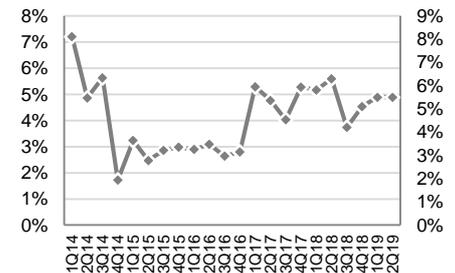
Source: NBG

Key macro indicators

	2016	2017	2018
GDP (% change)	2.8%	4.8%	4.7%
GDP per capita (ppp)	9,991	10,679	11,485
GDP per capita (US\$)	3,857	4,047	4,346
Population (mn)	3.7	3.7	3.7
Inflation (eop)	1.8%	6.7%	1.5%
Gross reserves (US\$ bn)	2.8	3.0	3.3
CAD (% of GDP)	13.1%	8.8%	7.7%
Fiscal deficit (% of GDP)	3.0%	2.9%	2.5%
Total public debt (% of GDP)	44.4%	44.8%	45.0%

Source: Official data, IMF, G&T

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 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

 BB- Positive Affirmed Apr-2019	 Ba2 Stable Affirmed Mar-2019	 BB Stable Affirmed Aug-2019
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Source: Rating agencies

Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1.7bn (US\$ 559.7mn).

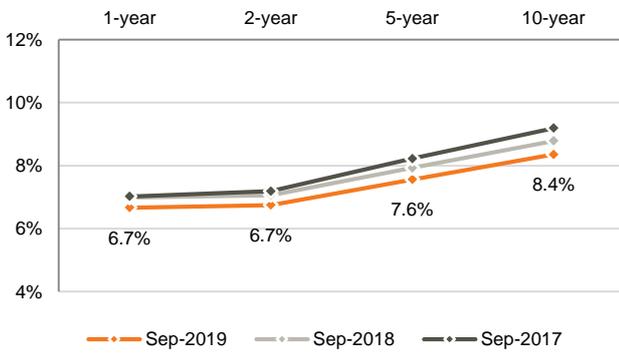
Ministry of Finance Treasury Bills: 1-year GEL 40.0mn (US\$ 13.5mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on September 3, 2019. The weighted average yield was fixed at 7.055%.

T-bills / T-notes, Sep-19 emission calendar

Date	Volume, GEL mn	Maturity
10-Sep-19	20	6 month
10-Sep-19	60	2 year
24-Sep-19	50	5 year

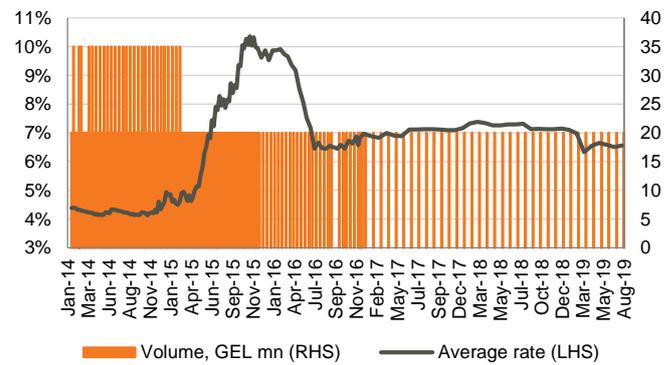
Source: MoF

T-bills / T-notes, yield curve



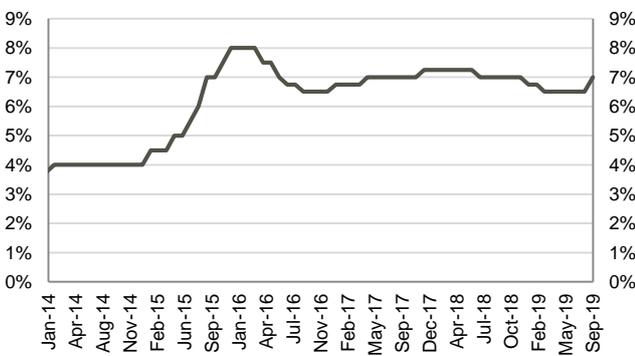
Source: NBG

Certificates of Deposits (weighted average rate)



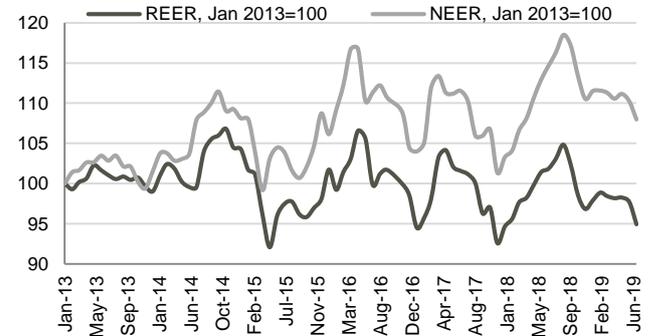
Source: NBG

Monetary policy 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

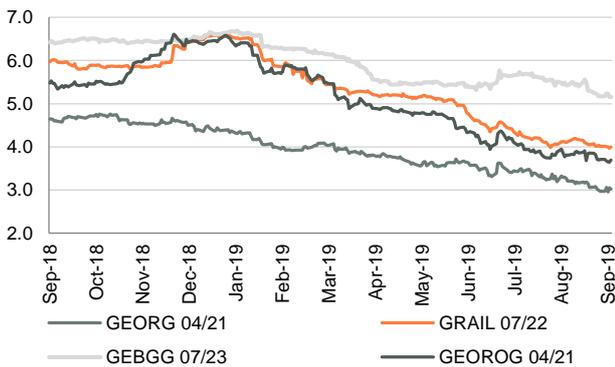
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 5.16% yield, trading at 102.93 (+0.05% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 94.34 (-0.50% w/w), yielding 7.63%.

GOGC Eurobonds (GEOROG) were trading at 104.78 (-0.03% w/w), yielding 3.70%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 109.97 (unchanged w/w), yielding 4.00%.

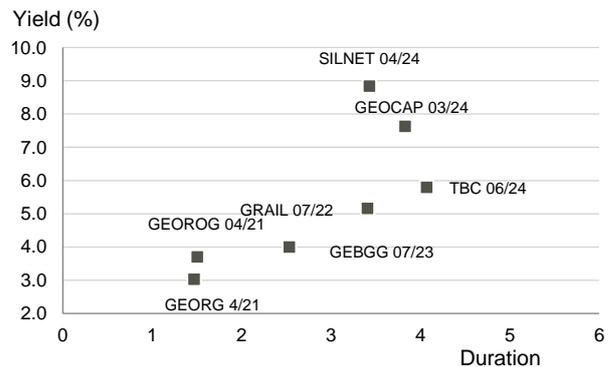
Georgian Sovereign Eurobonds (GEORG) closed at 105.93 (-0.13% w/w) at 3.02% yield to maturity.

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	105.93	3.02	140.14
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	109.97	4.00	250.05
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB-/B+/-	104.78	3.70	204.28
GEBGG 06/20	GEL	500	11.000%	Jun-20	BB-/B/Ba2	n/a	n/a	n/a
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/B/Ba2	102.93	5.16	376.58
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/B-	103.66	10.10	871.53
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B+/B2	94.34	7.63	625.19
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	107.94	8.84	744.32
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B/Ba2	99.82	5.79	440.57
TBC PERP	US\$	125	10.775%	n/a	B-/B-	101.63	10.42	893.76

Georgian local bonds performance

GWP 12/21	GEL	30	10.00%	Dec-21	BB-/B/B-	n/a	n/a	n/a
M2RE 10/19	US\$	25	7.50%	Oct-19	-/-/-	n/a	n/a	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	101.06	7.00	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	B+/-/-	100.47	6.50	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	B+/-/-	98.54	7.38	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	B+/-/-	100.33	7.38	n/a
CRYSTAL 12/19	GEL	10	11.00%	Dec-19	B/-/-	100.08	10.75	n/a
CRYSTAL 02/21	GEL	15	10.50%	Feb-21	B/-/-	99.68	10.75	n/a
Nikora Trade 08/21	GEL	25	10.50%	Aug-21	-/-/B+	n/a	n/a	n/a
SILKNET 08/22	GEL	34	10.00%	Aug-22	B+/-/B1/-	n/a	n/a	n/a
Geo. Beer Company	GEL	25	10.50%	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	12.75%	Sep-21	B/-/-	100.00	13.00	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	105.93	3.02	140.14
Armenia	US\$	500	6.000%	Sep-20	B+/-/Ba3	102.58	3.49	174.40
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	99.51	3.08	152.45
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	107.56	4.50	308.99
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	107.32	2.34	97.45
Russia	US\$	3,500	5.000%	Apr-20	BBB/BBB-/Baa3	101.88	2.01	6.37
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	102.11	4.21	261.41
Ukraine	US\$	1,409	7.750%	Sep-21	B/B-/Caa1	105.05	5.03	348.34

Source: Bloomberg

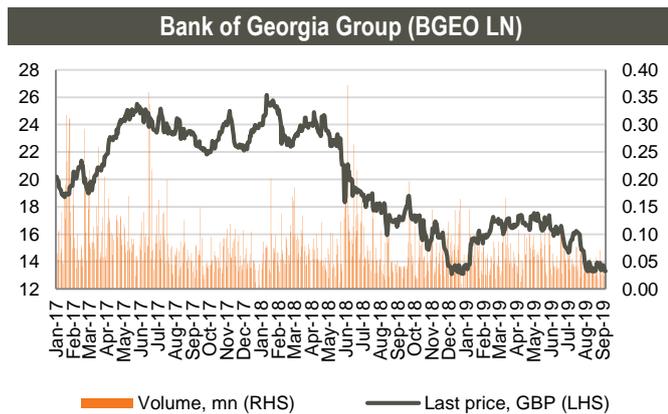
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 13.30/share (-2.28% w/w and unchanged m/m). More than 166k shares traded in the range of GBP 13.11 - 13.95/share. Average daily traded volume was 38k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained +1.61% w/w and +4.56% m/m. The volume of BGEO shares traded was at 0.34% of its capitalization.

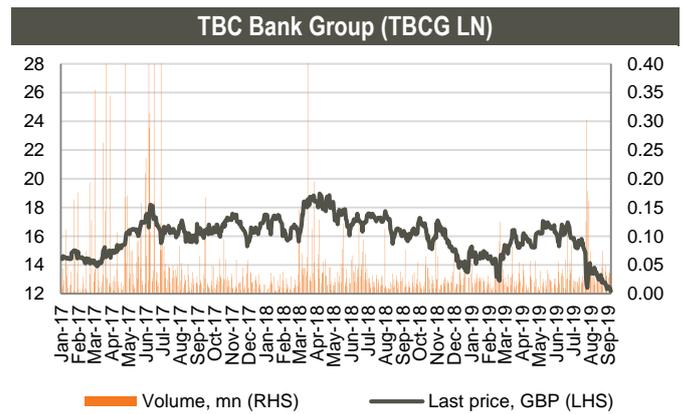
Georgia Capital (CGEO LN) shares closed at GBP 10.14/share (+1.60% w/w and +2.42% m/m). More than 238k shares traded in the range of GBP 9.93 - 10.24/share. Average daily traded volume was 75k in the last 4 weeks. The volume of CGEO shares traded was at 0.65% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 12.20/share (-0.97% w/w and -8.82% m/m). More than 173k shares changed hands in the range of GBP 12.10 - 12.76/share. Average daily traded volume was 36k in the last 4 weeks. The volume of TBCG shares traded was at 0.32% of its capitalization.

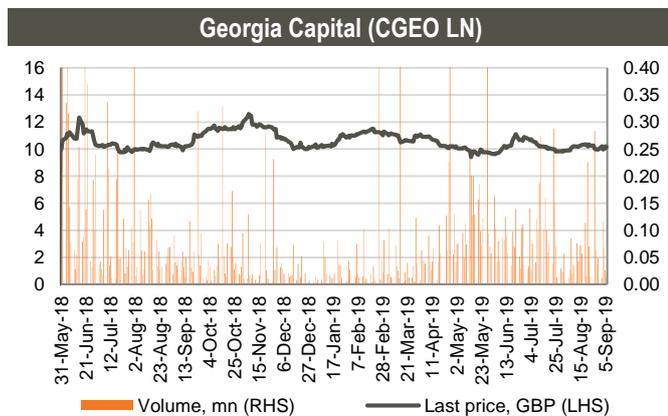
Georgia Healthcare Group (GHG LN) shares closed at GBP 2.04/share (-10.13% w/w and -12.45% m/m). More than 65k shares were traded in the range of GBP 1.92 - 2.30/share. Average daily traded volume was 11k in the last 4 weeks. The volume of GHG shares traded was at 0.05% of its capitalization.



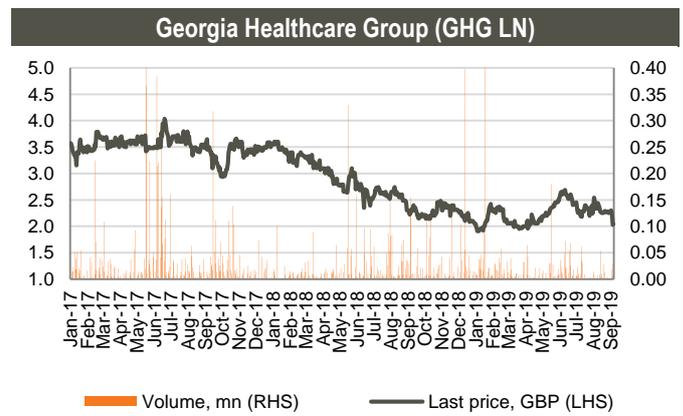
Source: Bloomberg



Source: Bloomberg



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Source: Bloomberg



Equities, continued

Eastern European banks

Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	P/E		P/B		
							2019F	2020F	2019F	2020F	
Bank of Georgia	BGEO	GBP	13.30	654	-19.2%	-22.7%	-3.4%	5.30x	4.67x	1.09x	0.94x
TBC	TBC	GBP	12.20	671	-19.1%	-24.5%	-19.8%	4.85x	4.43x	0.90x	0.78x
Halyk Bank	HSBK	US\$	13.40	3,938	17.5%	25.8%	29.5%	4.97x	4.89x	1.11x	1.05x
VTB Bank	VTBR	US\$	1.29	8,327	12.2%	5.3%	16.0%	3.86x	3.31x	0.63x	0.43x
Akbank	AKBNK	TRY	7.14	37,128	6.4%	48.6%	21.3%	6.83x	4.97x	0.72x	0.64x
Garanti	GARAN	TRY	9.16	38,472	3.7%	52.4%	15.1%	5.76x	4.34x	0.71x	0.64x
Isbank	ISCTR	TRY	5.83	26,235	-3.2%	46.5%	28.7%	4.43x	3.58x	0.48x	0.42x
PKO	PKO	PLN	39.58	49,475	3.7%	-5.1%	0.3%	11.07x	10.87x	1.19x	1.14x
PEKAO	PEO	PLN	101.30	26,588	-8.7%	-10.0%	-7.1%	11.59x	10.00x	1.13x	1.09x
Millennium	MIL	PLN	6.52	7,903	-27.5%	-25.1%	-26.6%	9.62x	7.90x	0.87x	0.80x
Mbank	MBK	PLN	310.60	13,150	-29.4%	-25.7%	-26.8%	10.71x	9.40x	0.80x	0.76x
BRD	BRD	RON	13.42	9,352	6.2%	-4.3%	17.7%	8.50x	8.77x	1.19x	1.20x
Banca Transilvania	TLV	RON	2.37	12,336	23.5%	8.8%	27.8%	8.14x	8.69x	1.48x	1.40x
OTP	OTPD	USD	21.20	11,872	6.5%	19.8%	8.2%	9.45x	9.39x	0.81x	0.71x
Komercni	KOMB	CZK	821.00	156,030	-14.7%	-7.1%	-3.1%	10.64x	10.69x	1.47x	1.38x
Mean								7.71x	7.06x	0.97x	0.89x
Median								8.14x	7.90x	0.90x	0.80x

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		
							2019F	2020F	2019F	2020F	
Georgia Capital	CGEO	GBP	10.14	372	-8.8%	-0.8%	-0.7%	14.05x	11.01x	1.03x	0.96x
Tinc Comm	TINC	EUR	13.60	371	12.4%	12.9%	15.3%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	8.68	17,711	-0.3%	22.6%	15.4%	4.34x	3.53x	0.51x	0.46x
Deutsche Beteiligungs	DBAN	EUR	31.50	474	-7.8%	-13.8%	-6.1%	23.66x	11.48x	1.06x	1.00x
Eurazeo	RF	EUR	62.10	4,891	-1.8%	0.9%	5.5%	12.92x	11.48x	0.88x	0.84x
Carlyle Group	CG	USD	24.54	2,716	36.6%	10.2%	55.8%	6.52x	3.72x	2.54x	1.91x
Mean								12.30x	8.24x	1.20x	1.03x
Median								12.92x	11.01x	1.03x	0.96x

Source: Bloomberg, S&P Capital IQ

Healthcare sector companies

Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	P/E		EV/EBITDA		
							2019F	2020F	2019F	2020F	
GHG	GHG	GBP	2.04	269	-0.5%	-9.3%	0.0%	18.09x	12.80x	7.54x	6.41x
Mouwasset	MOUWASAT	SAR	84.00	8,400	10.1%	3.6%	4.3%	21.80x	18.26x	15.65x	13.34x
Fortis	FORH	INR	126.95	95,842	-5.3%	-12.9%	-9.6%	1.60x	1.46x	6.87x	6.85x
Raffles	RFMD	SGD	0.96	1,746	-14.0%	-14.0%	-13.2%	28.96x	28.24x	18.53x	17.31x
IHH	IHH	MYR	5.80	50,889	-0.7%	5.6%	7.6%	47.36x	38.77x	17.85x	15.30x
Bangkok Chain	BCH	THB	16.20	40,399	3.2%	-14.7%	-3.0%	33.82x	29.65x	18.51x	16.41x
Netcare	NTC	ZAR	16.49	23,941	-35.7%	-41.7%	-37.6%	10.83x	10.53x	6.78x	6.52x
Life Healthcare	LHC	ZAR	23.40	34,336	-14.0%	-10.0%	-11.4%	19.53x	14.85x	8.15x	7.39x
Mediclinic	MDC	GBP	3.54	2,610	7.6%	-27.0%	9.8%	12.36x	13.62x	8.59x	8.43x
Apollo Hospitals	APHS	INR	1,500.20	208,716	25.8%	34.2%	19.2%	73.48x	57.88x	22.65x	17.53x
KPJ Healthcare	KPJ	MYR	0.90	3,856	-13.5%	-19.6%	-13.5%	20.53x	19.06x	10.01x	9.63x
NMC	NMC	GBP	27.66	5,775	-7.8%	-24.0%	1.1%	21.83x	17.22x	14.54x	11.13x
Mean								25.85x	21.86x	12.97x	11.35x
Median								21.17x	17.74x	12.27x	10.38x

Source: Bloomberg, S&P Capital IQ

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