



Weekly Market Watch

Weekly Market Watch | Georgia
Dec 17, 2018

Economy

Trade deficit down in November 2018

Exports increased 19.6% y/y to US\$ 283.3mn in November 2018, while imports were down 3.1% y/y to US\$ 738.0mn and the trade deficit decreased by 13.3% y/y to US\$ 454.7mn, according to GeoStat's preliminary figures. In 11M18, trade deficit was up 13.3% y/y to US\$ 5.3bn as exports increased by 24.0% y/y to US\$ 3.0bn and imports were up 16.8% y/y to US\$ 8.3bn. Detailed foreign trade statistics will be available on December 19, 2018.

Money transfers up 9.0% y/y in November 2018

Money transfers increased 9.0% y/y to US\$ 133.1mn in November 2018, after growing 11.6% y/y in the previous month, according to NBG. From major remitting countries, money transfers were up from Italy (+28.3% y/y, 12.4% of total), Greece (+17.3% y/y, 11.0% of total), USA (+13.2% y/y, 9.8% of total) and Israel (+13.7% y/y, 9.8% of total), while remittances were down from Russia (-3.4% y/y, 28.4% of total) and Turkey (-20.5% y/y, 5.7% of total). Overall, in 11M18 money transfers were up 14.9% y/y to US\$ 1.4bn.

FDI down in 3Q18

FDI decreased by 48.2% y/y to US\$ 322.6mn in 3Q18, according to GeoStat's preliminary figures. Completion stage of PB gas pipeline construction, ownership transfer from non-resident to resident units and reduction of liabilities to non-resident direct investors were main reasons behind the FDI drop. The manufacturing sector was the largest FDI recipient at US\$ 56.5mn (+28.5% y/y), followed by transport and communication sector at US\$ 54.5mn (-68.4% y/y), energy sector at US\$ 46.3mn (-49.9% y/y), real estate at US\$ 38.4mn (+20.7% y/y) and hotels and restaurants at US\$ 36.0mn (+21.3% y/y). Netherlands topped the list of investors with US\$ 49.7mn (-40.8% y/y), followed by South Korea at US\$ 40.2mn (+161.2% y/y), Azerbaijan at US\$ 33.1mn (-78.0% y/y) and Turkey at US\$ 32.1mn (-77.2% y/y).

NBG purchased US\$ 25.0mn

On 10 and 12 December 2018, the NBG intervened on the FX market and purchased US\$ 10.0mn and US\$ 15.0mn, respectively. Overall, during Apr-Dec 2018, the NBG purchased US\$ 162.5mn on its 15 FX auctions.

Key macro indicators

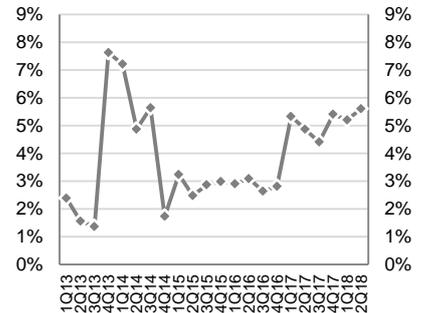
	11M18	2017	2016
GDP (% change)	5.1% ⁽¹⁾	4.8%	2.8%
GDP per capita (ppp)	...	10,742	10,065
GDP per capita (US\$)	...	4,047	3,857
Population (mn)	3.7	3.7	3.7
Inflation (eop)	1.9%	6.7%	1.8%
Gross reserves (US\$ bn)	3.1	3.0	2.8
CAD (% of GDP)	10.3% ⁽²⁾	8.8%	13.1%
Fiscal deficit (% of GDP)	...	2.9%	3.0%
Total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

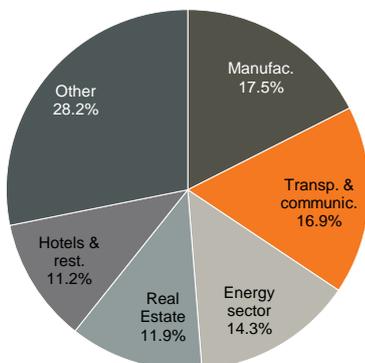
Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

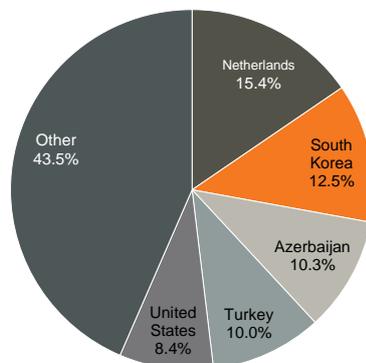
 BB- Stable Affirmed May-2018	 Ba2 Stable Affirmed Sep-2018	 BB- Positive Affirmed Aug-2018
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Source: Rating agencies

FDI by sector, 3Q18



FDI by country, 3Q18



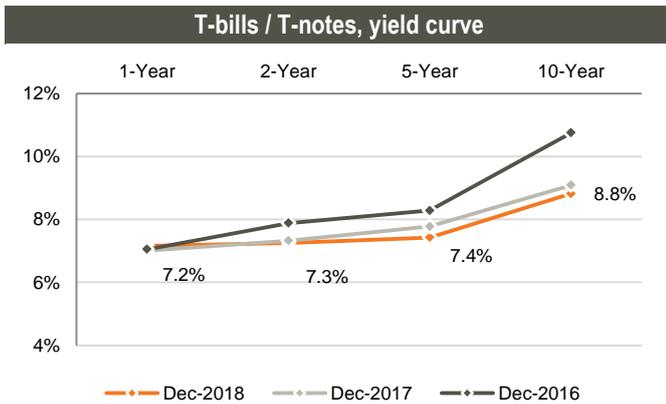
Source: GeoStat

Money market

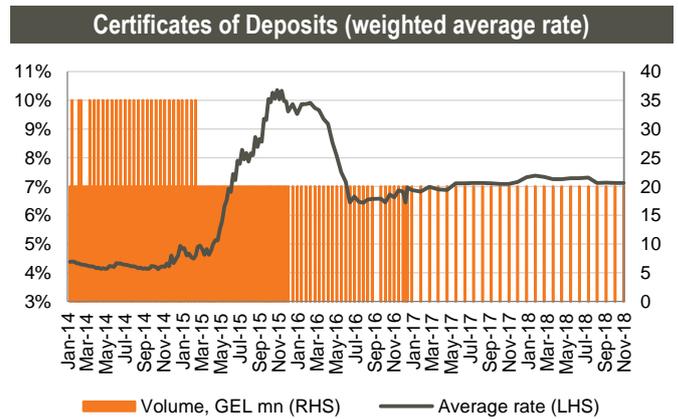
Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,570mn (US\$ 590.4mn).

Ministry of Finance Benchmark Bonds: 2-year GEL 40.0mn (US\$ 15.0mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on December 12, 2018. The weighted average yield was fixed at 7.253%. The nearest treasury security auction is scheduled for December 26, 2018, where GEL 30.0mn nominal value 5-year Benchmark Bonds will be sold.

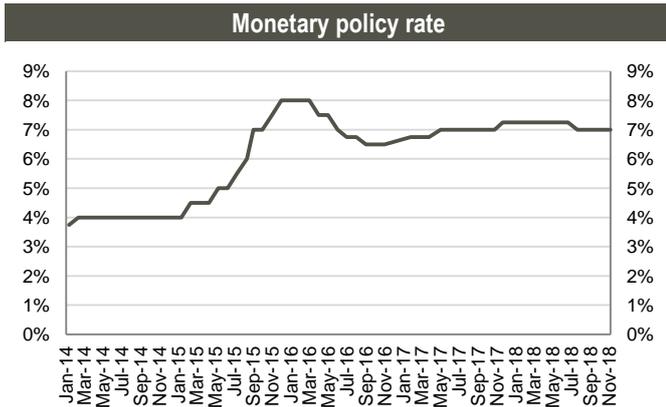
Ministry of Finance T-Bills: 182-days GEL 20.0mn (US\$ 7.5mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on December 12, 2018. The weighted average yield was fixed at 7.018%.



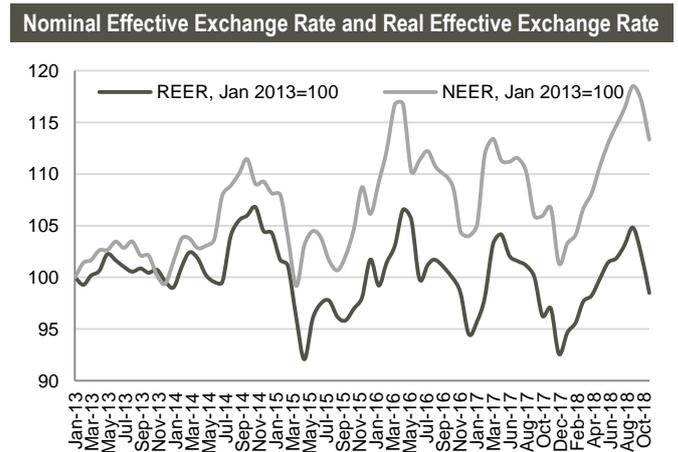
Source: NBG



Source: NBG



Source: NBG



Source: NBG

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

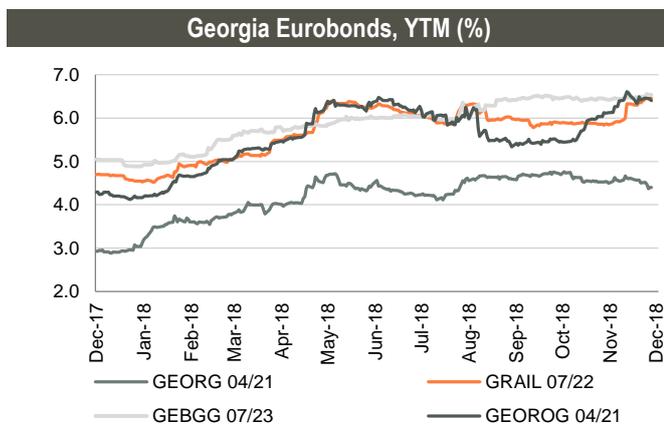


Fixed income

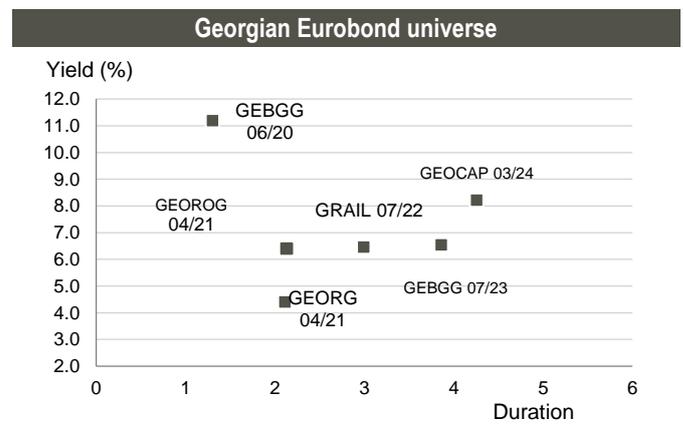
Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 6.5% yield, trading at 97.9 (-0.2% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 99.8 (unchanged w/w), yielding 11.2%. Georgia Capital Eurobonds (GEOCAP) were trading at 91.3 (-0.5% w/w), yielding 8.2%.

GOGC Eurobonds (GEOROG) were trading at 100.7 (+0.1% w/w), yielding 6.4%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 104.1 (-0.1% w/w), yielding 6.5%.

Georgian Sovereign Eurobonds (GEORG) closed at 105.4 (+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	105.39	4.40	153.02
GRAIL 07/22	500	7.750%	18/07/2022	B+/B+/-	104.05	6.46	361.58
GEOROG 04/21	250	6.750%	18/04/2021	BB-/B+/-	100.74	6.40	353.54
GEBGG 06/20	500*	11.000%	18/06/2020	BB-/Ba2	99.75	11.18	n/a
GEBGG 07/23	350	6.000%	18/07/2023	BB-/B2	97.89	6.54	370.49
GEOCAP 03/24	300	6.125%	18/03/2024	-B+/B2	91.28	8.21	537.27

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	105.4	4.4	153.0
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba2	100.9	4.6	172.5
Bulgaria	323	5.000%	19/07/2021	BBB-/-	112.8	0.0	n/a
Croatia	1,250	3.875%	30/05/2022	BB+/BB+/Ba2	110.5	0.8	74.1
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	105.6	3.8	93.8
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	107.4	4.2	134.8
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	101.6	3.8	88.8
Turkey	2,000	5.625%	30/03/2021	BB+/-/Ba2	99.4	5.9	304.8

Source: Bloomberg

Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 13.47/share (-0.46% w/w and -15.56% m/m). More than 388k shares traded in the range of GBP 13.06 – 14.03/share. Average daily traded volume was 74k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 0.94% w/w and lost 6.52% m/m. The volume of BGEO shares traded was at 0.79% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 10.00/share (-6.96% w/w and -14.56% m/m). More than 126k shares traded in the range of GBP 10.00 – 10.80/share. Average daily traded volume was 46 in the last 4 weeks. The volume of CGEO shares traded was at 0.33% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 14.06 (-4.22% w/w and -14.79% m/m). More than 157k shares changed hands in the range of GBP 13.68 – 14.52/share. Average daily traded volume was 24k in the last 4 weeks. The volume of TBCG shares traded was at 0.29% of its capitalization.

Georgia Healthcare Group (GHG LN) shares closed at GBP 2.20/share (unchanged w/w and -7.56% m/m). More than 490k shares were traded in the range of GBP 2.10 – 2.23/share. Average daily traded volume was 52k in the last 4 weeks. The volume of GHG shares traded was at 0.37% 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	13.468*	832	-15.6%	-24.1%	-30.8%	-44.0%	-42.6%
TBC	TBC	14.06*	958	-14.8%	-11.8%	-18.0%	-19.7%	-14.6%
Halyk Bank	HSBK	10.40	3,056	-5.0%	2.0%	-11.9%	5.3%	7.5%
VTB Bank	VTBR	1.19	7,679	-7.5%	-7.5%	-15.4%	-35.2%	-35.2%
Vozrozhdenie	VZRZ	7.11	169	1.6%	11.0%	11.1%	-18.3%	-28.4%
Sberbank	SBER	10.99	59,310	-8.8%	-4.0%	-22.6%	-35.1%	-35.0%

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	10.002*	479	-14.6%	-1.9%	N/A	N/A	N/A
Creades	CREDA	28.68	235	-3.5%	-0.4%	-10.4%	-21.3%	-18.7%
CIE du Bois	COMB	421.30	710	-5.1%	-11.1%	-9.2%	-2.0%	1.6%
Tinc Comm	TINC	13.27	362	-3.3%	-8.8%	-6.5%	-12.1%	-8.8%
Edify	EDIFY	59.86	291	-4.5%	-15.0%	-14.9%	-12.7%	-4.2%

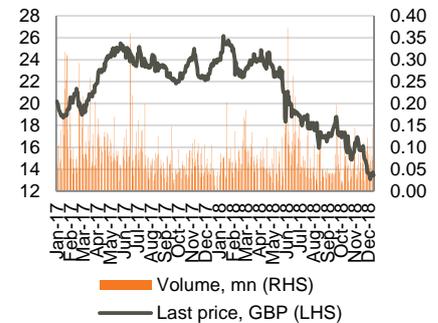
Source: Bloomberg
*CGEO share price traded and shown in GBP

Healthcare Sector Peers

Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
GHG	GHG	2.2*	364	-7.6%	-6.6%	-6.4%	-38.0%	-36.0%
Mouwasat	MOUWASAT	22.31	2,231	13.0%	4.7%	-10.7%	10.5%	8.3%
Fortis	FORH	1.97	1,022	1.1%	-2.2%	-2.5%	-21.7%	-6.4%
Raffles	RFMD	0.84	1,501	7.6%	2.4%	8.8%	-0.3%	7.1%
IHH	IHH	1.29	11,303	17.4%	0.8%	-15.8%	-10.7%	-7.8%
Bangkok Chain	BCH	0.56	1,405	1.0%	-4.1%	12.0%	13.3%	15.2%
Netcare	NTC	1.80	2,641	5.0%	-3.0%	-17.2%	-11.5%	7.0%

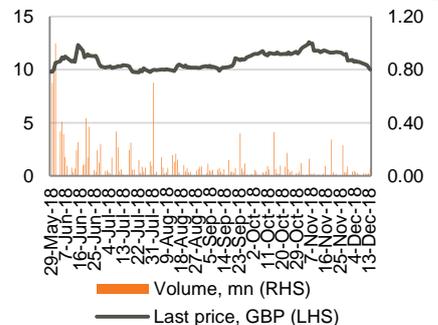
Source: Bloomberg
*GHG share price traded and shown in GBP

Bank of Georgia Group (BGEO LN)



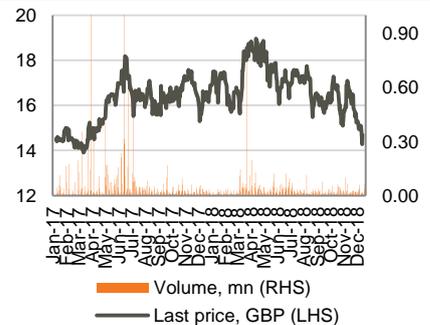
Source: Bloomberg

Georgia Capital (CGEO LN)



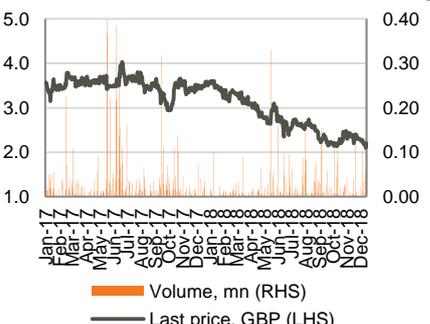
Source: Bloomberg

TBC Bank Group (TBCG LN)



Source: Bloomberg

Georgia Healthcare Group (GHG LN)



Source: Bloomberg

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Galt & Taggart

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

Tel: + (995) 32 2401 111

Email: gt@gt.ge