



Weekly Market Watch

Weekly Market Watch | Georgia
August 17, 2020

Economy

Money transfers up 22.1% y/y in July 2020

In July 2020, money transfers increased 22.1% y/y to US\$ 188.7mn, after growing 17.8% y/y in the previous month, according to NBG. From major remitting countries, money transfers were up from Russia (+3.6% y/y, 21.4% of total), Italy (+34.4% y/y, 14.9% of total), USA (+40.6% y/y, 11.9% of total) and Greece (+19.2% y/y, 10.7% of total). Meanwhile, remittances declined from Israel (-1.9% y/y, 7.5% of total). Overall, in 7M20 money transfers were almost flat, down just 0.3% y/y to US\$ 957.7mn.

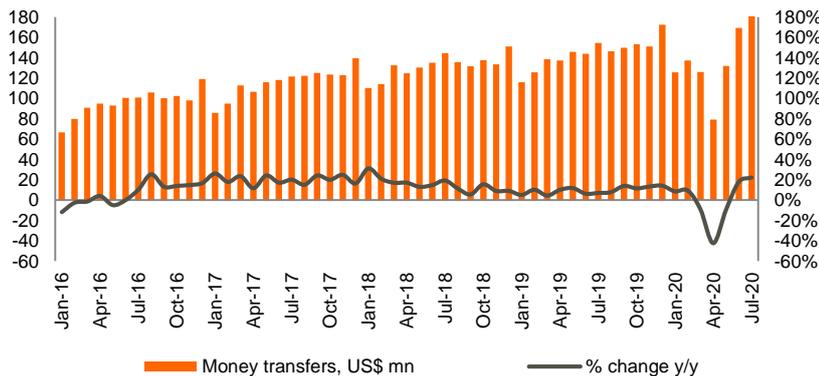
Trade deficit down 9.4% y/y in July 2020

In July 2020, trade deficit narrowed by 9.4% y/y to US\$ 442.0mn according to Geostat's preliminary figures 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 7M20, trade deficit was down 18.6% y/y to US\$ 2.5bn as exports decreased by 16.8% y/y and imports were down 17.9% y/y. Detailed foreign trade statistics will be available on August 19, 2020.

NBG sold US\$ 20mn

On 13 August 2020, the NBG intervened on the FX market and sold US\$ 20mn to limit GEL volatility. This was 10th FX intervention YTD for a total sale of US\$ 289.7mn through FX auctions.

Money transfers



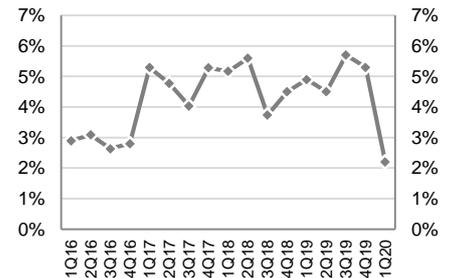
Source: NBG

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 Upgraded Oct-2019	 Ba2 Stable Affirmed Mar-2020	 BB Negative Affirmed Aug-2020
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Source: Rating agencies



Money market

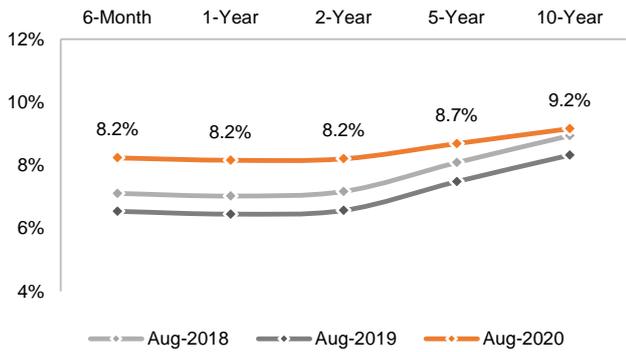
Ministry of Finance T-Bills: 1-year GEL 50.0mn (US\$ 16.3mn) T-Bills were sold at the auction held at NBG on August 11, 2020. Total demand was 1.8x higher and the weighted average yield was fixed at 8.153%, down 0.14ppts from previous auction held in July, 2020. The nearest treasury security auction 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
Total	1,980	1,000	5,075

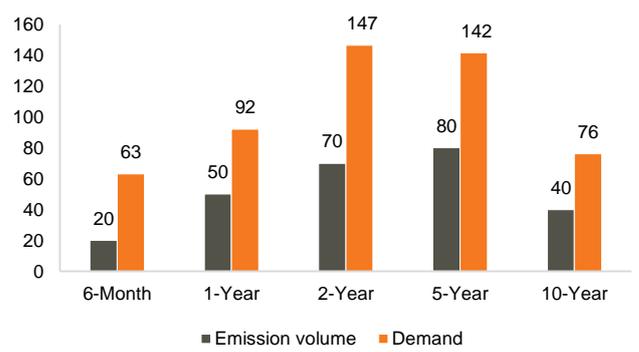
Source: MoF
Note: * As of 31 July 2020

T-bills / T-notes, yield curve



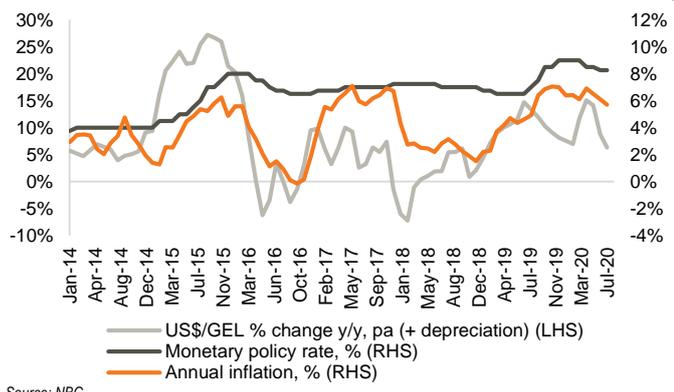
Source: NBG

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



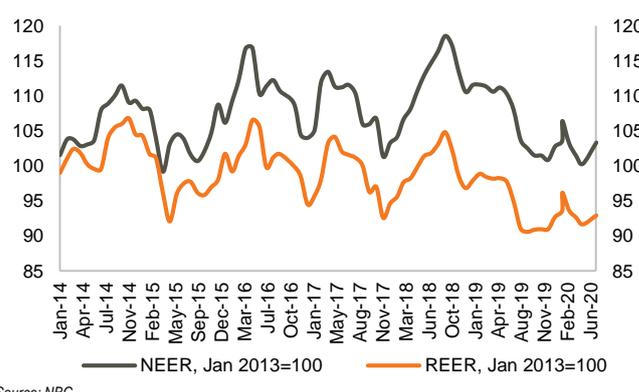
Source: NBG

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



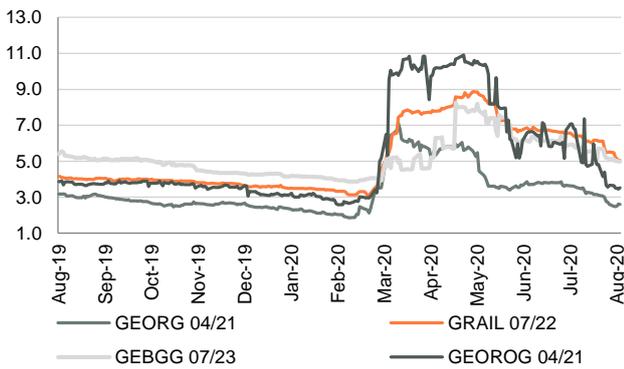
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 4.99% yield, trading at 102.72 (+0.33% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 94.48 (+0.32% w/w), yielding 7.93%.

GOGC Eurobonds (GEOROG) were trading at 102.18 (+0.04% w/w), yielding 3.51%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 104.82 (+0.76% w/w), yielding 5.05%.

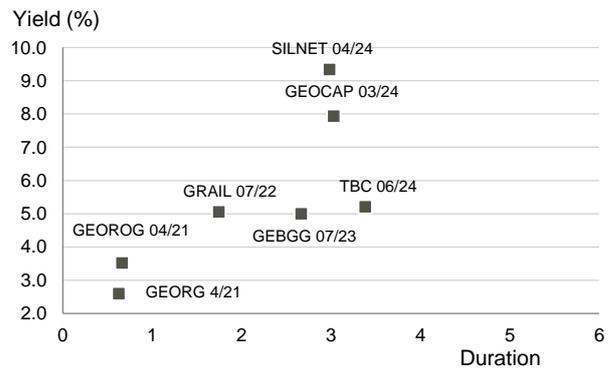
Georgian Sovereign Eurobonds (GEORG) closed at 102.74 (-0.08% w/w) at 2.59% yield to maturity.

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	102.74	2.59	232.13
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	104.82	5.05	481.42
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/BB/-	102.18	3.51	324.73
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/Ba2	102.72	4.99	474.20
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	98.38	9.86	1,137.09
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B/B2	94.48	7.93	766.38
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	104.99	9.34	906.55
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/Ba2	101.85	5.21	492.93
TBC PERP	US\$	125	10.775%	n/a	B-/-/-	97.73	10.13	1,118.38
GGU 07/25	US\$	250	7.750%	Jul-25	-/B/-	101.10	7.48	714.40

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	-/-/-	99.34	8.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	97.09	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	-/-/-	98.54	8.25	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	-/-/-	99.34	8.00	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 (Fitch/S&P/Moody)	Mid price	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	Apr-21	BB/BB/Ba2	102.74	2.59	232.13
Armenia	US\$	500	6.000%	Sep-20	BB-/Ba3	100.00	5.87	564.87
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	101.61	1.25	100.78
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	95.72	8.80	855.37
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	111.23	1.10	80.77
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	100.67	4.50	423.23
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	103.59	4.17	392.08

Source: Bloomberg

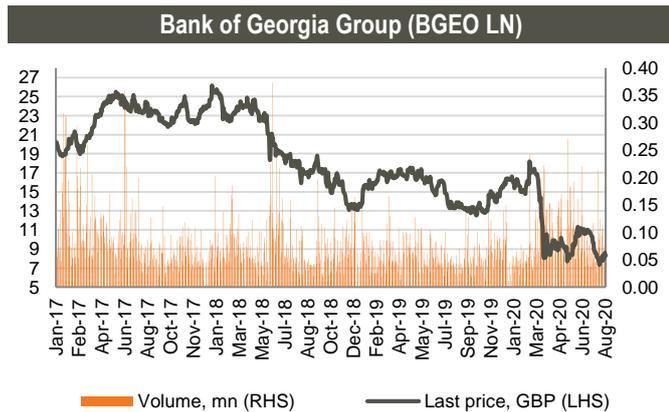


Equities

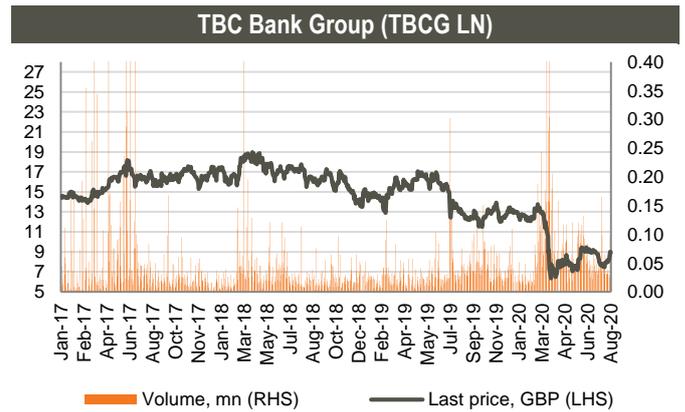
Bank of Georgia Group (BGEO LN) shares closed at GBP 8.31/share (+6.95% w/w and -16.90% m/m). More than 396k shares traded in the range of GBP 7.51 - 8.67/share. Average daily traded volume was 81k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.67% w/w and 3.29% m/m. The volume of BGEO shares traded was at 0.81% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 3.80/share (+2.01% w/w and -11.01% m/m). More than 130k shares traded in the range of GBP 3.67 - 3.93/share. Average daily traded volume was 34k in the last 4 weeks. The volume of CGEO shares traded was at 0.36% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 8.91/share (+11.65% w/w and +1.25% m/m). More than 272k shares changed hands in the range of GBP 7.88 - 9.08/share. Average daily traded volume was 54k in the last 4 weeks. The volume of TBCG shares traded was at 0.49% 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	8.31	409	-53.7%	-38.6%	-48.9%	3.37x	7.05x	0.74x	0.67x
TBC	TBC	GBP	8.91	490	-33.1%	-32.6%	-31.5%	3.66x	8.07x	0.70x	0.67x
Halyk Bank	HSBK	US\$	10.65	3,130	-29.7%	-22.0%	-20.2%	3.73x	4.43x	0.89x	0.85x
VTB Bank	VTBR	US\$	0.99	6,445	-33.6%	-16.2%	-32.0%	2.46x	4.79x	0.37x	0.36x
Akbank	AKBNK	TRY	4.93	25,636	-39.1%	-35.1%	-39.2%	3.83x	4.49x	0.40x	0.42x
Garanti	GARAN	TRY	6.78	28,476	-41.1%	-30.6%	-39.1%	3.55x	4.18x	0.42x	0.46x
Isbank	ISCTR	TRY	4.83	21,735	-30.9%	-16.1%	-24.6%	3.00x	3.47x	0.31x	0.34x
PKO	PKO	PLN	23.20	29,000	-35.2%	-39.3%	-32.7%	6.97x	11.37x	0.71x	0.65x
PEKAO	PEO	PLN	56.58	14,851	-44.0%	-41.7%	-43.7%	6.87x	14.33x	0.65x	0.60x
Millennium	MIL	PLN	3.03	3,676	-47.8%	-56.6%	-48.2%	5.05x	8.35x	0.41x	0.40x
Mbank	MBK	PLN	207.60	8,789	-44.3%	-33.0%	-46.7%	7.19x	17.58x	0.54x	0.52x
BRD	BRD	RON	11.86	8,265	-26.3%	-10.8%	-25.1%	5.58x	10.56x	1.08x	0.94x
Banca Transilvania	TLV	RON	2.23	11,605	-13.1%	-4.5%	-14.3%	6.54x	13.35x	1.35x	1.52x
OTP	OTPD	USD	22.80	12,768	0.0%	7.5%	7.5%	9.60x	14.91x	0.82x	0.71x
Komercni	KOMB	CZK	540.00	102,627	-31.4%	-35.6%	-34.9%	6.98x	13.52x	1.00x	0.90x
Mean								5.22x	9.36x	0.69x	0.67x
Median								5.05x	8.35x	0.70x	0.65x

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	3.80	140	-53.4%	-62.9%	-58.8%	5.35x	n/a	0.38x	n/a
Tinc Comm	TINC	EUR	13.35	364	-7.0%	8.0%	0.0%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	7.91	16,140	-20.7%	-12.6%	-17.1%	3.41x	3.36x	0.40x	0.42x
Deutsche Beteiligungs	DBAN	EUR	31.05	467	-23.6%	-0.8%	-21.3%	12.11x	n/mf	1.08x	1.06x
Eurazeo	RF	EUR	44.18	3,480	-32.7%	-24.6%	-27.6%	11.37x	18.76x	0.69x	0.83x
Carlyle Group	CG	USD	27.11	3,001	-15.6%	26.3%	-15.5%	15.65x	4.80x	1.68x	3.84x
Mean								9.58x	8.97x	0.84x	1.54x
Median								11.37x	4.80x	0.69x	0.94x

Source: Bloomberg, S&P Capital IQ

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