



# Weekly Market Watch

Weekly Market Watch | Georgia  
May 28, 2018

## Economy

### Exports up 8.3% y/y in April 2018

In April 2018, exports increased 8.3% y/y to US\$ 229.2mn, imports were up 22.0% y/y to US\$ 727.4mn and the trade deficit widened 29.5% y/y to US\$ 498.2mn, according to GeoStat.

In April 2018, ferro-alloys (-0.8% y/y), cars (+105.8% y/y), copper (+59.6% y/y), wine (+50.3% y/y) and spirits (+36.8% y/y) were the top 5 exported commodities. A 14.1% of exports was directed to the EU (-10.3% y/y), 55.4% to the CIS (+40.2% y/y) and 30.5% to other countries (-17.8% y/y).

In April 2018, petroleum (+10.6% y/y), cars (+3.2% y/y), copper (+6.9% y/y), pharmaceuticals (+20.7% y/y) and gases (-10.1% y/y) represented the top 5 imported commodities.

Overall, in 4M18, the trade deficit was up 22.3% y/y at US\$ 1.9bn as exports were up 22.0% y/y to US\$ 961.4mn, while imports increased 22.2% y/y to US\$ 2.8bn.

### Producer price index down 0.1% m/m and up 7.8% y/y in April 2018

PPI for industrial goods was down 0.1% m/m in April 2018, according to GeoStat. A 0.1% price decrease for manufacturing contributed the most to the overall index change. Annual PPI was up 7.8% in April 2018. Rising prices in manufacturing (+6.8% y/y) contributed the most to the overall index change. Prices were also up for supply of electricity, gas and water (+13.2% y/y).

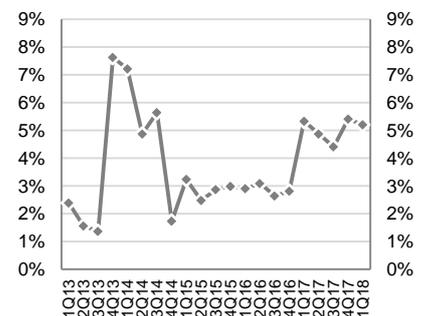
### Key macro indicators

|                              | 4M18                | 2017   | 2016   |
|------------------------------|---------------------|--------|--------|
| GDP (% change)               | 5.2% <sup>(1)</sup> | 5.0%   | 2.8%   |
| GDP per capita (ppp)         | ...                 | 10,644 | 10,043 |
| GDP per capita (US\$)        | ...                 | 4,079  | 3,865  |
| Population (mn)              | 3.7                 | 3.7    | 3.7    |
| Inflation (eop)              | 2.5%                | 6.7%   | 1.8%   |
| Gross reserves (US\$ bn)     | 3.0                 | 3.0    | 2.8    |
| CAD (% of GDP)               | ...                 | 8.7    | 12.8%  |
| Fiscal deficit (% of GDP)    | ...                 | 3.9%   | 4.1%   |
| Total public debt (% of GDP) | ...                 | 44.7%  | 44.4%  |

Source: Official data, IMF

1) As of 1Q18

### Real GDP growth, %



Source: GeoStat

### International ranking, 2017-18

- Ease of Doing Business # 9 (Top 10)
- Economic Freedom Index # 16 (mostly free)
- Global Competitiveness Index # 67

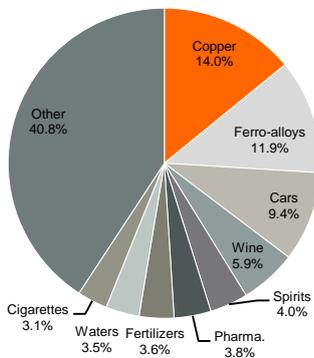
Source: World Bank, Heritage Foundation and World Economic Forum

### Georgia sovereign credit ratings

|  |  |  |
|--|--|--|
| <br><b>BB-</b><br>Stable<br>Affirmed<br>May-2017 | <br><b>Ba2</b><br>Stable<br>Upgraded<br>Sep-2017 | <br><b>BB-</b><br>Positive<br>Affirmed<br>Mar-2018 |
|--|--|--|

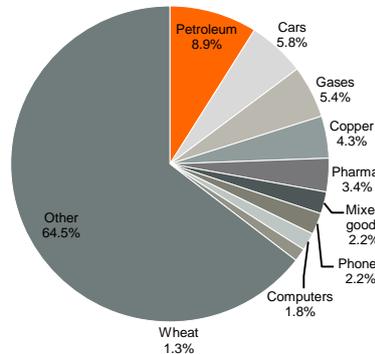
Source: Rating agencies

### Exports by commodities, 4M18



Source: GeoStat

### Imports by commodities, 4M18

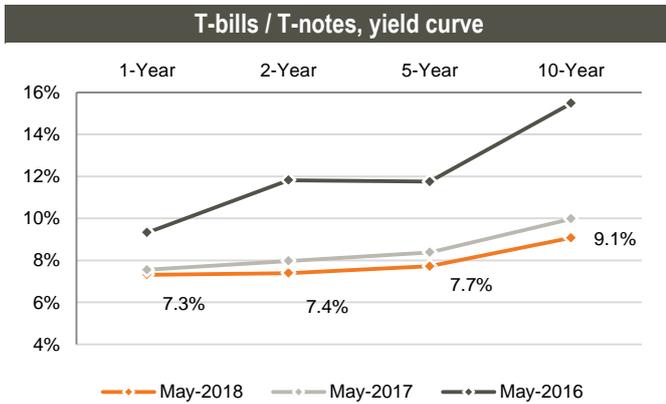


# Money market

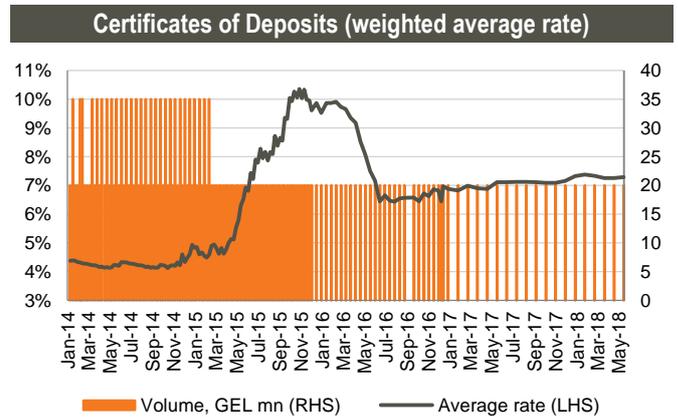
**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 920mn (US\$ 375.7mn).

**Ministry of Finance Treasury Notes:**

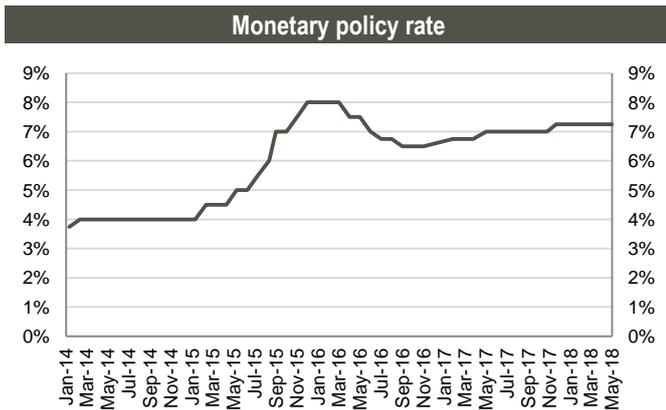
5-year GEL 30.0mn (US\$ 12.3mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on May 23, 2018. The weighted average yield was fixed at 7.716%. The nearest treasury security auction is scheduled for June 6, 2018, where GEL 40mn nominal value 1-year T-bills will be sold.



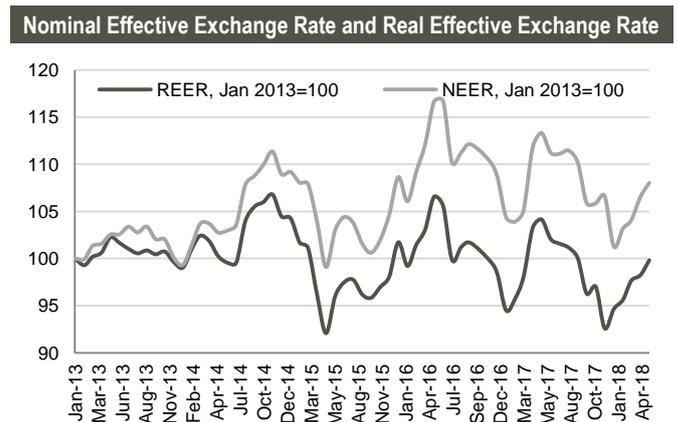
Source: NBG



Source: NBG



Source: NBG



Source: NBG

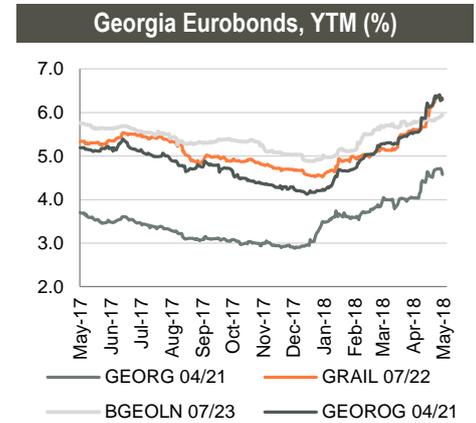
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

# Fixed income

**Corporate Eurobonds:** BGEO Group Eurobonds (BGEOLN) closed at 6.0% yield, trading at 100.1 (-0.5% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.7%. Georgia Capital Eurobonds (GEOCAP) were trading at 94.7 (unchanged w/w), yielding 7.3%.

GOGC Eurobonds (GEOROG) were trading at 101.1 (unchanged w/w), yielding 6.3%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 105.0 (+0.2% w/w), yielding 6.4%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 106.2 (+0.4% w/w) at 4.5% yield to maturity.

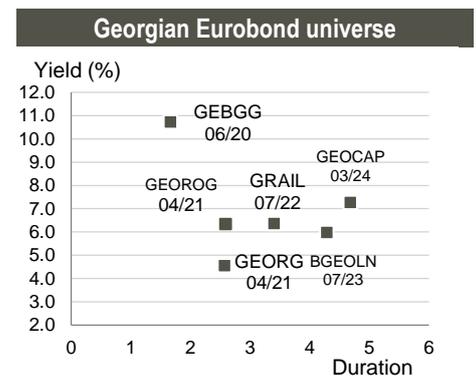


Source: Bloomberg

|                   | Local bonds |            |              |           | Eurobonds    |             |              |              |             |             |
|-------------------|-------------|------------|--------------|-----------|--------------|-------------|--------------|--------------|-------------|-------------|
|                   | GWP 12/21   | M2RE 10/19 | Nikora 06/19 | GLC 08/20 | GEOCAP 03/24 | GEBGG 06/20 | GEOROG 04/21 | BGEOLN 07/23 | GEORG 04/21 | GRAIL 07/22 |
| Amount, US\$ mn   | 30*         | 25.0       | 10.0         | 10.0      | 300          | 500*        | 250          | 350          | 500         | 500         |
| Issue date        | 12/16       | 10/16      | 08/17        | 8/17      | 03-18        | 06-17       | 04/16        | 07/16        | 04/11       | 07/12       |
| Maturity date     | 12/21       | 10/19      | 06/19        | 8/20      | 03-24        | 06-20       | 04/21        | 07/23        | 04/21       | 07/22       |
| Coupon, %         | 10.50**     | 7.5        | 9.0          | 7.00      | 6.125%       | 11.0        | 6.750        | 6.000        | 6.875       | 7.750       |
| Fitch/S&P/Moody's | BB-/-/-     | -/-/-      | -/-/-        | n/a       | -/-/B2e      | B-/-/Ba2    | BB-/B+/-     | BB-/-/B1     | BB-/BB-/Ba2 | B+/B+/-     |
| Mid price, US\$   | n/a         | 102.6      | 101.3        | 102.08    | 94.7         | 100.5       | 101.1        | 100.1        | 106.2       | 105.0       |
| Mid yield, %      | n/a         | 5.5%       | 3.8%         | 6.00%     | 7.3          | 10.7        | 6.3          | 6.0          | 4.5         | 6.4         |
| Z-spread, bps     | n/a         | n/a        | n/a          | n/a       | 437.7        | 346.1       | 355.4        | 309.5        | 175.6       | 351.2       |

Source: Bloomberg

\*GWP 12/21 bonds and GEBGG 06/20 bonds are in Georgian lari  
 \*\*Coupon rate 3.5% over the NBG's refinancing rate



Source: Bloomberg

## 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               | 106.2           | 4.5          | 175.6         |
| Azerbaijan | 1,250           | 4.750%    | 18/03/2024    | BB+/BB+/Ba2               | 100.5           | 4.6          | 175.7         |
| Bulgaria   | 323             | 5.000%    | 19/07/2021    | BBB-/BB+/Baa2             | 115.5           | 0.1          | -30.3         |
| Croatia    | 1,250           | 3.875%    | 30/05/2022    | BB/BB/Ba2                 | 111.1           | 1.0          | 89.2          |
| Hungary    | 3,000           | 6.375%    | 29/03/2021    | BBB-/BBB-/Baa3            | 107.4           | 3.6          | 81.3          |
| Romania    | 2,250           | 6.750%    | 07/02/2022    | BBB-/BBB-/Baa3            | 109.3           | 4.0          | 117.0         |
| Russia     | 3,500           | 5.000%    | 29/04/2020    | BBB-/BBB-/Ba1             | 102.6           | 3.6          | 88.3          |
| Turkey     | 2,000           | 5.625%    | 30/03/2021    | BB+/BB-/Ba2               | 100.3           | 5.5          | 272.8         |

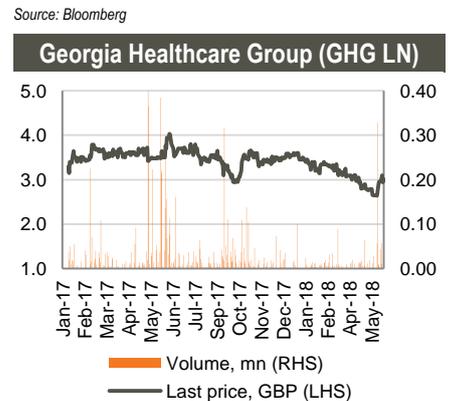
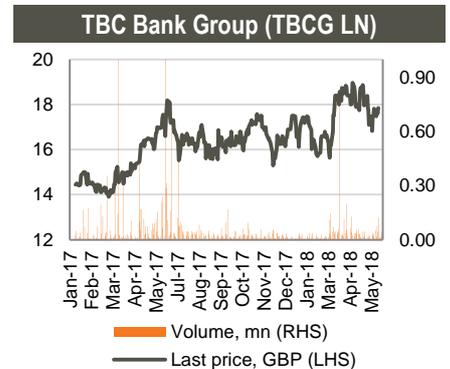
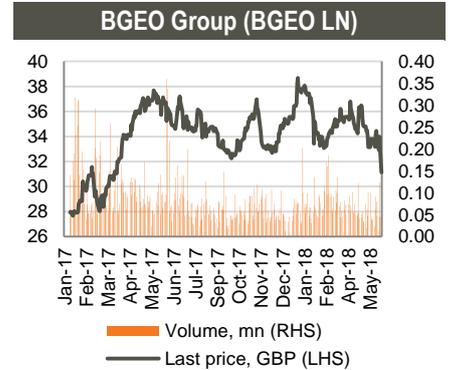
Source: Bloomberg

## Equities

**BGEO Group** (BGEO LN) shares closed at GBP 31.13/share (-7.74% w/w and -12.11% m/m). More than 259k shares traded in the range of GBP 31.00 – 34.50/share. Average daily traded volume was 57k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.55% w/w and gained 5.43% m/m. The volume of BGEO shares traded was at 0.66% of its capitalization.

**TBC Bank Group** (TBCG LN) closed the week at GBP 16.66 (-6.61% w/w and -7.24% m/m). More than 113k shares changed hands in the range of GBP 16.50 – 18.26 share. Averaged daily traded volume was 32k in the last 4 weeks.

**Georgia Healthcare Group** (GHG LN) shares closed at GBP 3.02/share (+2.20% w/w and +3.97% m/m). More than 113k shares were traded in the range of GBP 2.87 – 3.10/share. Average daily traded volume was 39k in the last 4 weeks. The volume of GHG shares traded was at 0.09% of its capitalization.



### Eastern European Banks

|                      | Tick<br>er | Share<br>price,<br>US\$ | MCap<br>US\$<br>mn | 1M,<br>chg | 3M,<br>chg | 6M,<br>chg | YTD,<br>chg | 1Y,<br>chg |
|----------------------|------------|-------------------------|--------------------|------------|------------|------------|-------------|------------|
| BGEO                 | BGEO       | 31.13*                  | 1,551              | -12.1%     | -6.3%      | -6.6%      | -12.5%      | -17.4%     |
| TBC                  | TBC        | 16.66*                  | 1,202              | -7.2%      | 2.2%       | 2.3%       | -4.8%       | -1.9%      |
| Halyk Bank           | HSBK       | 12.45                   | 3,422              | 3.3%       | -11.1%     | 27.7%      | 26.0%       | 70.5%      |
| KKB                  | KKB        | 0.68                    | 712                | 0.0%       | 0.0%       | 0.0%       | 0.0%        | -38.2%     |
| VTB Bank             | VTBR       | 1.68                    | 10,906             | -9.3%      | -20.9%     | -12.2%     | -8.0%       | -28.1%     |
| Vozrozhdenie<br>Bank | VZRZ       | 6.07                    | 144                | 15.4%      | -31.0%     | -39.6%     | -30.2%      | -53.6%     |
| Sberbank             | SBER       | 14.56                   | 78,576             | -2.0%      | -30.3%     | -13.6%     | -14.0%      | 21.3%      |

Source: Bloomberg

\*BGEO and TBC share prices traded and shown in GBP

### Healthcare Sector Peers

|                  | Ticker   | Share<br>price, US\$ | MCap,<br>US\$ mn | 1M, chg | 3M, chg | 6M, chg | YTD, chg | 1Y, chg |
|------------------|----------|----------------------|------------------|---------|---------|---------|----------|---------|
| GHG              | GHG      | 3.015*               | 529              | 4.0%    | -9.2%   | -11.2%  | -15.1%   | -13.4%  |
| Mouwasat         | MOUWASAT | 49.31                | 2,465            | -1.8%   | 3.1%    | 15.3%   | 22.1%    | 27.5%   |
| Fortis           | FORH     | 2.14                 | 1,110            | -6.1%   | -13.2%  | -0.4%   | -14.8%   | -31.8%  |
| Raffles          | RFMD     | 0.80                 | 1,414            | -7.8%   | -4.5%   | -1.5%   | -4.8%    | -20.2%  |
| IHH              | IHH      | 1.57                 | 12,967           | 1.8%    | 1.0%    | 14.7%   | 9.0%     | 17.9%   |
| Bangkok<br>Chain | BCH      | 0.52                 | 1,297            | -8.2%   | -0.8%   | 11.7%   | 4.6%     | 46.7%   |
| Netcare          | NTC      | 2.42                 | 3,552            | 3.0%    | 6.8%    | 51.8%   | 19.0%    | 18.4%   |

Source: Bloomberg

\*GHG share price traded and shown in GBP

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