



# Weekly Market Watch

Weekly Market Watch | Georgia  
October 12, 2020

## Economy

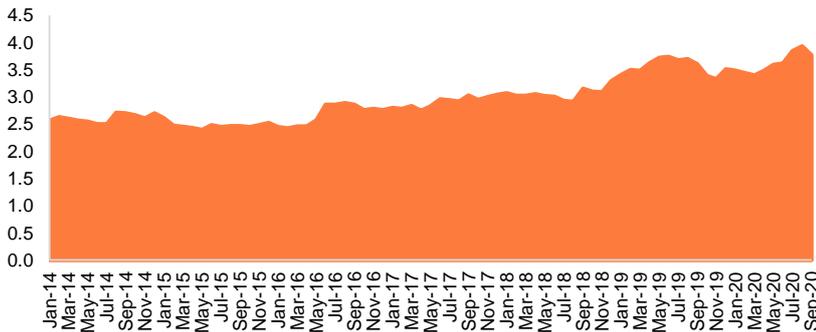
### International reserves at US\$ 3.8bn in September 2020

Gross international reserves increased by 4.5% y/y to US\$ 3.8bn in September 2020 according to NBG. On a monthly basis, the reserves were down by 4.3% (-US\$ 168mn). Notably, there were 3 FX interventions in September, where NBG sold US\$ 120mn to curb GEL volatility. Other change in reserves was attributed to government and banking sector FX operations and/or asset revaluation.

### NBG sold US\$ 30mn

On 9 October 2020, the NBG intervened on the FX market and sold US\$ 30mn to limit GEL volatility. This was 16th FX intervention YTD for a total sale of US\$ 499.7mn through FX auctions. Notably, despite interventions reserves are rising y/y, replenished by IFI funding.

International reserves, \$US bn



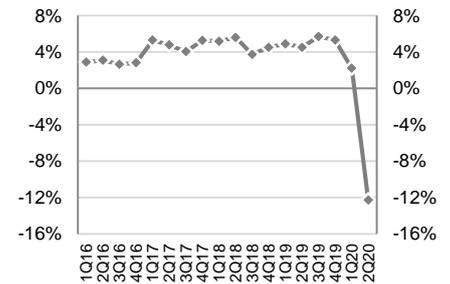
Source: NBG

### 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

 <b>BB</b> Stable Affirmed Aug-2020	 <b>Ba2</b> Stable Affirmed Mar-2020	 <b>BB</b> Negative Affirmed Aug-2020
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Source: Rating agencies

# Money market

**Ministry of Finance Benchmark Bonds:** 2-year GEL 70.0mn (US\$ 21.9mn) Benchmark Bonds were sold at the auction held at NBG on October 6, 2020. Total demand was 1.6x higher and the weighted average yield was fixed at 8.168%, unchanged from previous auction held in September, 2020.

**Ministry of Finance T-Bills:** 6-month GEL 20.0mn (US\$ 6.2mn) T-Bills were sold at the auction held at NBG on October 6, 2020. Total demand was 2.5x higher and the weighted average yield was fixed at 8.059%, down 0.041ppts from previous auction held in September, 2020. The nearest treasury security auction is scheduled for October 13, 2020, where GEL 50.0mn nominal value 1-year T-Bills will be sold.

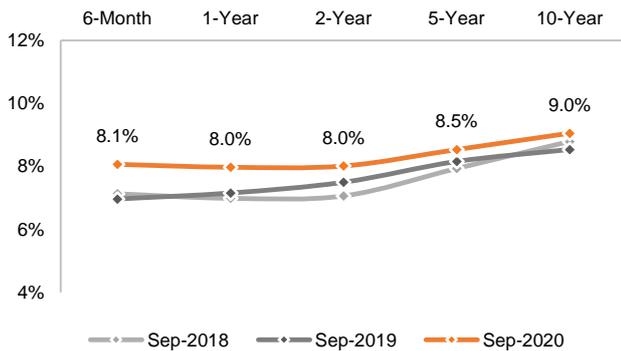
## T-bills / T-notes in 2020

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	310	40	180
1-year	510	150	680
2-year	700	140	1,250
5-year	720	240	1,928
10-year	110	40	1,197
<b>Total</b>	<b>2,350</b>	<b>610</b>	<b>5,235</b>

Source: MoF

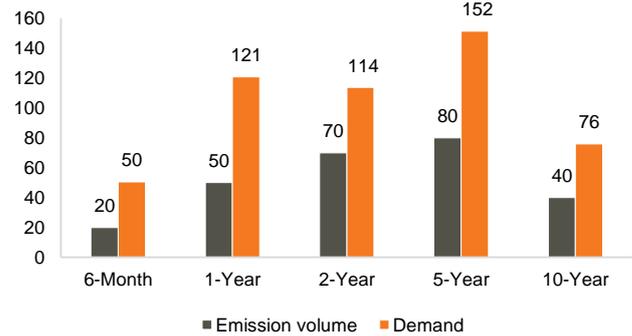
Note: \* As of 31 August 2020

## T-bills / T-notes, yield curve



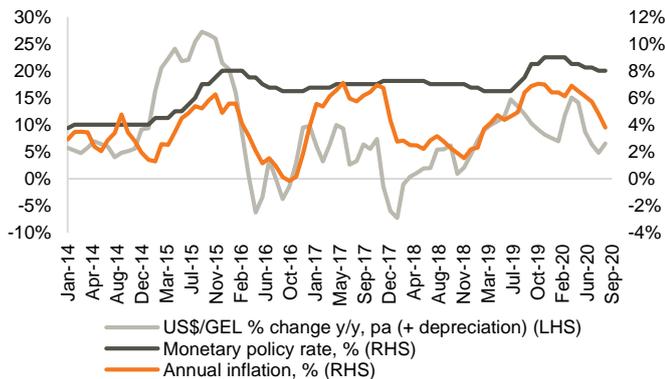
Source: NBG

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



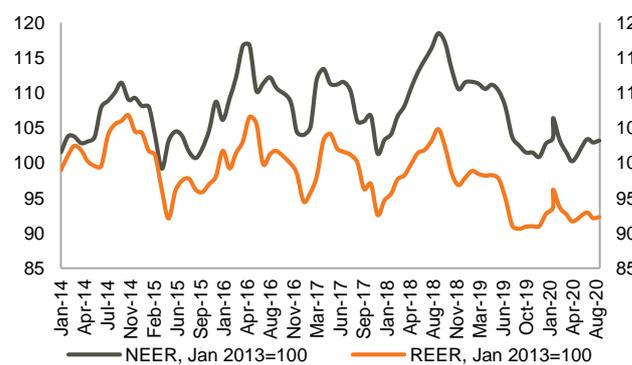
Source: NBG

## 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

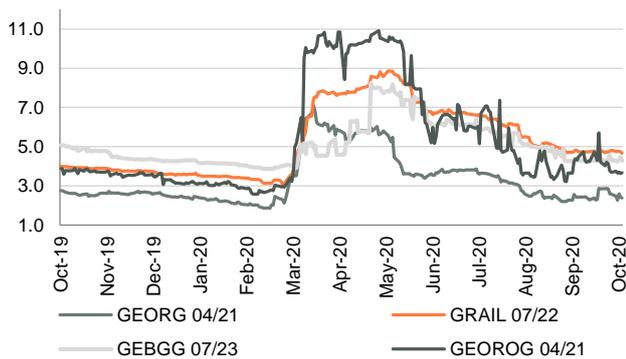
# Fixed income

**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 4.27% yield, trading at 104.48 (+0.05% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 97.70 (+1.50% w/w), yielding 6.89%.

GOGC Eurobonds (GEOROG) were trading at 101.62 (-0.05% w/w), yielding 3.66%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 105.11 (+0.21% w/w), yielding 4.66%.

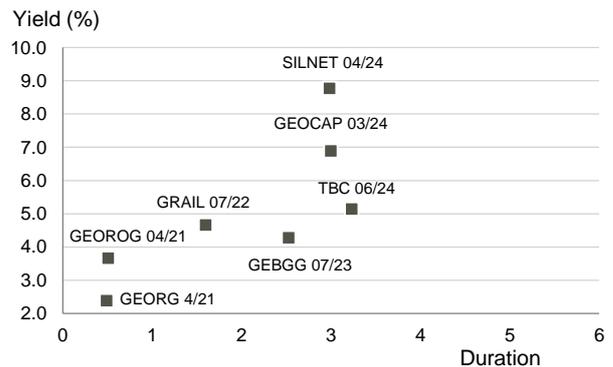
**Georgian Sovereign Eurobonds (GEORG)** closed at 102.20 (+0.01% w/w) at 2.38% yield to maturity.

**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	102.20	2.38	214.45
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	105.11	4.66	442.30
GEORG 04/21	US\$	250	6.750%	Apr-21	BB/BB/-	101.62	3.66	342.94
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/Ba2	104.48	4.27	400.65
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	102.80	9.44	987.94
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B/B2	97.70	6.89	659.54
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	106.53	8.77	847.40
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/Ba2	102.02	5.14	482.54
TBC PERP	US\$	125	10.775%	n/a	B-/-	99.83	9.93	1,050.39
GGU 07/25	US\$	250	7.750%	Jul-25	-/B/-	101.01	7.61	711.60

### 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	-/-	99.58	7.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-	100.92	7.00	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	-/-	n/a	n/a	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	-/-	n/a	n/a	n/a
GLC 08/22	US\$	10	7.50%	Aug-22	-/-	n/a	n/a	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	102.20	2.38	214.45
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	101.05	1.61	138.83
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	99.55	7.08	682.56
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	109.66	1.38	105.07
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	100.68	4.13	389.65
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	103.38	3.81	358.24

Source: Bloomberg

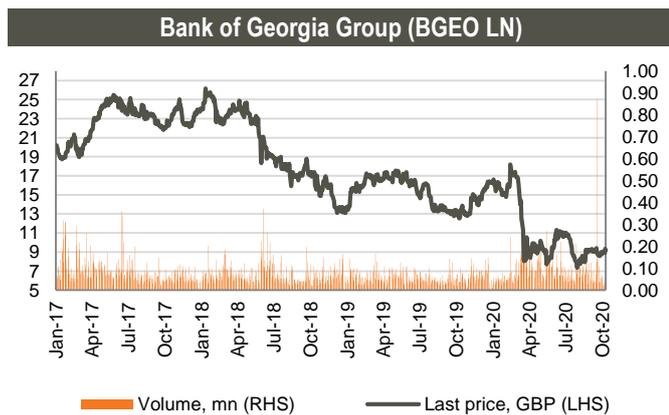


# Equities

**Bank of Georgia Group (BGEO LN)** shares closed at GBP 9.18/share (+3.15% w/w and +2.20% m/m). More than 205k shares traded in the range of GBP 8.86 - 9.35/share. Average daily traded volume was 103k in the last 4 weeks. The volume of BGEO shares traded was at 0.42% of its capitalization.

**Georgia Capital (CGEO LN)** shares closed at GBP 4.10/share (+9.33% w/w and +12.33% m/m). More than 299k shares traded in the range of GBP 3.73 - 4.20/share. Average daily traded volume was 127k in the last 4 weeks. The volume of CGEO shares traded was at 0.81% of its capitalization.

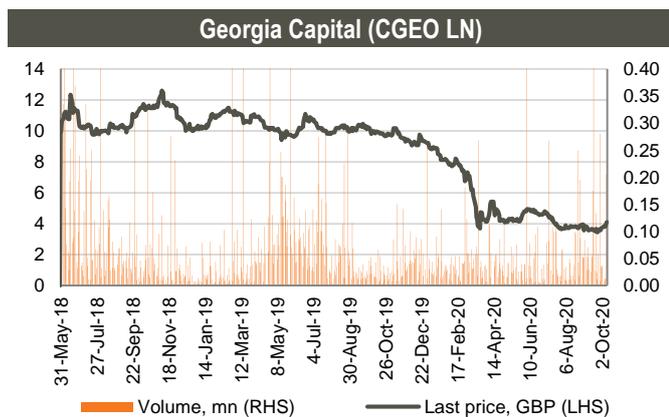
**TBC Bank Group (TBCG LN)** closed the week at GBP 9.88/share (-1.59% w/w and +5.11% m/m). More than 167k shares changed hands in the range of GBP 9.71 - 10.20/share. Average daily traded volume was 61k in the last 4 weeks. The volume of TBCG shares traded was at 0.30% of its capitalization.



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	
								2020F	2021F	2020F	2021F
Bank of Georgia	BGEO	GBP	9.18	451	-7.6%	-26.7%	-43.5%	3.71x	7.65x	0.81x	0.76x
TBC	TBC	GBP	9.88	544	22.1%	-14.4%	-24.0%	4.04x	7.56x	0.78x	0.79x
Halyk Bank	HSBK	US\$	10.50	3,085	7.6%	-18.0%	-21.3%	3.68x	4.59x	0.88x	0.85x
VTB Bank	VTBR	US\$	0.81	5,278	-18.6%	-34.7%	-44.3%	2.01x	5.23x	0.30x	0.31x
Akbank	AKBNK	TRY	5.15	26,780	-14.6%	-31.1%	-36.5%	5.55x	6.78x	0.58x	0.65x
Garanti	GARAN	TRY	7.10	29,820	-16.4%	-24.2%	-36.3%	5.16x	6.49x	0.61x	0.72x
Isbank	ISCTR	TRY	5.32	23,940	5.8%	-8.4%	-17.0%	4.59x	5.70x	0.48x	0.53x
PKO	PKO	PLN	22.25	27,813	-1.9%	-40.3%	-35.4%	6.50x	10.77x	0.66x	0.61x
PEKAO	PEO	PLN	52.56	13,795	-5.7%	-49.6%	-47.7%	6.21x	13.01x	0.58x	0.55x
Millennium	MIL	PLN	2.75	3,336	-16.9%	-51.8%	-53.0%	4.45x	12.37x	0.36x	0.36x
Mbank	MBK	PLN	169.00	7,155	-26.2%	-52.0%	-56.6%	5.69x	14.13x	0.43x	0.41x
BRD	BRD	RON	12.42	8,656	3.7%	-12.3%	-21.6%	5.69x	11.55x	1.10x	0.96x
Banca Transilvania	TLV	RON	2.24	11,684	13.7%	-6.9%	-13.7%	6.41x	13.42x	1.32x	1.42x
OTP	OTPD	USD	22.80	12,768	0.0%	7.5%	7.5%	9.60x	13.92x	0.82x	0.73x
Komercni	KOMB	CZK	494.00	93,884	-12.7%	-34.3%	-40.4%	6.22x	12.50x	0.89x	0.83x
<b>Mean</b>								<b>5.30x</b>	<b>9.71x</b>	<b>0.71x</b>	<b>0.70x</b>
<b>Median</b>								<b>5.55x</b>	<b>10.77x</b>	<b>0.66x</b>	<b>0.72x</b>

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	
								2020F	2021F	2020F	2021F
Georgia Capital	CGEO	GBP	4.10	151	-24.4%	-58.4%	-55.5%	5.75x	n/a	0.41x	n/a
Tinc Comm	TINC	EUR	13.35	364	1.5%	-0.2%	0.0%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	8.50	17,343	11.7%	-5.5%	-10.9%	5.09x	5.45x	0.60x	0.65x
Deutsche Beteiligungs	DBAN	EUR	34.35	517	23.8%	1.0%	-12.9%	12.84x	n/mf	1.15x	1.13x
Eurazeo	RF	EUR	46.50	3,663	6.6%	-30.0%	-23.8%	11.47x	26.88x	0.69x	0.65x
Carlyle Group	CG	USD	26.63	2,947	10.7%	5.2%	-17.0%	15.37x	4.71x	1.65x	4.12x
<b>Mean</b>								<b>10.10x</b>	<b>12.35x</b>	<b>0.90x</b>	<b>1.64x</b>
<b>Median</b>								<b>11.47x</b>	<b>5.45x</b>	<b>0.69x</b>	<b>0.89x</b>

Source: Bloomberg, S&P Capital IQ



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