



Weekly Market Watch

Weekly Market Watch | Georgia
September 14, 2020

Economy

FDI stood at 6.6% of GDP in 2Q20

FDI was slightly up 0.5% y/y to US\$ 238mn (6.6% of GDP) in 2Q20, according to Geostat's preliminary figures. Notably, reinvestments accounted for 60.8% of total FDI in 2Q20. The financial sector was the largest FDI recipient at US\$ 78.1mn (32.9% of total), followed by energy at US\$ 29.6mn (-66.3% y/y, 12.5% of total), construction at US\$ 27.7mn (+273.4% y/y, 11.7% of total), mining at US\$ 27.6mn (+130.5 y/y, 11.6% of total) and manufacturing at US\$ 20.8mn (-49.0% y/y, 8.8% of total). UK topped the list of investors with US\$ 58.9mn (24.8% of total), followed by Netherlands at US\$ 53.2mn (22.4% of total), Turkey at US\$ 31.5mn (13.3% of total) and USA at US\$ 19.9mn (8.4% of total).

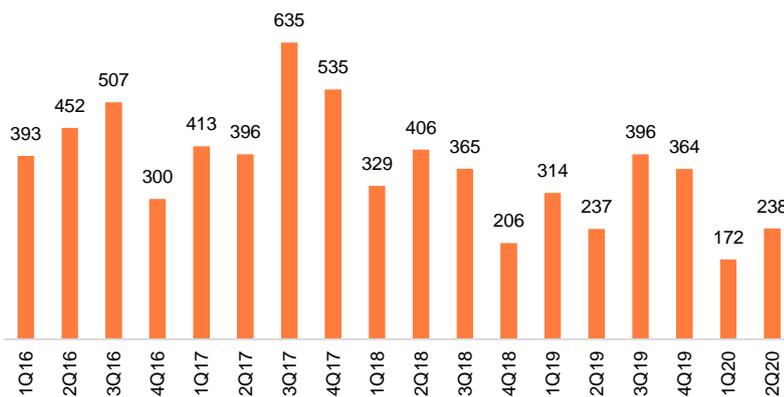
International reserves at all-time high US\$ 3.9bn in August 2020

Gross international reserves increased by 6.4% y/y to an all-time high of US\$ 3.9bn in August 2020 according to NBG. The reserves were also up by 2.4% (+US\$ 92mn) on a monthly basis. Notably, there were 2 FX auctions in August, where NBG sold US\$ 60mn. Growth in reserves was attributed to the disbursement of donor funding.

NBG sold US\$ 40mn

On 10 September 2020, the NBG intervened on the FX market and sold US\$ 40mn to limit GEL volatility. This was 12th FX intervention YTD for a total sale of US\$ 369.7mn through FX auctions.

FDI in Georgia, US\$ mn



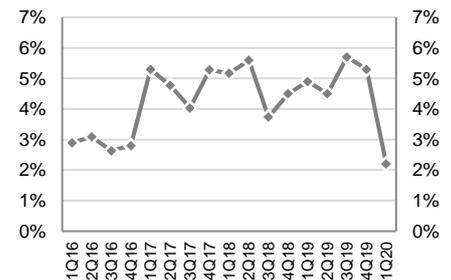
Source: Geostat

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

Money market

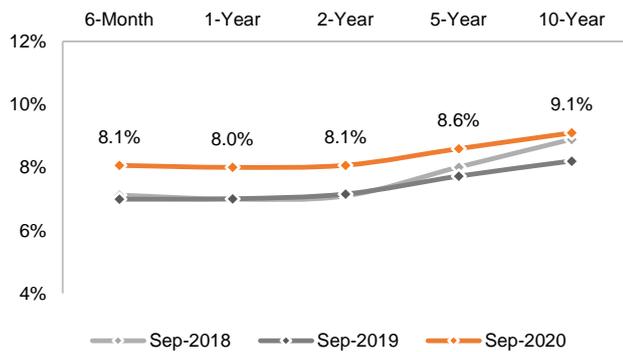
Ministry of Finance T-Bills: 1-year GEL 50.0mn (US\$ 16.2mn) T-Bills were sold at the auction held at NBG on September 8, 2020. Total demand was 2.4x higher and the weighted average yield was fixed at 8.094%, down 0.06ppts from previous auction held in August, 2020. The nearest treasury security auction is scheduled for September 22, 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	290	60	180
1-year	510	150	670
2-year	630	210	1,180
5-year	640	320	1,848
10-year	110	40	1,197
Total	2,200	780	5,075

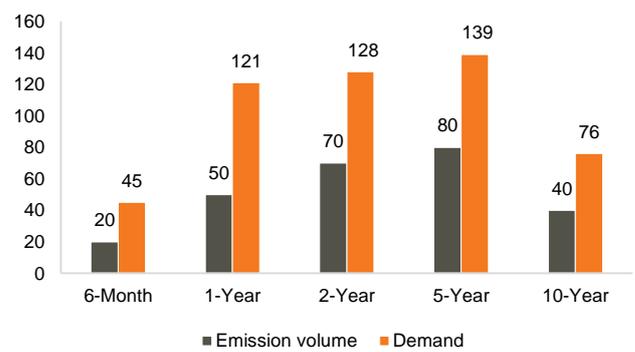
Source: MoF
Note: * As of 31 July 2020

T-bills / T-notes, yield curve



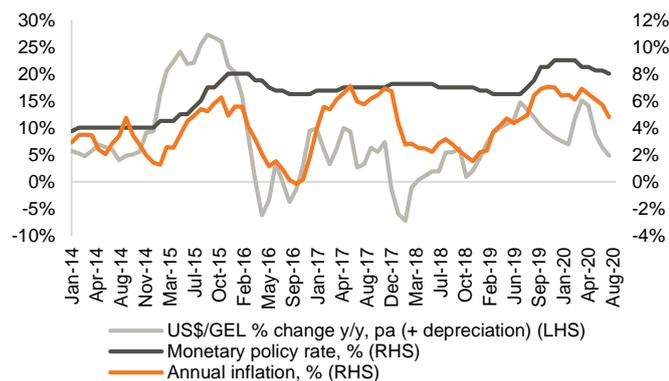
Source: NBG

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



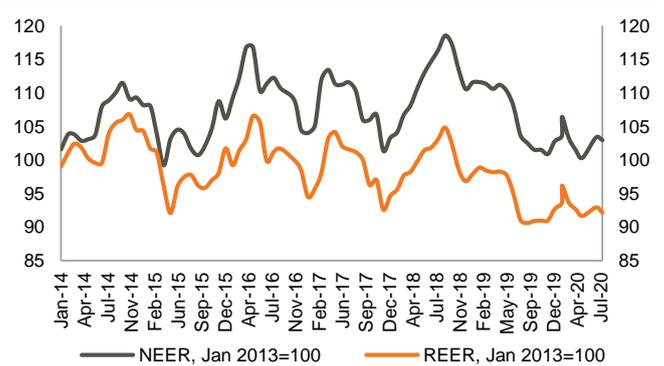
Source: NBG

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



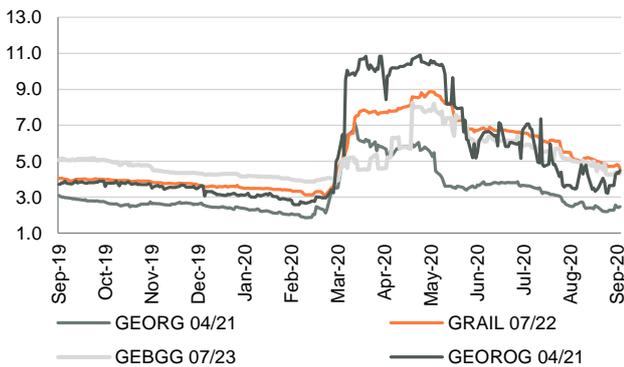
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 4.34% yield, trading at 104.43 (-0.23% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 96.07 (+0.05% w/w), yielding 7.43%.

GOGC Eurobonds (GEOROG) were trading at 101.36 (-0.54% w/w), yielding 4.47%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 105.42 (+0.12% w/w), yielding 4.61%.

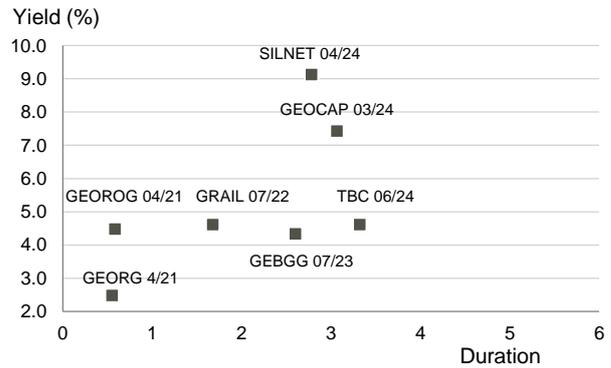
Georgian Sovereign Eurobonds (GEORG) closed at 102.50 (-0.19% w/w) at 2.47% yield to maturity.

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	102.50	2.47	220.76
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	105.42	4.61	439.68
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/BB/-	101.36	4.47	421.15
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/Ba2	104.43	4.34	411.66
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	101.46	9.51	1,039.15
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B/B2	96.07	7.43	718.91
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	105.55	9.13	889.28
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/Ba2	103.88	4.61	436.57
TBC PERP	US\$	125	10.775%	n/a	B-/-/-	98.83	9.99	1,088.38
GGU 07/25	US\$	250	7.750%	Jul-25	-/B/-	101.00	7.50	719.65

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	-/-/-	99.39	8.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	97.06	8.00	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	-/-/-	99.06	7.75	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	-/-/-	99.77	7.75	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	102.50	2.47	220.76
Armenia	US\$	500	6.000%	Sep-20	BB-/Ba3	99.92	7.84	772.41
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	101.24	1.52	128.43
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	98.98	7.34	711.94
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	110.27	1.28	102.35
Russia	US\$	3,000	4.875%	Sep-23	BBB/BBB-/Baa3	110.23	1.38	116.16
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	101.32	3.15	287.89
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	103.47	4.03	379.20

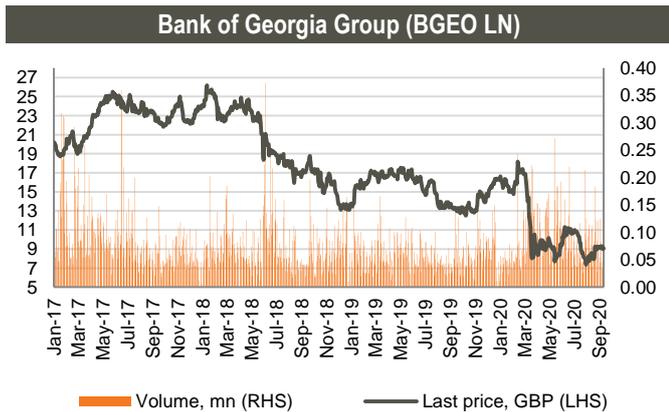
Source: Bloomberg

Equities

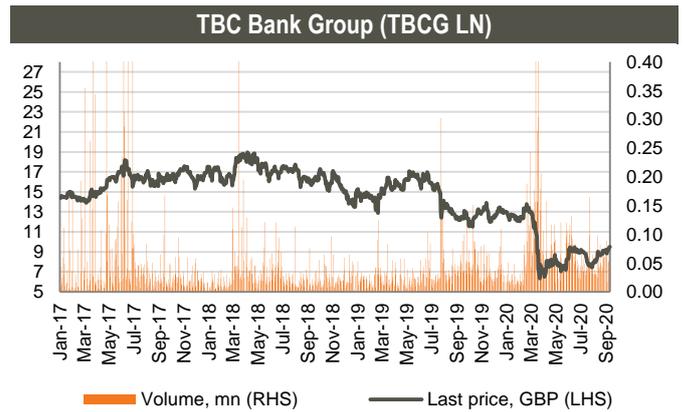
Bank of Georgia Group (BGEO LN) shares closed at GBP 9.06/share (-2.58% w/w and +6.71% m/m). More than 241k shares traded in the range of GBP 8.86 - 9.50/share. Average daily traded volume was 78k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 1.23% w/w and lost 2.39% m/m. The volume of BGEO shares traded was at 0.49% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 3.60/share (-6.13% w/w and -4.76% m/m). More than 235k shares traded in the range of GBP 3.50 - 3.91/share. Average daily traded volume was 70k in the last 4 weeks. The volume of CGEO shares traded was at 0.64% of its capitalization.

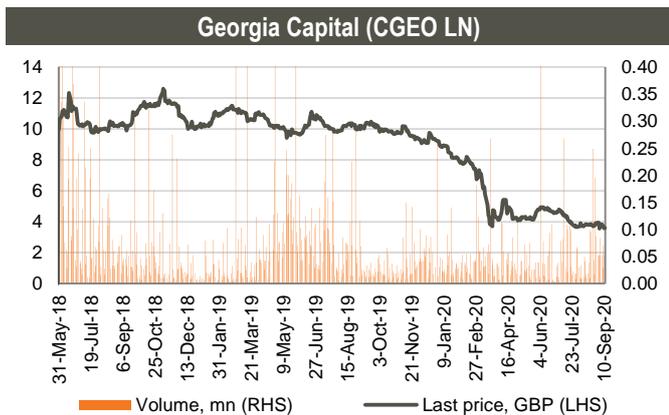
TBC Bank Group (TBCG LN) closed the week at GBP 9.50/share (+4.97% w/w and +11.76% m/m). More than 259k shares changed hands in the range of GBP 9.01 - 9.65/share. Average daily traded volume was 55k in the last 4 weeks. The volume of TBCG shares traded was at 0.47% of its capitalization.



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	9.06	445	-37.1%	-31.3%	-44.2%	3.58x	7.10x	0.79x	0.74x
TBC	TBC	GBP	9.50	523	-18.8%	-23.9%	-26.9%	3.80x	6.22x	0.73x	0.72x
Halyk Bank	HSBK	US\$	11.45	3,365	4.1%	-15.2%	-14.2%	4.01x	4.55x	0.96x	0.91x
VTB Bank	VTBR	US\$	0.89	5,767	-11.6%	-32.1%	-39.2%	2.20x	4.45x	0.33x	0.34x
Akbank	AKBNK	TRY	4.92	25,584	-27.3%	-33.5%	-39.3%	3.77x	4.13x	0.39x	0.41x
Garanti	GARAN	TRY	6.79	28,518	-29.1%	-29.1%	-39.0%	3.51x	3.86x	0.42x	0.44x
Isbank	ISCTR	TRY	5.06	22,770	-9.8%	-16.1%	-21.1%	3.10x	3.49x	0.32x	0.34x
PKO	PKO	PLN	21.60	27,000	-18.9%	-47.5%	-37.3%	6.41x	10.66x	0.65x	0.60x
PEKAO	PEO	PLN	51.86	13,612	-31.1%	-51.7%	-48.4%	6.22x	13.06x	0.59x	0.55x
Millennium	MIL	PLN	2.94	3,566	-22.6%	-54.7%	-49.7%	4.84x	13.34x	0.39x	0.39x
Mbank	MBK	PLN	186.70	7,904	-18.7%	-41.9%	-52.1%	6.39x	15.75x	0.48x	0.46x
BRD	BRD	RON	12.80	8,920	-2.0%	-5.5%	-19.2%	5.99x	12.12x	1.16x	1.01x
Banca Transilvania	TLV	RON	2.50	13,040	15.7%	6.2%	-3.7%	7.31x	16.28x	1.51x	1.71x
OTP	OTPD	USD	22.80	12,768	0.0%	7.5%	7.5%	9.60x	13.91x	0.82x	0.73x
Komercni	KOMB	CZK	524.00	99,586	-20.0%	-35.4%	-36.8%	6.64x	13.01x	0.95x	0.87x
Mean								5.16x	9.46x	0.70x	0.68x
Median								4.84x	10.66x	0.65x	0.60x

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	3.60	132	-42.2%	-64.9%	-61.0%	4.95x	n/a	0.35x	n/a
Tinc Comm	TINC	EUR	13.25	361	-0.7%	0.5%	-0.7%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	7.88	16,078	-12.3%	-14.3%	-17.4%	3.36x	3.34x	0.39x	0.42x
Deutsche Beteiligungs	DBAN	EUR	31.85	479	11.0%	1.1%	-19.3%	12.42x	nmf	1.11x	1.08x
Eurazeo	RF	EUR	46.72	3,680	-6.3%	-27.0%	-23.4%	12.03x	27.11x	0.73x	0.67x
Carlyle Group	CG	USD	25.76	2,851	15.3%	3.4%	-19.7%	14.87x	4.56x	1.59x	3.65x
Mean								9.52x	11.67x	0.83x	1.45x
Median								12.03x	4.56x	0.73x	0.87x

Source: Bloomberg, S&P Capital IQ

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