



# Weekly Market Watch

Weekly Market Watch | Georgia  
Oct 8, 2018

## Economy

### Inflation was 2.7% y/y and 0.3% m/m in September 2018

Annual CPI inflation was 2.7% in September 2018 down from 3.1% in August 2018, according to GeoStat. Core inflation was 1.7% up from 1.5% recorded in previous month. Annual price changes were driven by price increases in transport (+6.2% y/y, +0.83ppts), food and non-alcoholic beverages (+1.8% y/y, +0.55ppts) and healthcare (+5.7% y/y, +0.48ppts) categories. On a monthly basis, there was 0.3% inflation in September 2018. Price increase in education (+3.7% m/m, +0.17ppts) and housing, water, electricity and gas (+1.0% m/m, +0.09ppts) were the major drivers of monthly inflation dynamics.

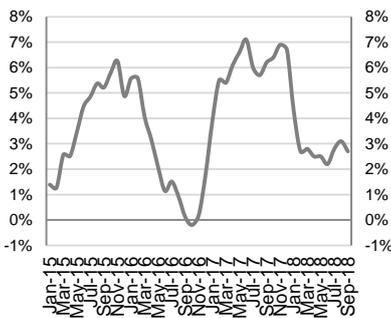
### Tourist arrivals up 9.1% y/y in September 2018

Total international visits to Georgia increased 5.7% y/y to 0.76mn in September 2018, according to the Ministry of Internal Affairs. A 9.1% y/y growth in tourist arrivals (0.54mn trips, 70.2% of total) drove the growth. Out of top countries, in September 2018, international visitors continued to increase from Russia (+27.8% y/y) and Azerbaijan (+9.8% y/y), while visitors were down from Armenia (-1.3% y/y), Turkey (-9.1% y/y) and Iran (-41.6% y/y). Total international visitors stood at 5.6mn (+12.9% y/y) in 9M18.

### International reserves stood at US\$ 3.2bn in September 2018

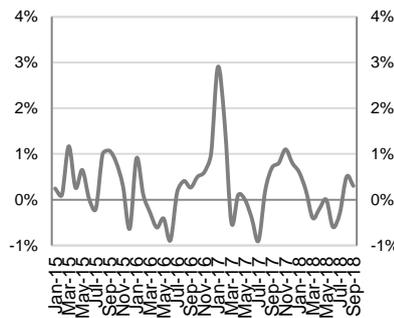
Gross international reserves were up 4.2% y/y and up 8.2% m/m to US\$ 3.2bn in September 2018, according to NBG. Growth in reserves was attributed to FX auctions (total purchase of US\$ 25mn in September), government FX operations and/or asset revaluation.

Annual CPI inflation (% change, y/y)



Source: GeoStat

Monthly CPI inflation (% change, m/m)



### Key macro indicators

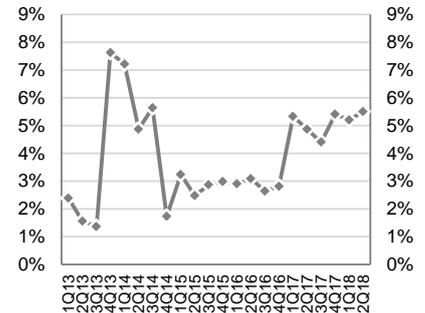
	9M18	2017	2016
GDP (% change)	4.8% <sup>(1)</sup>	5.0%	2.8%
GDP per capita (ppp)	...	10,747	10,053
GDP per capita (US\$)	...	4,068	3,857
Population (mn)	3.7	3.7	3.7
Inflation (eop)	2.7%	6.7%	1.8%
Gross reserves (US\$ bn)	3.2	3.0	2.8
CAD (% of GDP)	10.3% <sup>(2)</sup>	8.8%	13.1%
Fiscal deficit (% of GDP)	...	3.9%	4.1%
Total public debt (% of GDP)	...	44.6%	44.4%

Source: Official data, IMF

1) As of 8M18

2) As of 1H18

### 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

 <b>BB-</b> Stable Affirmed May-2018	 <b>Ba2</b> Stable Affirmed Sep-2018	 <b>BB-</b> Positive Affirmed Aug-2018
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Source: Rating agencies

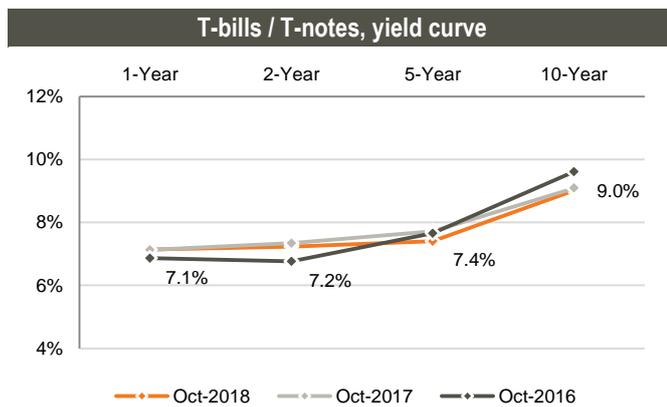
# Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,280mn (US\$ 489.3mn).

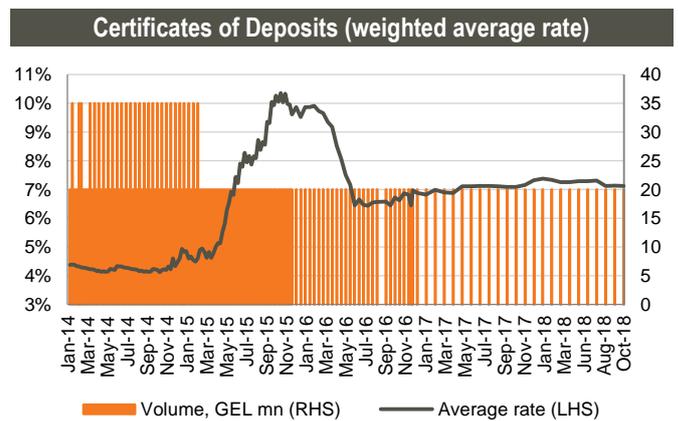
**Certificates of deposit:** NBG sold 91-day, GEL 20mn (US\$ 7.6mn) certificates of deposit, with an average yield of 7.14% (down 0.01ppts from previous issue).

## Ministry of Finance Treasury Bills:

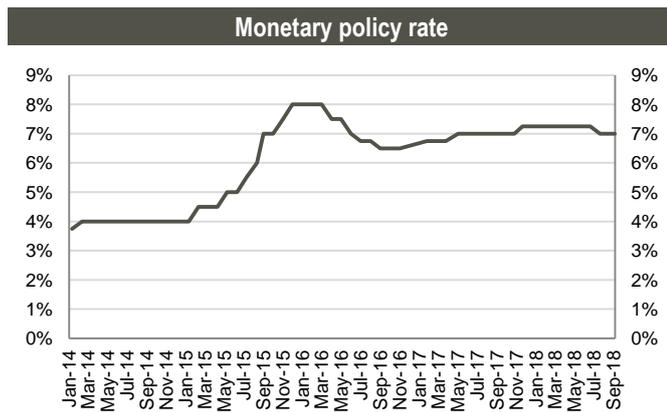
1-year GEL 40.0mn (US\$ 15.3mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on October 3, 2018. The weighted average yield was fixed at 7.136%. The nearest treasury security auction is scheduled for October 10, 2018, where GEL 40.0mn nominal value 2-year Benchmark Bonds and GEL 20.0mn nominal value 182-days T-Bills will be sold.



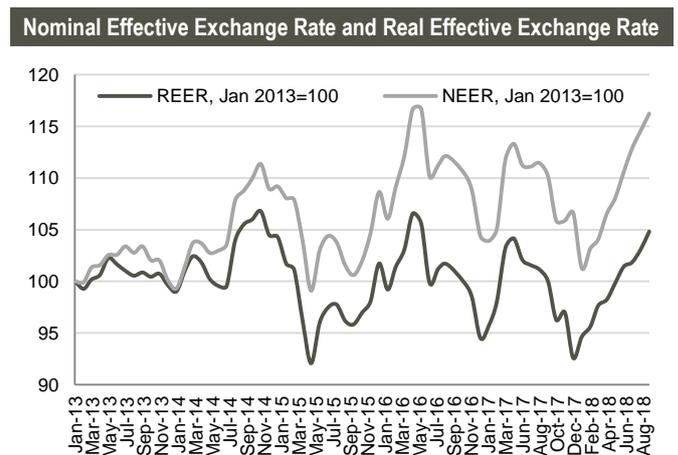
Source: NBG



Source: NBG



Source: NBG



Source: NBG

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

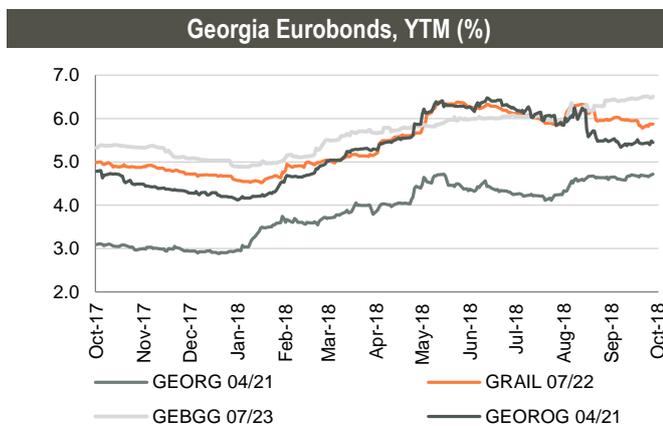


## Fixed income

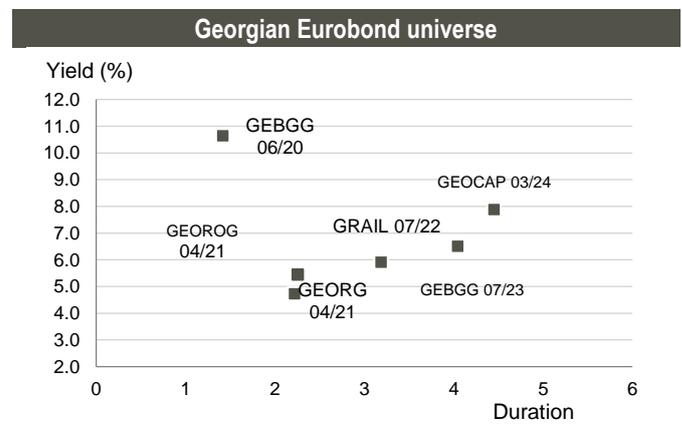
**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 6.5% yield, trading at 97.9 (-0.1% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.7%. Georgia Capital Eurobonds (GEOCAP) were trading at 92.4 (-0.1% w/w), yielding 7.9%.

GOGC Eurobonds (GEOROG) were trading at 103.0 (-0.2% w/w), yielding 5.4%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 106.1 (-0.4% w/w), yielding 5.9%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 105.1 (+0.1% w/w) at 4.7% 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	105.05	4.71	161.27
GRAIL 07/22	500	7.750%	18/07/2022	B+/B+/-	106.14	5.90	273.77
GEOROG 04/21	250	6.750%	18/04/2021	BB-/B+/-	103.05	5.45	234.52
GEBGG 06/20	500*	11.000%	18/06/2020	BB-/Ba2	100.50	10.64	n/a
GEBGG 07/23	350	6.000%	18/07/2023	BB-/B2	97.94	6.51	332.52
GEOCAP 03/24	300	6.125%	18/03/2024	-B+/B2	92.41	7.87	468.26

#### 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+/-	102.29	5.25	n/a
GLC 08/20	10	7.000%	29/08/2020	-/-	101.83	6.00	n/a
GLC 06/21	5	6.500%	22/06/2021	-/-	n/a	n/a	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/-	101.01	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

\*\*\*\*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	105.1	4.7	161.3
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba2	101.2	4.5	130.3
Bulgaria	323	5.000%	19/07/2021	BBB-/-	113.7	0.1	n/a
Croatia	1,250	3.875%	30/05/2022	BB+//BB+/Ba2	111.4	0.7	47.2
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	106.5	3.6	48.9
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	108.9	3.9	70.3
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	101.8	3.8	83.6
Turkey	2,000	5.625%	30/03/2021	BB+/-/Ba2	96.6	7.2	406.4

Source: Bloomberg

# Equities

**Bank of Georgia Group (BGEO LN)** shares closed at GBP 17.34/share (+1.32% w/w and +1.59% m/m). More than 199k shares traded in the range of GBP 16.77 – 17.56/share. Average daily traded volume was 58k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 1.77% w/w and lost 2.16% m/m. The volume of BGEO shares traded was at 0.41% of its capitalization.

**Georgia Capital (CGEO LN)** shares closed at GBP 11.48/share (+2.87% w/w and +10.49% m/m). More than 108k shares traded in the range of GBP 11.27 – 11.67/share. Average daily traded volume was 54k in the last 4 weeks. The volume of CGEO shares traded was at 0.28% of its capitalization.

**TBC Bank Group (TBCG LN)** closed the week at GBP 16.80 (-0.24% w/w and +3.96% m/m). More than 67k shares changed hands in the range of GBP 16.56 – 17.66/share. Average daily traded volume was 17k in the last 4 weeks. The volume of TBCG shares traded was at 0.12% of its capitalization.

**Georgia Healthcare Group (GHG LN)** shares closed at GBP 2.20/share (flat w/w and -3.93% m/m). More than 145k shares were traded in the range of GBP 2.15 – 2.24/share. Average daily traded volume was 18k in the last 4 weeks. The volume of GHG shares traded was at 0.11% 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	17.34*	1,116	1.6%	-5.9%	-30.3%	-27.9%	-22.1%
TBC	TBC	16.8*	1,193	4.0%	-3.9%	-8.2%	-4.0%	0.0%
Halyk Bank	HSBK	10.95	3,218	2.3%	-5.6%	-20.1%	10.8%	25.9%
KKB	KKB	0.68	712	0.0%	0.0%	0.0%	0.0%	0.0%
VTB Bank	VTBR	1.29	8,334	3.7%	-16.5%	-37.0%	-29.7%	-39.5%
Vozrozhdenie	VZRZ	6.89	164	13.9%	10.0%	0.9%	-20.8%	-28.8%
Sberbank	SBER	11.49	61,982	8.3%	-22.5%	-40.2%	-32.2%	-19.5%

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	11.476*	576	10.5%	11.4%	N/A	N/A	N/A
Creades	CREDA	30.09	247	5.0%	-3.9%	-23.0%	-17.4%	-12.2%
CIE du Bois	COMB	466.24	786	-1.7%	-0.9%	-3.5%	8.4%	13.9%
Tinc Comm	TINC	14.27	389	2.4%	0.8%	-0.7%	-5.5%	-5.4%
Edify	EDIFY	68.50	333	2.5%	-4.0%	-11.1%	-0.1%	11.6%

Source: Bloomberg

\*CGEO share price traded and shown in GBP

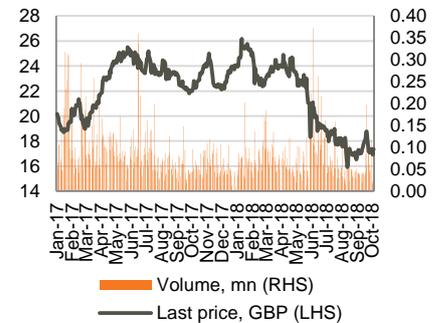
## Healthcare Sector Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG	GHG	2.2*	379	-3.9%	-17.6%	-26.7%	-38.0%	-26.3%
Mouwasat	MOUWASAT	21.46	2,146	-3.0%	-11.5%	-12.5%	6.3%	0.3%
Fortis	FORH	1.82	943	-10.8%	-10.2%	-14.5%	-27.6%	-21.0%
Raffles	RFMD	0.82	1,469	1.3%	11.6%	-6.4%	-2.4%	-1.3%
IHH	IHH	1.23	10,135	-7.0%	-17.3%	-21.2%	-14.8%	-8.6%
Bangkok Chain	BCH	0.59	1,460	3.3%	20.7%	8.3%	17.8%	23.0%
Netcare	NTC	1.66	2,436	-9.5%	-19.9%	-29.0%	-18.4%	-3.4%

Source: Bloomberg

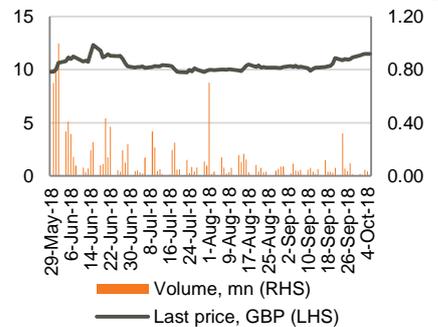
\*GHG share price traded and shown in GBP

## Bank of Georgia Group (BGEO LN)



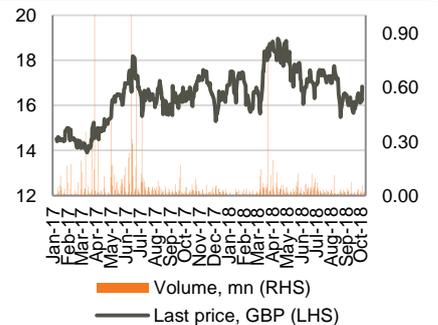
Source: Bloomberg

## Georgia Capital (CGEO LN)



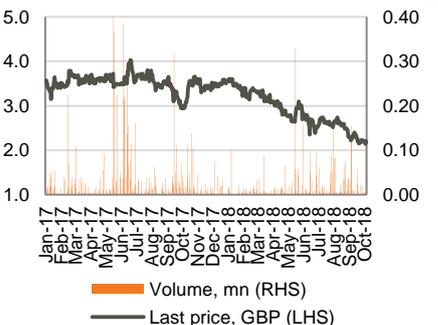
Source: Bloomberg

## TBC Bank Group (TBCG LN)



Source: Bloomberg

## Georgia Healthcare Group (GHG LN)



Source: Bloomberg

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