



Weekly Market Watch

Weekly Market Watch | Georgia
June 5, 2017

Economy

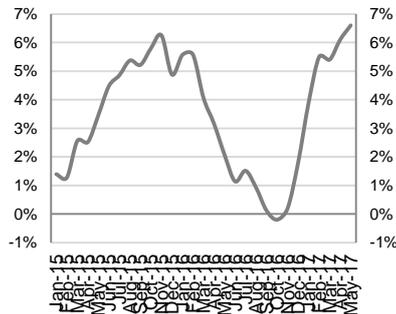
Real GDP grew 2.1% y/y in April 2017

Georgia's economy expanded 2.1% y/y in April 2017, after growing 5.3% y/y in previous month, according to GeoStat's rapid estimates. Overall, in 4M17 GDP growth was 4.2% y/y. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

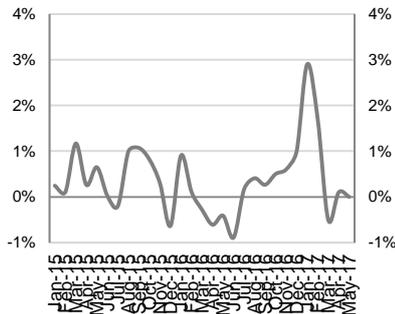
Inflation was 6.6% y/y and flat m/m in May 2017

The annual CPI inflation was 6.6% in May 2017 after 6.1% inflation in previous month, according to GeoStat. Core inflation was 3.7% in May, up from 3.3% in previous month. Overall price changes were driven by price increases in food and non-alcoholic beverages (+8.3% y/y, +2.53ppts), transport (+17.5% y/y, +2.13ppts), and alcoholic beverages and tobacco (+15.0% y/y, +0.97ppts) categories. On a monthly basis, prices were flat in May 2017. Price increase in transport (+0.5% m/m, +0.07ppts) and price increase in miscellaneous goods and services (+1.8% m/m, +0.08ppts) categories were the major drivers of monthly Inflation dynamics.

Annual CPI inflation (% change, y/y)



Monthly CPI inflation (% change, m/m)



Source: GeoStat

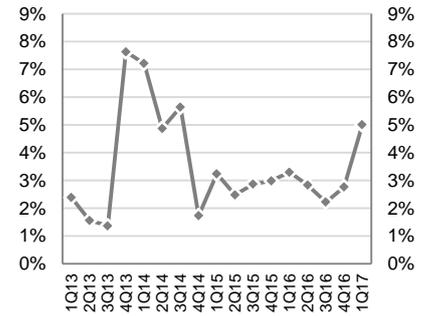
Key macro indicators

	5M17	2016	2015
GDP (% change)	4.2% ⁽¹⁾	2.7%	2.9%
GDP per capita (ppp)	...	10,044	9,601
GDP per capita (US\$)	...	3,853	3,767
Population (mn)	3.7	3.7	3.7
Inflation (eop)	6.6%	1.8%	4.9%
Gross reserves (US\$ bn)	2.7	2.8	2.5
CAD (% of GDP)	...	13.3%	11.9%
Fiscal deficit (% of GDP)	...	4.1%	3.7%
Total public debt (% of GDP)	...	44.6%	41.4%

Source: Official data, IMF, G&T

(1) As of 4M17

Real GDP growth, %



Source: GeoStat

International ranking, 2017

Ease of Doing Business # 16 (Top 20)
Economic Freedom Index # 13 (mostly free)
Global Competitiveness Index # 59 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

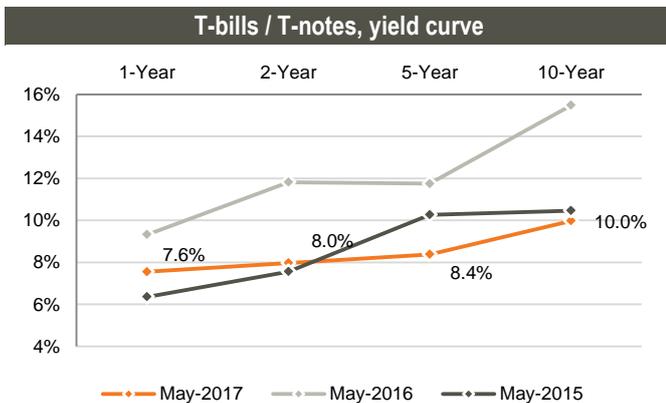
 BB- Stable Affirmed Nov-2016	 Ba3 Stable Affirmed Mar-2016	 BB- Stable Affirmed Mar-2017
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Source: Rating agencies

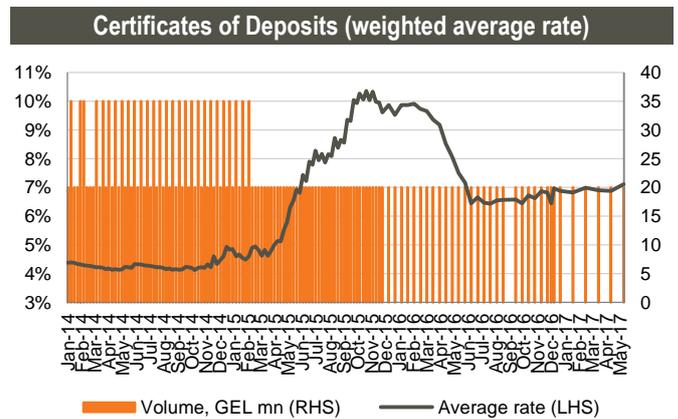
Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,250mn (US\$ 516.9mn).

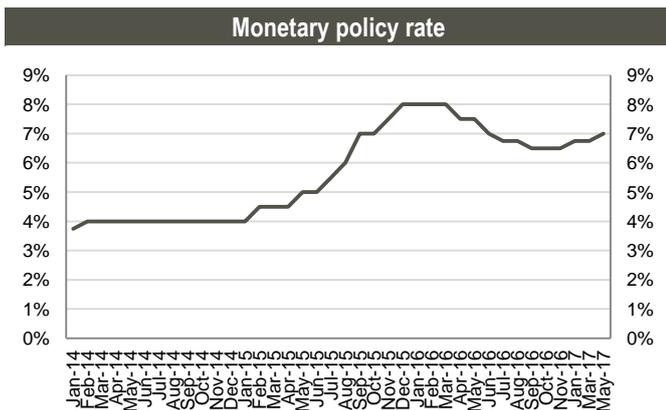
Ministry of Finance Treasury Notes: 5-year GEL 20.0mn (US\$ 8.2mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on May 31, 2017. The weighted average yield was fixed at 8.378%. The nearest treasury security auction is scheduled for June 7, 2017, where GEL 50.0mn nominal value 1-year T-Bills will be sold.



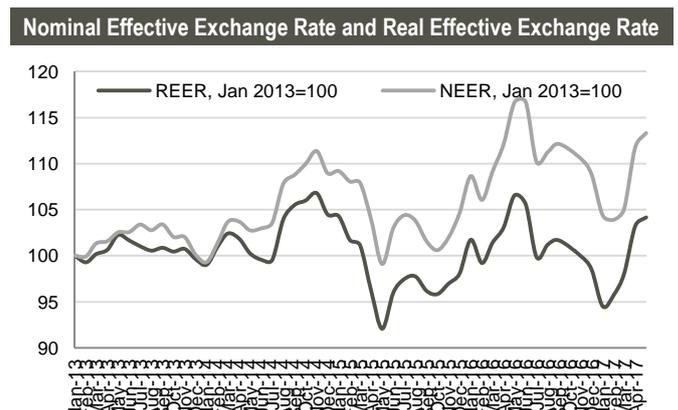
Source: NBG



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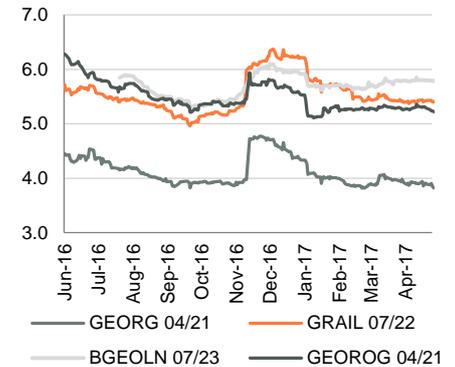
Source: NBG

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

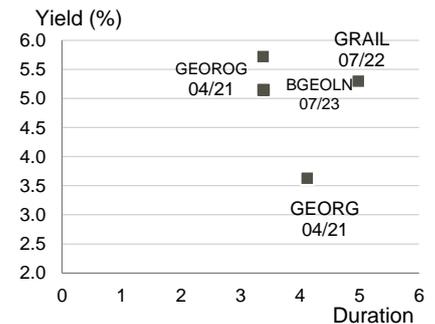
Fixed income

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.7% yield, trading at 101.4 (+0.1% w/w). GOGC Eurobonds (GEOROG) were trading at 105.6 (+0.2% w/w), yielding 5.1%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 110.8 (+0.1% w/w), yielding 5.3%.

Georgian Sovereign Eurobonds (GEORG) closed at 111.6 (+0.2% w/w) at 3.6% yield to maturity.

Georgia Eurobonds, YTM (%)


Source: Bloomberg

Georgian Eurobond universe


Source: Bloomberg

	Local bonds				Eurobonds			
	GWP 12/21	M2RE 10/19	Nikora 03/18	GLC 09/17	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	5.0	10.0	250	350	500	500
Issue date	12/16	10/16	03/16	09/14	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	09/17	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	11.0	8.75	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/-	-/-	-/-	-/-	BB-/B+/-	BB-/-/B1	BB-/BB-/Ba3	B+/B+/-
Mid price, US\$	n/a	101.1	101.4	100.6	105.6	101.4	111.6	110.8
Mid yield, %	n/a	7.00%	9.0%	6.50%	5.1	5.7	3.6	5.3
Z-spread, bps	n/a	n/a	n/a	n/a	345.7	193.9	351.4	386.2

Source: Bloomberg

*GWP 12/21 bonds are in Georgian lari

**Coupon rate 3.5% over the NBG's refinancing rate

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-/Ba3	111.6	3.6	193.9
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	101.9	4.4	251.5
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	119.6	0.2	-232.8
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	110.5	1.7	152.4
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	113.1	2.7	103.5
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	116.5	2.9	119.4
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.9	2.5	92.3
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	106.6	3.7	206.0

Source: Bloomberg

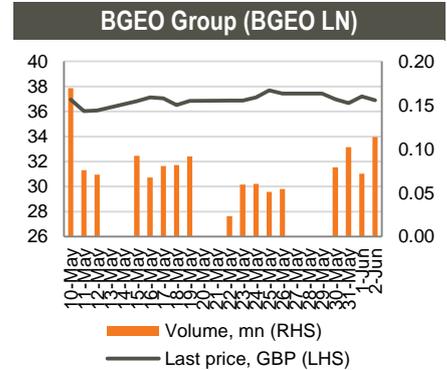


Equities

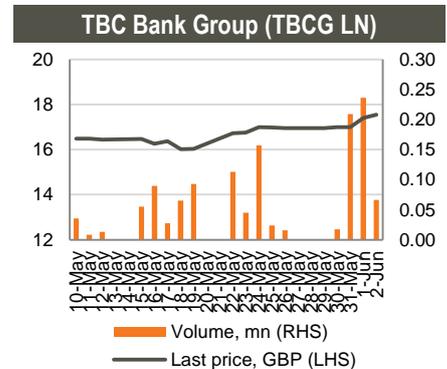
BGEO Group (BGEO LN) shares closed at GBP 36.91/share (-1.42% w/w and +2.19% m/m). More than 421k shares traded in the range of GBP 36.46 – 37.57/share. Average daily traded volume was 79k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 0.11% w/w and gained 1.00% m/m. The volume of BGEO shares traded was at 1.07% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 17.55 (+3.54% w/w and +7.01% m/m). More than 544k shares changed hands in the range of GBP 16.65 – 17.70/share. Averaged daily traded volume was 71k in the last 4 weeks.

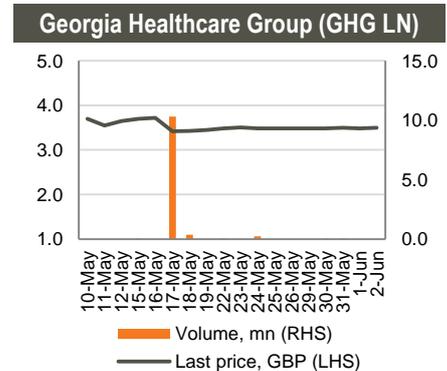
Georgia Healthcare Group (GHG LN) shares closed at GBP 3.50/share (+0.57% w/w and -5.41% m/m). More than 124k shares were traded in the range of GBP 3.43 – 3.58/share. Average daily traded volume was 589k in the last 4 weeks. The volume of GHG shares traded was at 0.09% of its capitalization.



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Eastern European Banks									
	Tick er	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
	BGEO*	BGEO	47.48	1,873	2.7%	26.8%	24.9%	23.9%	43.5%
	TBC*	TBC	21.83	1,150	4.6%	20.9%	27.9%	17.1%	68.0%**
	Halyk Bank	HSBK	7.30	2,007	-2.7%	12.7%	30.6%	21.9%	51.8%
	KKB	KKB	1.10	439	2.8%	0.0%	-19.1%	-23.9%	-30.8%
	VTB Bank	VTBR	2.28	14,769	-1.4%	3.9%	8.7%	-4.5%	11.4%
	Vozrozhdenie Bank	VZRZ	13.10	311	0.4%	1.9%	19.1%	7.0%	32.4%
	Sberbank	SBER	11.68	63,007	-1.8%	2.2%	16.5%	0.9%	37.7%

Source: Bloomberg
*BGEO and TBC are traded in GBP and are shown in US\$ equivalent
** 1Y change in TBC share prices calculated using GDR price.

Healthcare Sector Peers									
	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
	GHG*	GHG	4.47	589	-2.0%	-4.7%	-5.3%	-2.5%	38.1%
	Mouwasat	MOUWASAT	39.53	1,977	1.2%	5.3%	9.3%	0.3%	14.7%
	Fortis	FORH	3.07	1,589	-10.5%	10.3%	18.6%	15.4%	29.2%
	Raffles	RFMD	1.00	1,747	-0.6%	0.2%	-2.5%	0.8%	-11.2%
	IHH	IHH	1.37	11,305	-3.6%	4.2%	-7.1%	-3.0%	-13.4%
	Bangkok Chain	BCH	0.36	899	-4.8%	-2.8%	-8.7%	-12.7%	17.1%
	Netcare	NTC	2.04	2,981	2.8%	-13.4%	-8.2%	-12.1%	-3.7%

Source: Bloomberg
*GHG is traded in GBP and is shown in US\$ equivalent

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