

Weekly Market Watch

 Weekly Market Watch | Georgia
 October 26, 2020

Economy

Exports up 8.7% y/y in September 2020

In September 2020, exports increased by 8.6% y/y to US\$ 332.0mn, posting the first expansion in 8 months according to Geostat. Imports reduction also slowed to 9.0% y/y to US\$ 731.3mn in September. As a result, trade deficit narrowed by 19.8% y/y to US\$ 399.3mn.

In September 2020, copper (+77.0% y/y), cars (-37.9% y/y), ferro-alloys (+5.9% y/y), wine (+13.8% y/y) and nuts (+75.3% y/y) were the top 5 exported commodities. A 17.9% of exports were directed to the EU (+21.9% y/y), 44.1% to the CIS (-6.7% y/y) and 38.1% to other countries (+26.0% y/y).

Copper (+179.9% y/y), cars (-55.4% y/y), petroleum (-40.2% y/y), pharmaceuticals (-9.2% y/y) and gases (-9.4% y/y) represented the top 5 imported commodities in September 2020.

Overall, in 9M20, trade deficit was down 18.5% to US\$ 3.3bn as exports reduced by 12.1% y/y to US\$ 2.4bn and imports decreased by 15.9% y/y to US\$ 5.7bn.

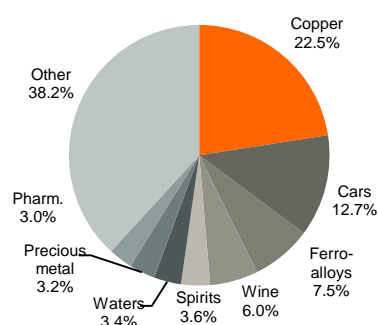
Producer price index up 5.9% y/y in September 2020

Annual PPI for industrial goods was up 5.9% in September 2020 from 4.9% in previous month, according to Geostat. Price changes in manufacturing (+4.8% y/y) and mining (+19.6% y/y) contributed the most to the overall index change.

NBG sold US\$ 40mn

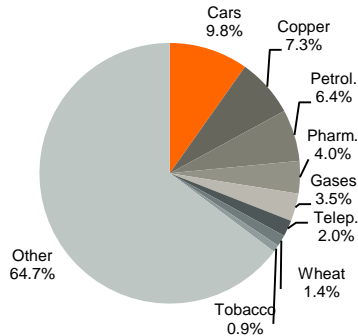
On 22 October 2020, the NBG intervened on the FX market and sold US\$ 40mn to limit GEL volatility. This was 18th FX intervention YTD for a total sale of US\$ 569.7mn through FX auctions.

Exports by commodities, 9M20



Source: Geostat

Imports by commodities, 9M20

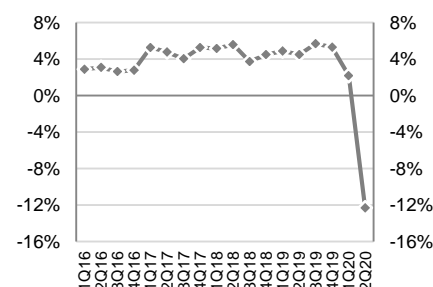


Key macro indicators

	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

STANDARD & POOR'S BB Stable Affirmed Aug-2020	Moody's INVESTORS SERVICE Ba2 Stable Affirmed Aug-2020	FitchRatings BB Negative Affirmed Aug-2020
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Source: Rating agencies

Money market

Ministry of Finance Benchmark Bonds: 10-year GEL 40.0mn (US\$ 12.5mn) Benchmark Bonds were sold at the auction held at NBG on October 20, 2020. Total demand was 1.7x higher and the weighted average yield was fixed at 8.775%, down by 0.429ppts from previous auction held in July, 2020. The nearest treasury security auction is scheduled for October 27, 2020, where GEL 80.0mn nominal value 5-year Benchmark Bonds will be sold.

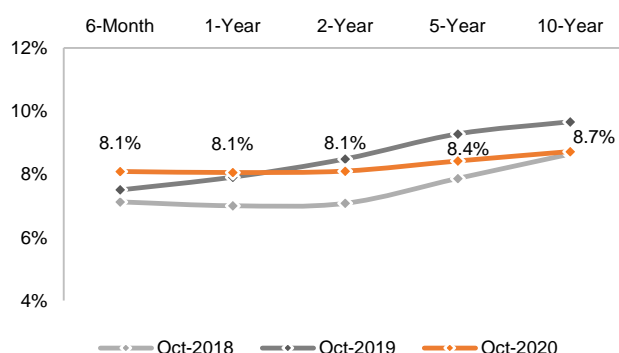
T-bills / T-notes in 2020

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	310	40	180
1-year	560	100	690
2-year	700	140	1,320
5-year	720	240	2,008
10-year	150	0	1,197
Total	2,440	520	5,395

Source: MoF

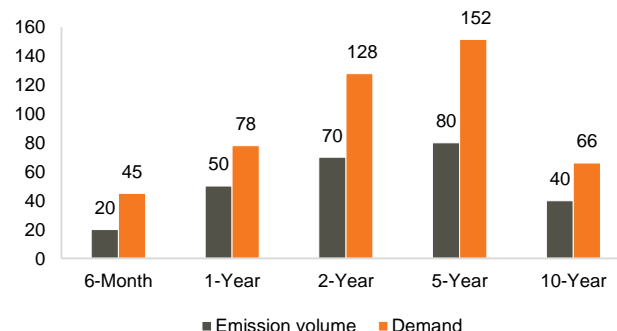
Note: * As of 30 September 2020

T-bills / T-notes, yield curve



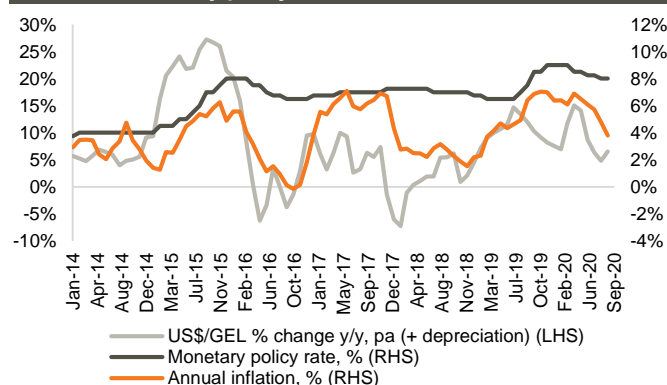
Source: NBG

Emission volume vs. demand on latest T-bill0ls / T-notes auctions, GEL mn



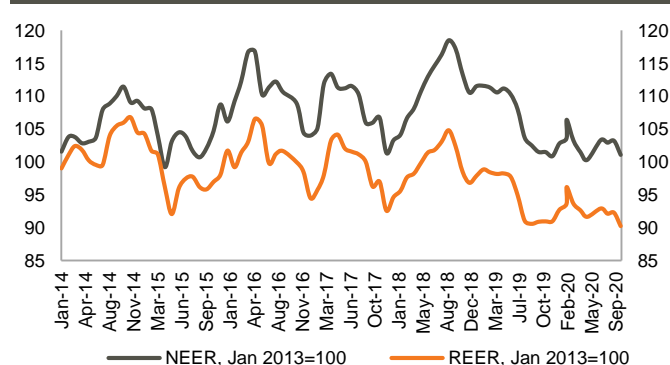
Source: NBG

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

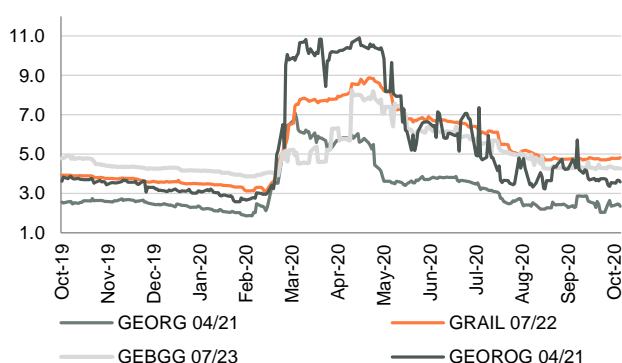
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 4.26% yield, trading at 104.47 (+0.25% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 97.10 (-0.38% w/w), yielding 7.10%.

GOGC Eurobonds (GEOROG) were trading at 101.54 (-0.08% w/w), yielding 3.59%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 104.84 (-0.01% w/w), yielding 4.76%.

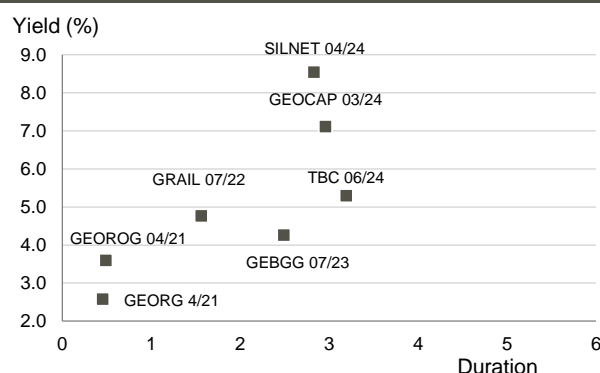
Georgian Sovereign Eurobonds (GEORG) closed at 101.95 (-0.19% w/w) at 2.57% yield to maturity.

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	101.95	2.57	234.28
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	104.84	4.76	453.20
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/BB-/-	101.54	3.59	336.40
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/-/Ba2	104.47	4.26	399.04
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-/-	102.66	9.47	991.51
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B/B2	97.10	7.10	680.59
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	107.19	8.54	823.58
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/-/Ba2	101.49	5.29	497.72
TBC PERP	US\$	125	10.775%	n/a	B-/-/-	99.47	9.98	1,061.01
GGU 07/25	US\$	250	7.750%	Jul-25	-B/-/-	100.95	7.51	712.99

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	-/-/-	100.56	7.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	100.90	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	-/-/-	99.98	7.50	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/Baa2	101.95	2.57	234.28
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	100.83	1.82	159.93
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	98.75	7.46	721.33
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	109.74	1.34	100.43
Russia	US\$	3,000	4.875%	Sep-23	BBB/BBB-/Baa3	109.94	1.35	107.99
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	100.75	3.81	358.50
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	103.06	4.02	380.11

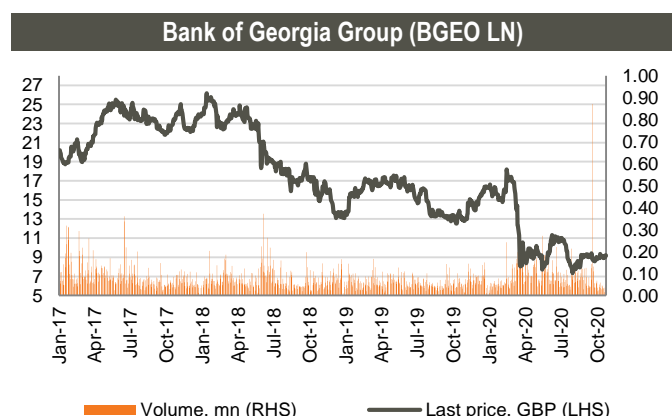
Source: Bloomberg

Equities

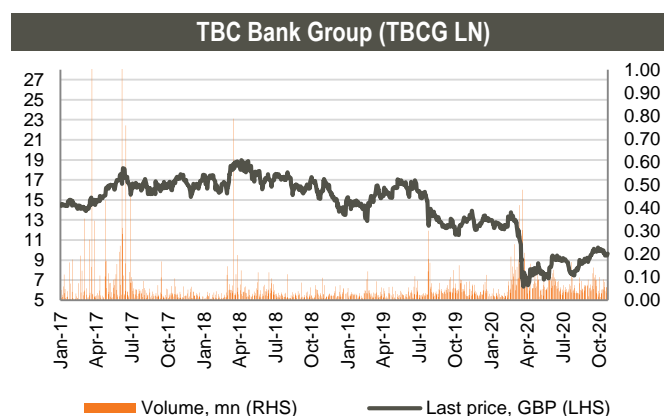
Bank of Georgia Group (BGEO LN) shares closed at GBP 9.20/share (+3.25% w/w and +5.99% m/m). More than 164k shares traded in the range of GBP 8.80 - 9.29/share. Average daily traded volume was 39k in the last 4 weeks. The volume of BGEO shares traded was at 0.33% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 3.94/share (-2.24% w/w and +12.59% m/m). More than 115k shares traded in the range of GBP 3.84 - 4.15/share. Average daily traded volume was 49k in the last 4 weeks. The volume of CGEO shares traded was at 0.32% of its capitalization.

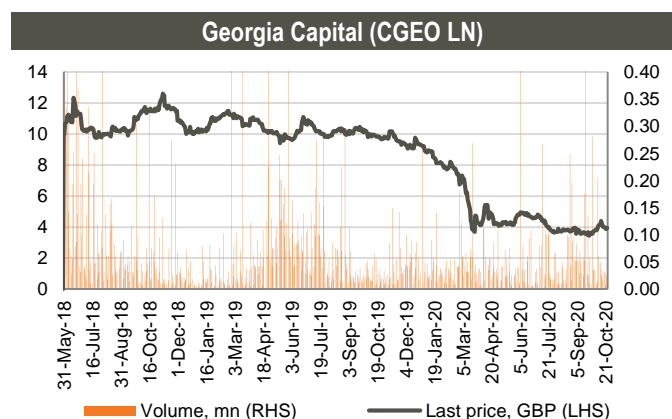
TBC Bank Group (TBCG LN) closed the week at GBP 9.66/share (+2.11% w/w and -3.40% m/m). More than 249k shares changed hands in the range of GBP 9.40 - 9.72/share. Average daily traded volume was 47k in the last 4 weeks. The volume of TBCG shares traded was at 0.45% of its capitalization.



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	9.20	452	-1.2%	-30.0%	-43.4%	7.65x	4.03x	0.75x	0.63x
TBC	TBC	GBP	9.66	531	22.7%	-26.8%	-25.7%	7.38x	4.55x	0.78x	0.67x
Halyk Bank	HSBK	US\$	10.05	2,953	18.5%	-23.0%	-24.7%	4.44x	3.83x	0.83x	0.76x
VTB Bank	VTBR	US\$	0.86	5,596	-6.3%	-35.8%	-41.0%	5.31x	3.44x	0.33x	0.31x
Akbank	AKBNK	TRY	5.06	26,312	-10.9%	-29.7%	-37.6%	6.79x	4.62x	0.65x	0.57x
Garanti	GARAN	TRY	7.07	29,694	-12.4%	-26.4%	-36.5%	6.46x	4.57x	0.72x	0.61x
Isbank	ISCTR	TRY	5.39	24,255	12.5%	-11.2%	-15.9%	5.89x	4.42x	0.54x	0.49x
PKO	PKO	PLN	20.97	26,213	-1.4%	-45.6%	-39.1%	10.35x	9.39x	0.59x	0.58x
PEKAO	PEO	PLN	48.00	12,599	-4.6%	-56.1%	-52.2%	11.94x	8.98x	0.52x	0.50x
Millennium	MIL	PLN	2.41	2,926	-13.5%	-61.2%	-58.8%	11.09x	7.31x	0.32x	0.33x
Mbank	MBK	PLN	148.30	6,279	-32.3%	-61.0%	-61.9%	17.60x	8.89x	0.37x	0.37x
BRD	BRD	RON	12.32	8,586	7.3%	-14.4%	-22.2%	11.44x	11.12x	0.95x	1.00x
Banca Transilvania	TLV	RON	2.02	10,510	14.8%	-6.9%	-14.6%	12.06x	10.43x	1.40x	1.36x
OTP	OTPD	USD	22.80	12,768	0.0%	7.5%	7.5%	14.05x	12.62x	0.75x	0.70x
Komerční	KOMB	CZK	477.00	90,654	-8.1%	-40.2%	-42.5%	12.11x	9.86x	0.81x	0.78x
Mean								9.64x	7.20x	0.69x	0.64x
Median								10.35x	7.31x	0.72x	0.61x

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	3.94	145	-6.0%	-59.5%	-57.3%	n/a	n/a	n/a	n/a
Tinc Comm	TINC	EUR	13.35	364	2.3%	1.7%	0.0%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	8.40	17,139	10.5%	-3.6%	-11.9%	5.44x	4.84x	0.67x	0.56x
Deutsche Beteiligungs	DBAN	EUR	31.20	469	5.9%	-17.1%	-20.9%	nmf	10.93x	1.02x	0.97x
Eurazeo	RF	EUR	43.70	3,442	2.4%	-28.9%	-28.4%	25.24x	6.89x	0.61x	0.57x
Carlyle Group	CG	USD	27.33	3,025	23.1%	-0.4%	-14.8%	4.89x	4.18x	4.22x	4.48x
Mean								11.86x	6.71x	1.63x	1.65x
Median								5.44x	5.87x	0.85x	0.77x

Source: Bloomberg, S&P Capital IQ

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