



Weekly Market Watch

Weekly Market Watch | Georgia
July 6, 2020

Economy

Real GDP shrinks 13.5% y/y in May 2020

Georgia's economy contracted by 13.5% y/y in May 2020 after falling 16.6% y/y in previous month, according to Geostat's rapid estimates. Real growth was down in all sectors reflecting lockdown effects. Overall, real GDP growth was down 5.4% y/y in 5M20. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

Inflation was 6.1% y/y and -1.4% m/m in June 2020

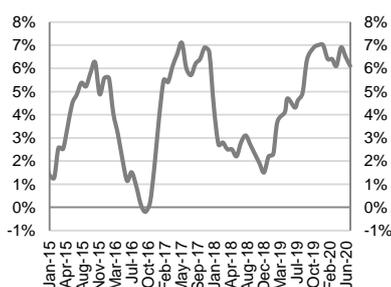
Annual CPI inflation retreated to 6.1% in June 2020 from 6.5% in May 2020, according to Geostat. Core inflation (non-food, non-energy) was 6.6% in June 2020, while core inflation excluding tobacco was 6.2%. Annual price changes were driven by price increases in food and non-alcoholic beverages (+13.6% y/y, +4.15ppts), healthcare (+7.5% y/y, +0.61ppts) and furnishings, household equipment & maintenance (+9.6% y/y, +0.58ppts) categories. Meanwhile, prices were down in transport (-8.6% y/y, -1.08ppts) category. On a monthly basis, there was 1.4% deflation in June 2020, affected by price decrease in food and non-alcoholic beverages (-4.8% y/y, -1.60ppts).

Current account deficit almost doubled in 1Q20, coming in at 11.0% of GDP or US\$ 417.7mn (+86.2% y/y), according to NBG. Merchandise trade deficit, traditionally the major contributor to deficit creation, increased by 11.4% y/y to US\$ 885.9mn, as exports declined by 6.2% y/y, while imports were up 1.2% y/y. Positive service balance declined by 32.3% y/y to US\$ 251.4mn (6.6% of GDP), reflecting the drop of tourism inflows. Surplus in current transfers amounted to US\$ 370.9mn (9.8% of GDP, up 12.3% y/y). Together, services and transfers financed 70% of the trade deficit. Reserves were down by US\$ 98.7mn as net FDI (3.3% of GDP) and other investments (3.2% of GDP) partly financed the CA deficit.

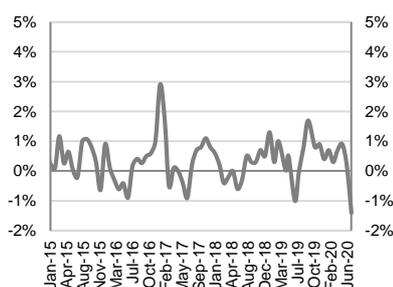
NBG sold US\$ 20mn

On 2 July 2020, the NBG intervened on the FX market and sold US\$ 20mn to limit GEL volatility. This was 8th FX intervention YTD for a total sale of US\$ 229.7mn through FX auctions.

Annual CPI inflation (% change, y/y)



Monthly CPI inflation (% change, m/m)



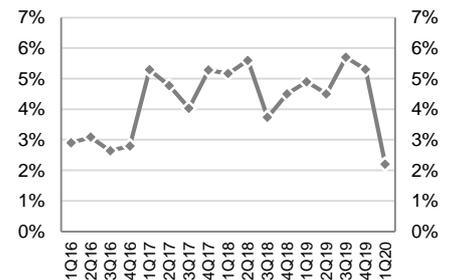
Source: Geostat

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 # 16 (mostly free)
- Global Competitiveness Index # 74

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

 BB Stable Upgraded Oct-2019	 Ba2 Stable Affirmed Mar-2020	 BB Negative Affirmed Apr-2020
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Source: Rating agencies



Money market

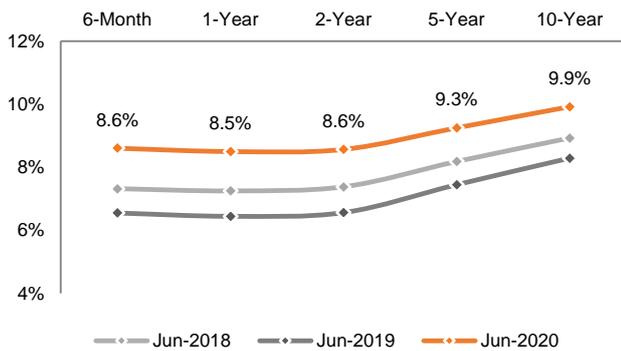
Treasury auctions: There was no treasury securities auction last week. The nearest treasury security auction is scheduled for July 7, 2020, where GEL 70.0mn nominal value 2-year Benchmark Bonds and GEL 20.0mn nominal value 6-month T-bills will be sold.

T-bills / T-notes in 2020

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	230	60	250
1-year	360	240	620
2-year	420	420	1,280
5-year	480	480	1,743
10-year	70	80	563
Total	1,560	1,280	4,455

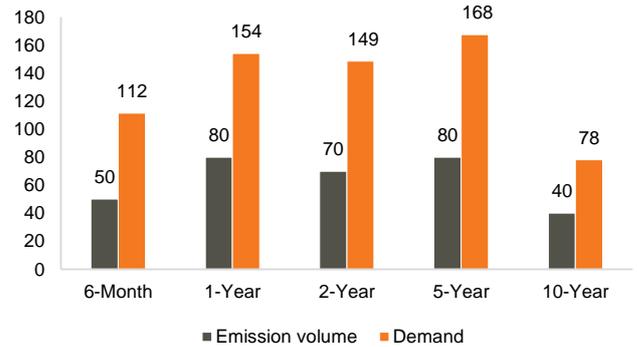
Source: MoF
Note: * As of 31 May 2020

T-bills / T-notes, yield curve



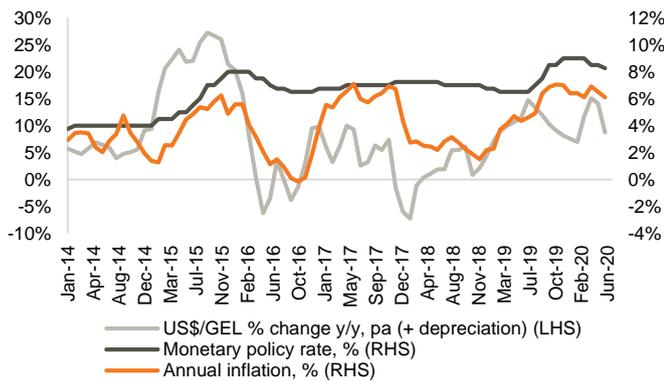
Source: NBG

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



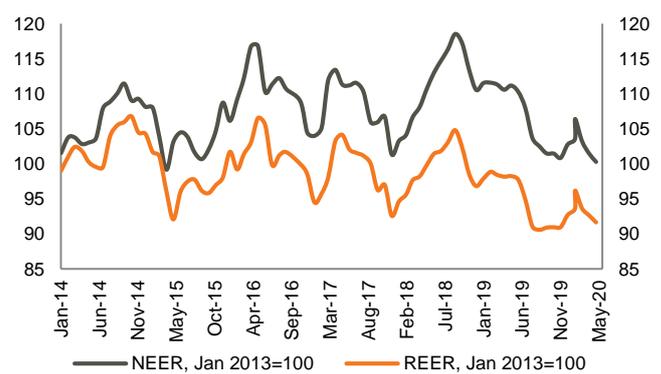
Source: NBG

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

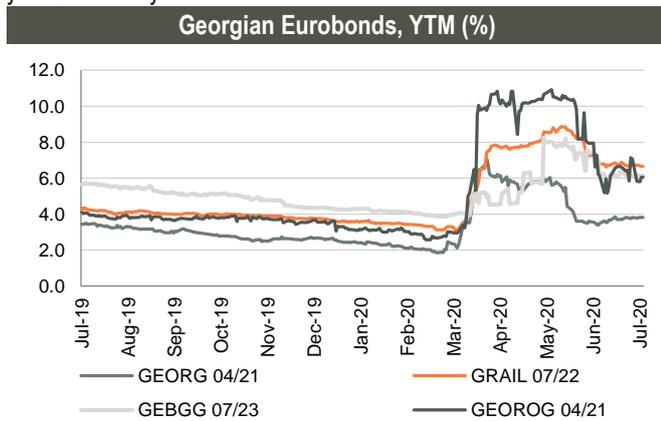


Fixed income

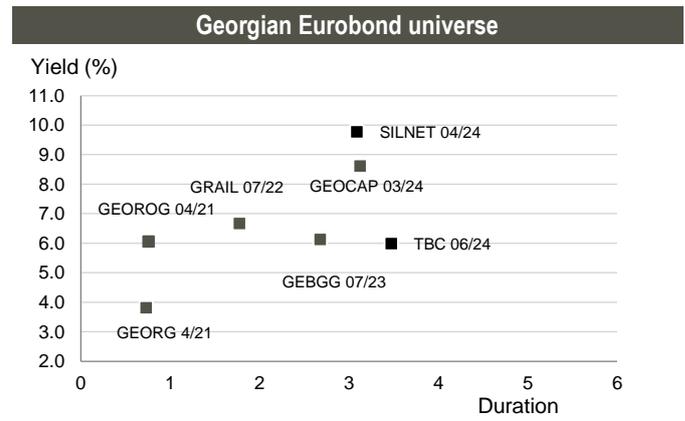
Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 6.13% yield, trading at 99.64 (-0.02% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 92.29 (+1.41% w/w), yielding 8.62%.

GOGC Eurobonds (GEOROG) were trading at 100.53 (+0.79% w/w), yielding 6.05%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 102.01 (+0.07% w/w), yielding 6.67%.

Georgian Sovereign Eurobonds (GEORG) closed at 102.28 (-0.05% w/w) at 3.81% yield to maturity.



Source: Bloomberg



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	102.28	3.81	355.24
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	102.01	6.67	633.20
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/BB/-	100.53	6.05	565.33
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/Ba2	99.64	6.13	588.65
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	97.31	9.99	1,172.48
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B/B2	92.29	8.62	826.77
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	103.72	9.78	951.03
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/Ba2	99.18	5.98	569.89
TBC PERP	US\$	125	10.775%	n/a	B-/-	96.20	10.29	1,163.97

Georgian local bonds performance								
Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/Scope)	Mid price	Mid yield, %	Z-spread, bps
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	-/-/-	100.00	7.50	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	98.97	8.00	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	-/-/-	99.97	7.00	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	-/-/-	100.00	6.50	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	-/-/-	99.99	7.50	n/a
CRYSTAL 02/21	GEL	15	13.00%	Feb-21	B-/-/-	100.00	12.50	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	14.75	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	102.28	3.81	355.24
Armenia	US\$	500	6.000%	Sep-20	BB-/Ba3	99.81	6.73	591.77
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	100.08	2.74	248.83
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	101.20	6.37	611.96
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	109.41	1.59	130.48
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	101.99	2.85	264.19
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	103.35	4.71	443.40

Source: Bloomberg

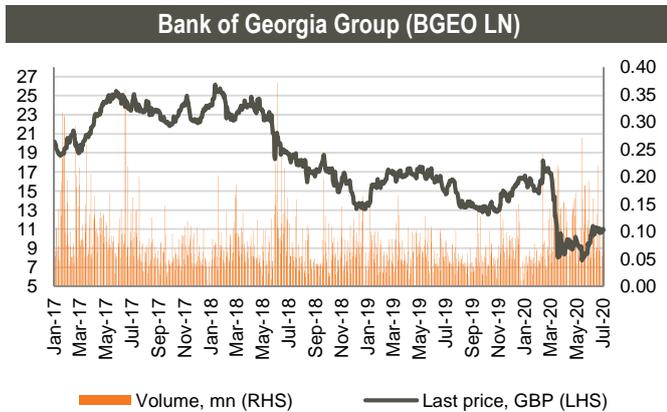
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 10.94/share (+3.01% w/w and +6.01% m/m). More than 344k shares traded in the range of GBP 10.32 - 11.16/share. Average daily traded volume was 90k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 1.10% w/w and lost 3.32% m/m. The volume of BGEO shares traded was at 0.70% of its capitalization.

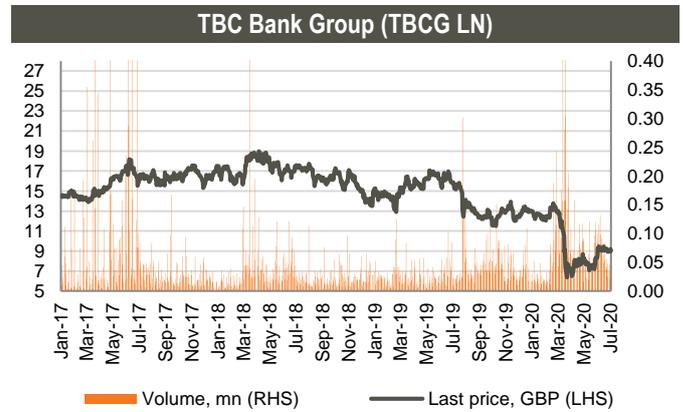
Georgia Capital (CGEO LN) shares closed at GBP 4.80/share (+4.35% w/w and unchanged m/m). More than 100k shares traded in the range of GBP 4.28 - 4.91/share. Average daily traded volume was 31k in the last 4 weeks. The volume of CGEO shares traded was at 0.27% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 9.02/share (+1.01% w/w and -3.01% m/m). More than 203k shares changed hands in the range of GBP 8.76 - 9.26/share. Average daily traded volume was 60k in the last 4 weeks. The volume of TBCG shares traded was at 0.37% of its capitalization.

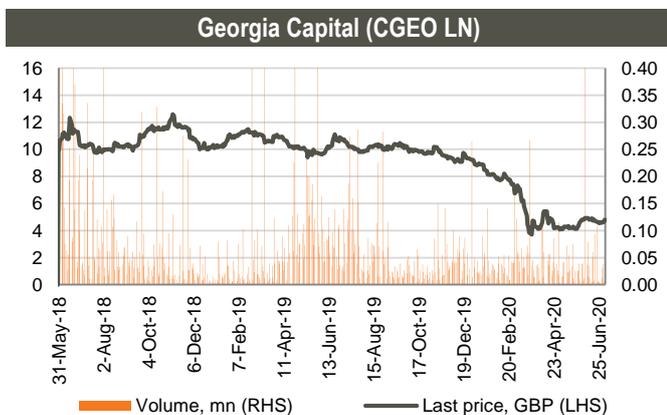
Georgia Healthcare Group (GHG LN) shares closed at GBP 0.96/share (+6.67% w/w and +11.11% m/m). More than 131k shares were traded in the range of GBP 0.89 - 1.00/share. Average daily traded volume was 57k in the last 4 weeks. The volume of GHG shares traded was at 0.10% of its capitalization.



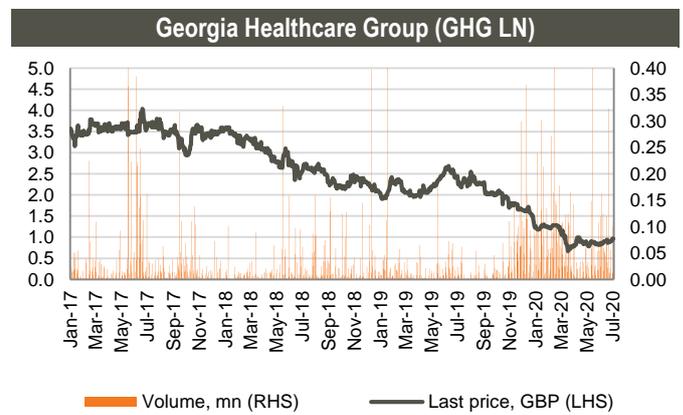
Source: Bloomberg



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	10.94	538	-32.6%	-25.5%	-32.7%	4.22x	8.66x	0.93x	0.87x
TBC	TBC	GBP	9.02	496	-30.4%	-42.5%	-30.6%	3.52x	8.13x	0.68x	0.66x
Halyk Bank	HSBK	US\$	12.60	3,703	-6.3%	-3.4%	-5.6%	4.41x	5.24x	1.06x	1.01x
VTB Bank	VTBR	US\$	0.95	6,156	-36.4%	-26.3%	-35.1%	2.35x	4.91x	0.35x	0.34x
Akbank	AKBNK	TRY	5.90	30,680	-25.7%	-17.7%	-27.3%	4.92x	4.98x	0.51x	0.51x
Garanti	GARAN	TRY	8.22	34,524	-24.6%	-16.0%	-26.2%	4.62x	4.66x	0.55x	0.56x
Isbank	ISCTR	TRY	5.38	24,210	-14.7%	-14.5%	-16.1%	3.59x	4.21x	0.38x	0.38x
PKO	PKO	PLN	23.27	29,088	-33.0%	-44.6%	-32.5%	6.55x	12.69x	0.67x	0.66x
PEKAO	PEO	PLN	55.00	14,436	-46.0%	-50.5%	-45.2%	6.25x	13.34x	0.59x	0.60x
Millennium	MIL	PLN	3.07	3,719	-48.5%	-67.2%	-47.6%	4.78x	14.70x	0.39x	0.40x
Mbank	MBK	PLN	236.40	10,008	-40.4%	-44.6%	-39.3%	7.67x	18.10x	0.58x	0.59x
BRD	BRD	RON	11.92	8,307	-23.6%	-8.0%	-24.7%	5.33x	10.59x	1.03x	0.94x
Banca Transilvania	TLV	RON	2.15	11,214	-16.8%	-4.2%	-17.1%	6.00x	13.54x	1.24x	1.43x
OTP	OTPD	USD	22.80	12,768	7.5%	7.5%	7.5%	9.60x	17.00x	0.82x	0.78x
Komercni	KOMB	CZK	577.00	109,658	-30.5%	-34.9%	-30.4%	6.93x	13.82x	0.99x	0.96x
Mean								5.38x	10.30x	0.72x	0.71x
Median								4.92x	10.59x	0.67x	0.66x

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	4.80	176	-46.1%	-55.0%	-47.9%	6.43x	na	0.46x	na
Tinc Comm	TINC	EUR	13.25	361	-0.4%	7.7%	-0.7%	na	na	na	na
Sabancı Holding	SAHOL	TRY	9.11	18,588	-5.4%	1.3%	-4.5%	4.23x	3.81x	0.49x	0.49x
Deutsche Beteiligungs	DBAN	EUR	30.45	458	-20.2%	-13.6%	-22.8%	11.29x	-5.51x	1.01x	1.19x
Eurazeo	RF	EUR	46.80	3,686	-23.6%	-25.7%	-23.3%	11.45x	27.18x	0.69x	0.67x
Carlyle Group	CG	USD	27.97	3,096	-11.1%	18.1%	-12.8%	16.14x	5.60x	1.73x	4.06x
Mean								9.91x	7.77x	0.88x	1.60x
Median								11.29x	4.70x	0.69x	0.93x

Source: Bloomberg, S&P Capital IQ

Healthcare sector companies

Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	P/E		EV/EBITDA		
							2019	2020F	2019	2020F	
GHG	GHG	GBP	0.96	126	-22.0%	-58.3%	-22.0%	9.95x	7.64x	4.86x	4.89x
Mouwasset	MOUWASAT	SAR	95.30	9,530	8.9%	6.2%	8.3%	24.48x	25.39x	16.73x	16.18x
Fortis	FORH	INR	126.75	95,691	-6.1%	-5.0%	-3.9%	1.50x	1.43x	6.45x	6.67x
Raffles	RFMD	SGD	0.95	1,727	-7.4%	-9.1%	-5.5%	28.25x	34.80x	17.99x	20.19x
IHH	IHH	MYR	5.39	47,292	-4.1%	-8.2%	-1.5%	50.83x	70.73x	14.83x	18.12x
Bangkok Chain	BCH	THB	14.70	36,658	-10.9%	-10.4%	-14.0%	29.83x	31.59x	16.55x	16.95x
Netcare	NTC	ZAR	14.21	20,631	-26.7%	-16.4%	-27.0%	8.35x	18.28x	5.53x	10.25x
Life Healthcare	LHC	ZAR	17.50	25,679	-29.1%	-20.1%	-29.0%	13.11x	37.63x	6.05x	8.34x
Mediclinic	MDC	GBP	2.74	2,020	-33.3%	-15.1%	-33.4%	9.80x	10.92x	7.41x	7.29x
Apollo Hospitals	APHS	INR	1,379.80	191,965	-7.2%	2.8%	-4.3%	64.65x	58.05x	20.30x	14.54x
KPJ Healthcare	KPJ	MYR	0.84	3,578	-13.0%	-9.7%	-11.6%	18.39x	22.78x	8.99x	10.41x
Mean								23.56x	29.02x	11.43x	12.17x
Median								18.39x	25.39x	8.99x	10.41x

Source: Bloomberg, S&P Capital IQ

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