



Weekly Market Watch

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December 7, 2020

Economy

Real GDP shrinks 3.9% y/y in October 2020

Georgia's economy contracted by 3.9% y/y in October 2020 after falling 0.7% y/y in September and 3.8% y/y in 3Q20, according to Geostat's rapid estimates. In October, positive real growth was recorded only in financial and insurance activities, while it decreased in other sectors. Overall, real GDP contracted by 5.1% y/y in 10M20. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

Inflation was 3.8% y/y and 0.9% m/m in November 2020

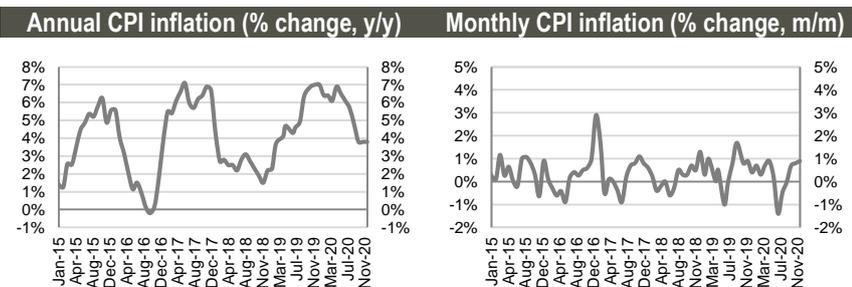
Annual CPI inflation was 3.8% in November 2020, unchanged since September 2020, according to Geostat. Core inflation (non-food, non-energy) came in at 5.1% in November 2020, while core inflation excluding tobacco was 4.8%. Annual price changes were driven by price increases in food and non-alcoholic beverages (+6.0% y/y, +1.92ppts) and health (+8.8% y/y, +0.71ppts) categories and price drop in transport (-5.2% y/y, -0.64ppts) category. On a monthly basis, inflation was 0.9% in November 2020.

NBG sold US\$ 19.8mn

On 3 December 2020, the NBG intervened on the FX market and sold US\$ 19.8mn out of offered US\$ 25mn to limit GEL volatility. This was 25th FX intervention YTD for a total sale of US\$ 843.2mn through FX auctions.

Government targets a 7.6% deficit in the 2021 final draft budget

The government has submitted to the parliament the final draft of 2021 budget, which sets economic growth at 4.3% (revised down from 5.0% in the initial draft) and GDP deflator at 3.8% (revised down from 4.0% in the initial draft) for 2021. Fiscal deficit is set at 7.6% of GDP with both operating expenditures (+3.8% y/y, 25.1% of GDP) and capital expenditures (+5.2% y/y, 8.1% of GDP) set to increase. The government expects a 9.0% y/y growth in tax revenues (22.5% of GDP). Total public debt to GDP is set at 60.1% (revised up from 55.9% in the initial draft) in 2021, reflecting US\$ 500mn Eurobond refinancing and no growth in domestic debt.



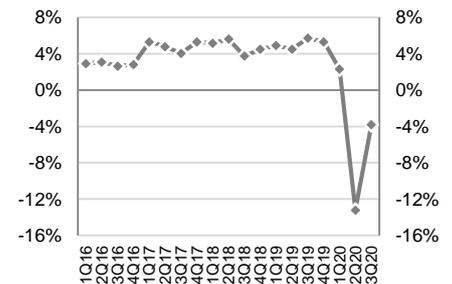
Source: Geostat

Key macro indicators

	2017	2018	2019
GDP (% change)	4.8%	4.8%	5.0%
GDP per capita (ppp)	13,596	14,584	15,634
GDP per capita (US\$)	4,359	4,722	4,696
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%	5.5%
Fiscal deficit (% of GDP)	2.7%	2.3%	2.1%
Total public debt (% of GDP)	39.4%	38.9%	40.4%

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 Aug-2020	 BB Negative Affirmed Aug-2020
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Source: Rating agencies

Money market

Ministry of Finance Benchmark Bonds: 2-year GEL 70.0mn (US\$ 21.1mn) Benchmark Bonds were sold at the auction held at NBG on December 1, 2020. Total demand was 2.5x higher and the weighted average yield was fixed at 8.167%, unchanged from previous auction held in November, 2020.

Ministry of Finance T-Bills: 6-month GEL 20.0mn (US\$ 6.0mn) T-Bills were sold at the auction held at NBG on December 1, 2020. Total demand was 1.8x higher and the weighted average yield was fixed at 8.088%, up 0.059ppts from previous auction held in November, 2020. The nearest treasury security auction is scheduled for December 8, 2020, where GEL 50.0mn nominal value 1-year T-Bills will be sold.

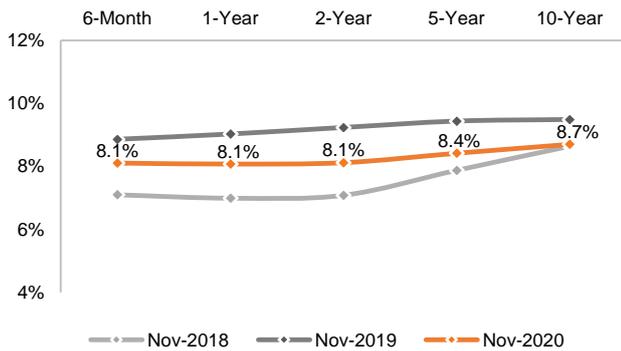
T-bills / T-notes in 2020

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	350	0	180
1-year	610	50	680
2-year	840	0	1,390
5-year	880	80	2,088
10-year	150	0	1,237
Total	2,830	150	5,575

Source: MoF

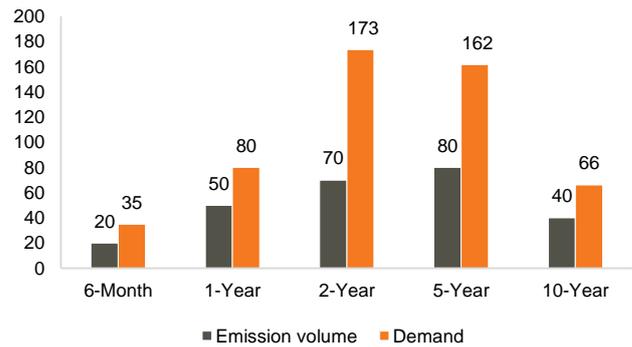
Note: * As of 31 October 2020

T-bills / T-notes, yield curve



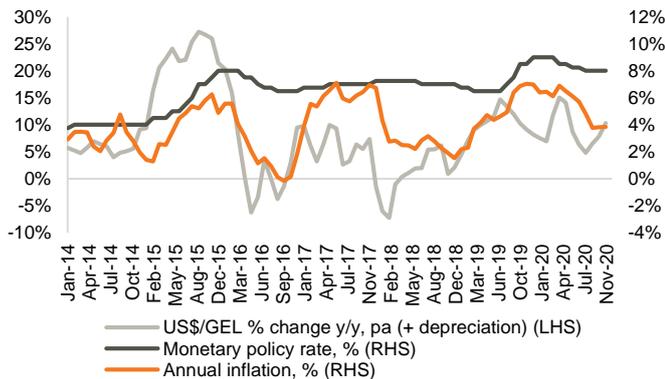
Source: NBG

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



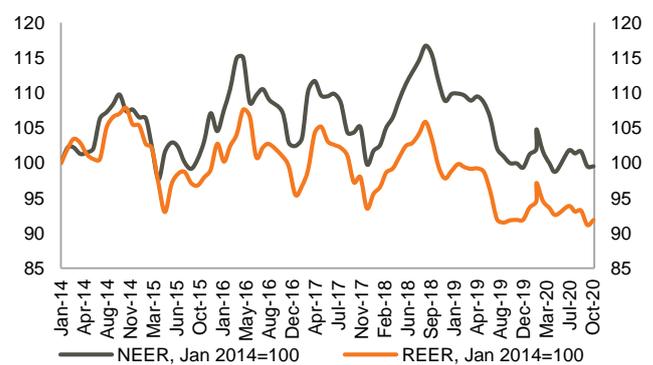
Source: NBG

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



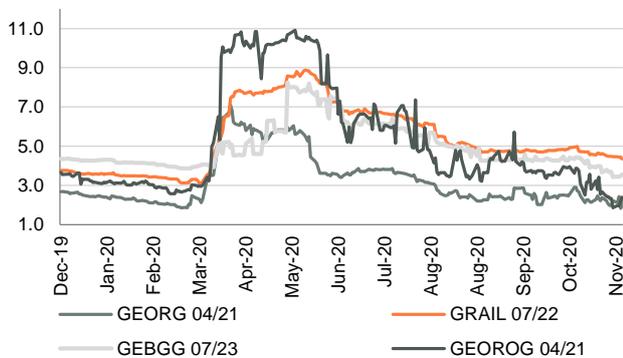
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 3.52% yield, trading at 106.18 (-0.26% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 100.27 (+0.62% w/w), yielding 6.03%.

GOGC Eurobonds (GEOROG) were trading at 101.64 (-0.31% w/w), yielding 2.42%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 105.25 (+0.18% w/w), yielding 4.30%.

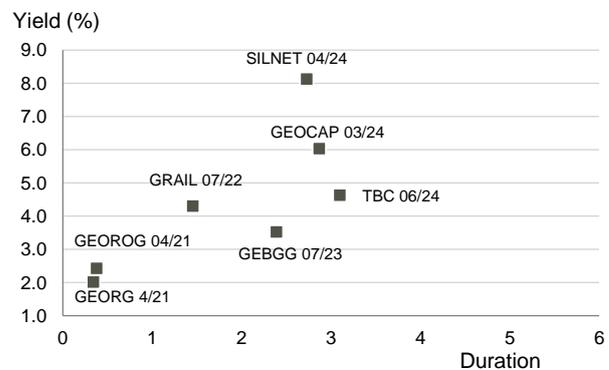
Georgian Sovereign Eurobonds (GEORG) closed at 101.66 (-0.02% w/w) at 2.01% yield to maturity.

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	101.66	2.01	177.59
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	105.25	4.30	407.33
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/BB/-	101.64	2.42	219.45
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/B/Ba2	106.18	3.52	325.53
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	105.18	9.25	904.99
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B/B2	100.27	6.03	572.29
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-B1	108.19	8.12	781.70
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B/Ba2	103.61	4.63	430.13
TBC PERP	US\$	125	10.775%	n/a	B-/-/-	101.17	9.83	1,004.07
GGU 07/25	US\$	250	7.750%	Jul-25	B+/-B/-	101.82	7.28	683.39

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	-/-/-	100.51	7.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	100.84	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/Ba2	101.66	2.01	177.59
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	100.86	1.64	141.96
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	105.30	4.34	409.66
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	111.07	0.94	58.03
Russia	US\$	3,000	4.875%	Sep-23	BBB/BBB-/Baa3	109.92	1.23	95.19
Turkey	US\$	2,000	5.625%	Mar-21	BB-/-/B2	100.97	2.46	223.31
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/B3	104.00	2.20	198.17

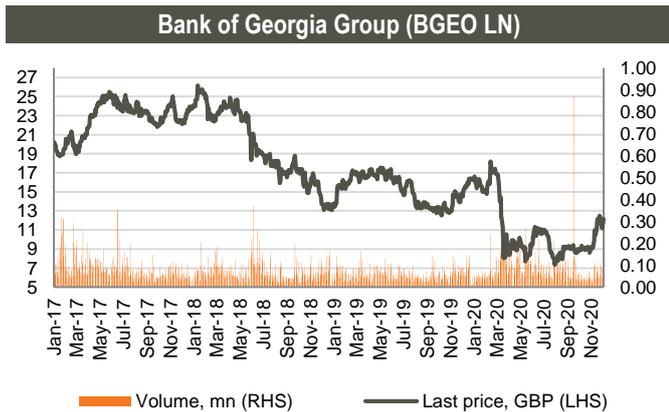
Source: Bloomberg

Equities

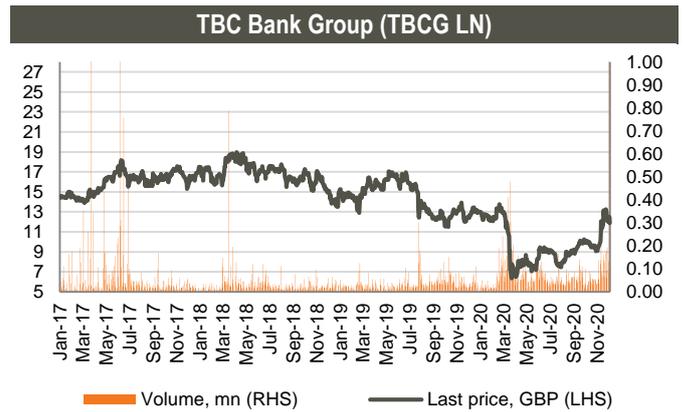
Bank of Georgia Group (BGEO LN) shares closed at GBP 12.14/share (+3.76% w/w and +32.39% m/m). More than 275k shares traded in the range of GBP 11.04 - 12.48/share. Average daily traded volume was 68k in the last 4 weeks. The volume of BGEO shares traded was at 0.56% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 5.55/share (+16.47% w/w and +48.40% m/m). More than 219k shares traded in the range of GBP 4.78 - 5.65/share. Average daily traded volume was 72k in the last 4 weeks. The volume of CGEO shares traded was at 0.60% of its capitalization.

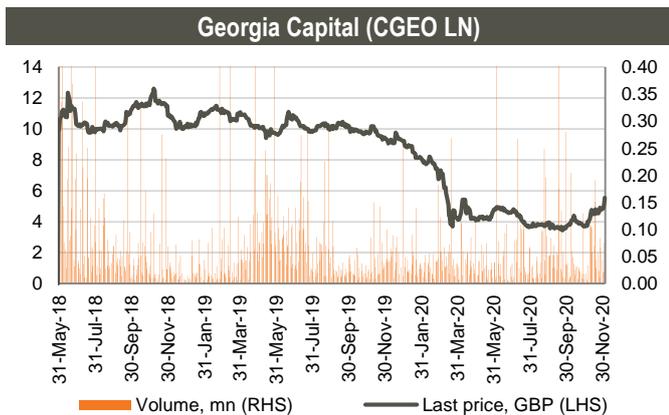
TBC Bank Group (TBCG LN) closed the week at GBP 11.88/share (-1.98% w/w and +24.79% m/m). More than 1721k shares changed hands in the range of GBP 11.64 - 12.92/share. Average daily traded volume was 180k in the last 4 weeks. The volume of TBCG shares traded was at 3.13% of its capitalization.



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	12.14	597	19.7%	-19.0%	-25.3%	8.49x	5.00x	0.97x	0.81x
TBC	TBC	GBP	11.88	654	30.4%	-6.3%	-8.6%	8.19x	5.53x	0.95x	0.83x
Halyk Bank	HSBK	US\$	11.80	3,467	0.4%	-11.6%	-11.6%	4.92x	4.47x	0.95x	0.90x
VTB Bank	VTBR	US\$	1.00	6,464	-4.1%	-26.8%	-31.8%	7.56x	3.51x	0.36x	0.34x
Akbank	AKBNK	TRY	6.18	32,136	6.0%	-19.8%	-23.8%	7.89x	5.88x	0.78x	0.68x
Garanti	GARAN	TRY	9.11	38,262	11.9%	-10.7%	-18.2%	7.99x	5.74x	0.86x	0.73x
Isbank	ISCTR	TRY	6.61	29,745	29.9%	7.1%	3.1%	6.84x	5.09x	0.65x	0.58x
PKO	PKO	PLN	28.07	35,088	23.9%	-19.8%	-18.5%	12.24x	11.63x	0.76x	0.73x
PEKAO	PEO	PLN	59.66	15,659	8.5%	-38.1%	-40.6%	12.29x	11.14x	0.60x	0.58x
Millennium	MIL	PLN	3.08	3,736	0.8%	-43.9%	-47.4%	10.29x	9.53x	0.40x	0.40x
Mbank	MBK	PLN	168.50	7,134	-25.5%	-53.0%	-56.7%	19.83x	14.59x	0.40x	0.40x
BRD	BRD	RON	14.60	10,175	11.5%	-5.8%	-7.8%	12.40x	12.52x	1.10x	1.16x
Banca Transilvania	TLV	RON	2.26	11,788	11.5%	-4.4%	-4.2%	12.10x	10.69x	1.54x	1.49x
OTP	OTPD	USD	22.80	12,768	0.0%	7.5%	7.5%	12.70x	11.69x	0.71x	0.66x
Komercni	KOMB	CZK	616.00	117,070	10.0%	-22.2%	-25.7%	14.11x	12.31x	0.99x	0.96x
Mean								10.52x	8.62x	0.80x	0.75x
Median								10.29x	9.53x	0.78x	0.73x

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	5.55	204	15.6%	-40.0%	-39.8%	n/a	n/a	n/a	n/a
Tinc Comm	TINC	EUR	12.90	352	-1.5%	-5.1%	-3.4%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	10.20	20,812	13.1%	12.0%	6.9%	6.72x	5.89x	0.83x	0.71x
Deutsche Beteiligungs	DBAN	EUR	33.50	504	5.7%	-17.3%	-15.1%	nmf	11.29x	1.10x	1.05x
Eurazeo	RF	EUR	55.00	4,332	13.7%	-9.3%	-9.8%	30.92x	8.44x	0.75x	0.70x
Carlyle Group	CG	USD	28.88	3,196	-2.9%	-1.2%	-10.0%	5.00x	4.20x	4.54x	4.70x
Mean								14.21x	7.46x	1.81x	1.79x
Median								6.72x	7.17x	0.97x	0.88x

Source: Bloomberg, S&P Capital IQ

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