



Weekly Market Watch

Weekly Market Watch | Georgia
November 21, 2016

Economy

Money transfers up 14.0% y/y in October 2016

In October 2016, money transfers increased 14.0% y/y to US\$ 102.5mn after growing 13.1% y/y in previous month, according to NBG. From major remitting countries, money transfers were up from: USA (+32.2% y/y, 11.3% of total), Greece (+42.5% y/y, 11.0% of total), Italy (+6.4% y/y, 10.0% of total), Turkey (+74.2% y/y, 8.5% of total) and Israel (+82.2% y/y, 5.5% of total), while transfers were down from Russia (-3.8% y/y, 33.8% of total). Overall, money transfers were up 4.7% y/y to US\$ 934.5mn in 10M16.

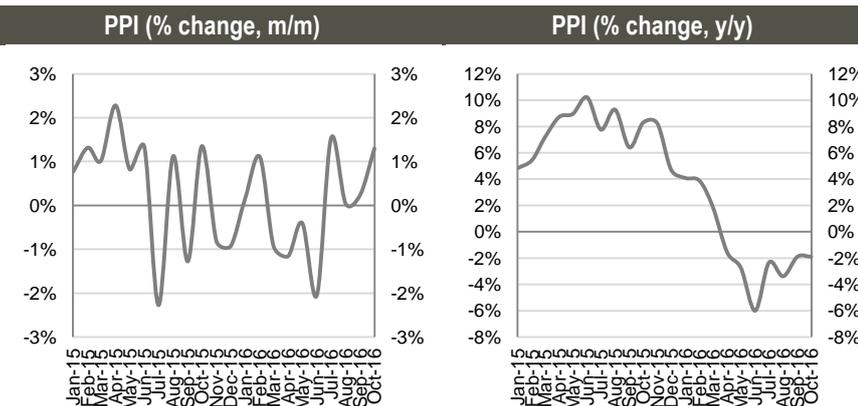
Exports up 0.7% y/y in October 2016

In October 2016, imports increased 6.3% y/y to US\$ 654.8mn, exports increased 0.7% y/y to US\$ 189.3mn, and the trade deficit was up 8.7% y/y to US\$ 465.4mn, according to GeoStat's preliminary figures. In 10M16, the trade deficit was flat reaching US\$ 4.15bn, excluding one-offs. Detailed foreign trade statistics will be available on November 21, 2016.

Producer price index up 1.3% m/m and down 1.9% y/y in October 2016

PPI for industrial goods increased 1.3% m/m in October 2016, according to GeoStat. A 1.3% price increase for manufacturing contributed the most to the overall index change. In this section prices were up for manufacture of food products, beverages and tobacco (+1.5% m/m) and up for manufacture of basic and fabricated metals (3.2% m/m). Prices were also up for supply of electricity, gas, and water (+1.4% m/m).

Annual PPI was down 1.9% in October 2016. Falling prices in manufacturing contributed the most to the overall index change (-2.7% y/y,) as prices were down for manufacture of chemical products (-20.9% y/y) and basic and fabricated metals (-6.6% y/y). Meanwhile, supply of electricity, gas and water prices were up 4.6% y/y.



Source: GeoStat

Key macro indicators

	10M16	2015	2014
GDP (% change)	2.6 ⁽³⁾	2.8%	4.6%
GDP per capita (ppp)	...	9,630	9,209
GDP per capita (US\$)	...	3,759	3,676
Population (mn)	3.7 ⁽¹⁾	3.7 ⁽¹⁾	4.5
Inflation (eop)	-0.2%	4.9%	2.0%
Gross reserves (US\$ bn)	2.8	2.5	2.7
CAD (% of GDP)	13.4 ⁽²⁾	11.8%	10.6%
Fiscal deficit (% of GDP)	...	3.8%	3.0%
Total public debt (% of GDP)	...	41.5%	35.5%

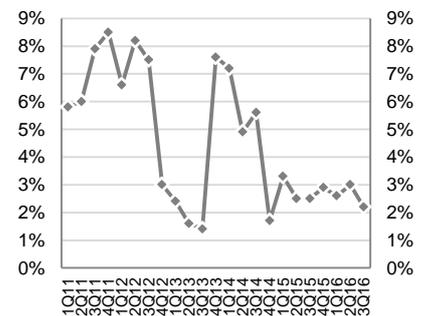
Source: Official data, IMF

(1) Preliminary results of census, previous data is subject to recalculation

(2) As of 2Q16

(3) As of 9M16

Real GDP growth, %



Source: GeoStat

Note: 3Q16 figure based on rapid estimates

International ranking of Georgia, 2016

Ease of Doing Business # 16 (Top 20)

Economic Freedom Index # 23 (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 Sep-2016
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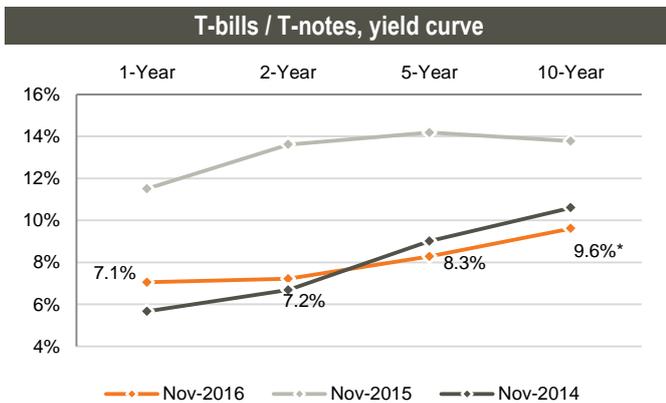
Source: Rating agencies

Money market

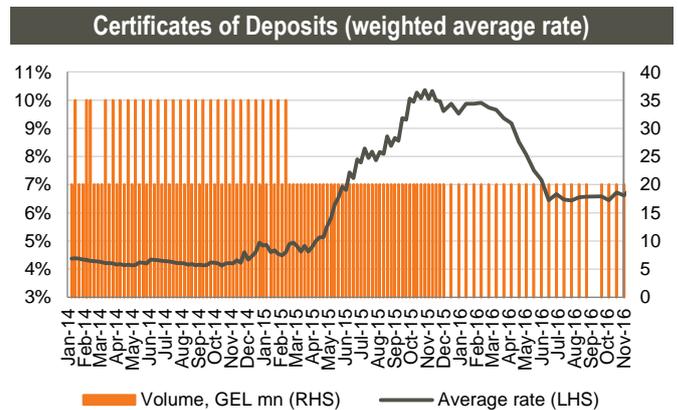
Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,340mn (US\$ 537.6mn).

Certificates of deposit: NBG sold 182-day, GEL 20mn (US\$ 8.0mn) certificates of deposit, with an average yield of 6.87% (up by 15bps from previous issue).

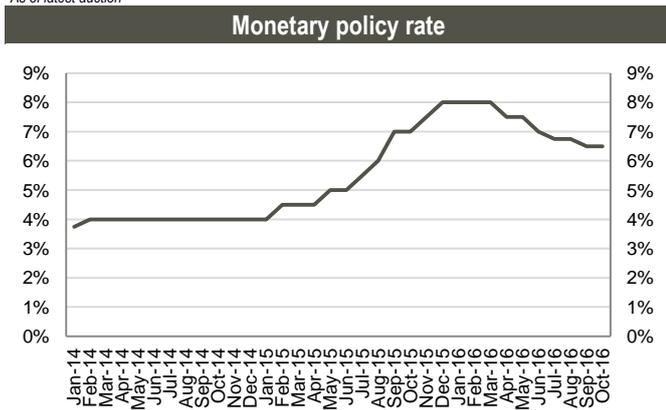
Ministry of Finance Treasury Notes: 5-year GEL 20mn (US\$ 8.0mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on November 16, 2016. The weighted average yield was fixed at 8.283%. The nearest treasury securities auction is scheduled for November 22, 2016, where GEL 10mn nominal value 10-year T-Notes will be sold.



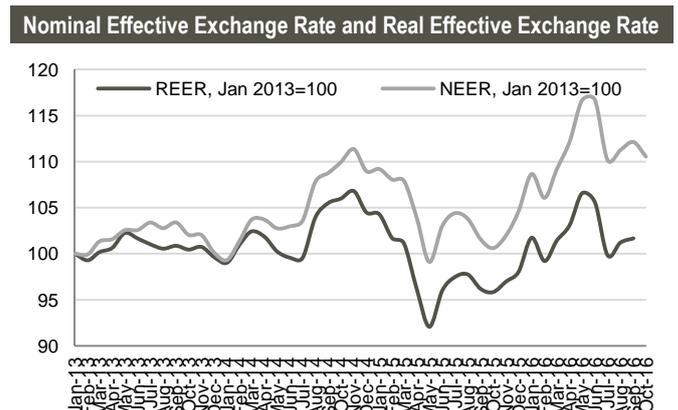
Source: NBG
*As of latest auction



Source: NBG



Source: NBG
Note: Next revision of a monetary policy rate is scheduled for 14 December 2016

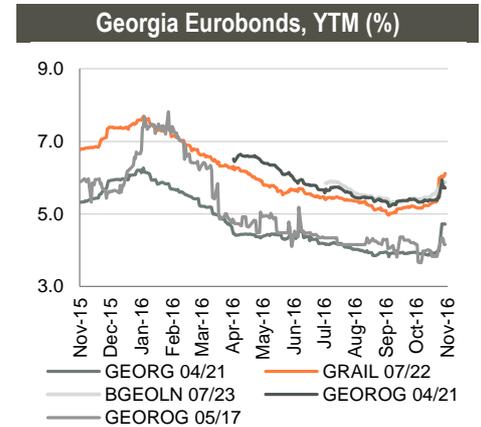


Source: NBG
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

Corporate Eurobonds: Bank of Georgia Eurobond (BGEOLN) closed at 5.9% yield, trading at 100.4 (-1.4% w/w). GOGC Eurobonds - GEOROG 05/17 traded at 101.4 (-0.2% w/w), yielding 3.8% and GEOROG 04/21 traded at 103.9 (-1.1% w/w), yielding 5.7%. Georgian Railway Eurobond (GRAIL) traded at a premium at 107.9 (-2.7% w/w), yielding 6.1%.

Georgian Sovereign Eurobond (GEORG) closed at 108.4 (-2.9% w/w) at 4.7% yield to maturity.



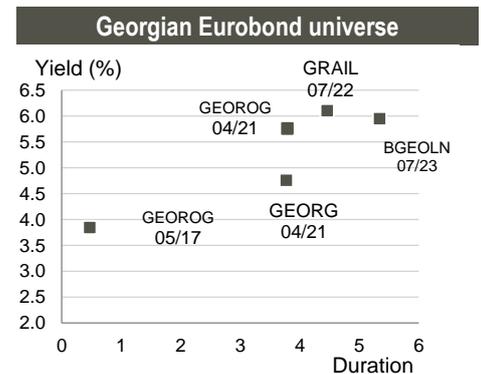
Source: Bloomberg

	Local bonds					Eurobonds				
	M2RE 10/19	Nikora 03/18	GWP 12/17	EVEX 05/17	GLC 09/17	GEOROG 04/21	GEOROG 05/17	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	25	5	6*	15	10	250	53.5	350	500	500
Issue date	10/16	03/16	12/15	05/15	09/14	04/16	05/12	07/16	04/11	07/12
Maturity date	10/19	03/18	12/17	05/17	09/17	04/21	05/17	07/23	04/21	07/22
Coupon, %	7.50	11.00	14.00**	9.50	8.75	6.750	6.875	6.000	6.875	7.750
Fitch/S&P/Moody's	-/-	-/-	BB-/-	-/-	-/-	BB-/B+/-	BB-/B+/-	BB-/B1	BB-/BB-/Ba3	BB-/BB-/-
Mid price, US\$	102.73	102.8	100.0*	101.5	101.2	103.9	101.4	100.4	108.4	107.9
Mid yield, %	6.5	8.750	14.0	6.25	7.25	5.7	3.8	5.9	4.7	6.1
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	387.5	252.6	395.2	291.1	414.0

Source: Bloomberg

*GWP 12/17 bonds are in Georgian lari

**Floating rate with 7.5% over the NBS's refinancing rate



Source: Bloomberg

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	108.4	4.7	291.1
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba1	98.1	5.1	304.1
Bulgaria	323	5.000%	19/07/2021	BBB-/-	119.5	0.7	-216.6
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	106.7	2.6	233.3
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	112.4	3.3	153.4
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	115.0	3.6	180.9
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	105.4	3.3	168.1
Turkey	2,000	5.625%	30/03/2021	BBB-/NR/Ba1	102.8	4.9	316.2

Source: Bloomberg

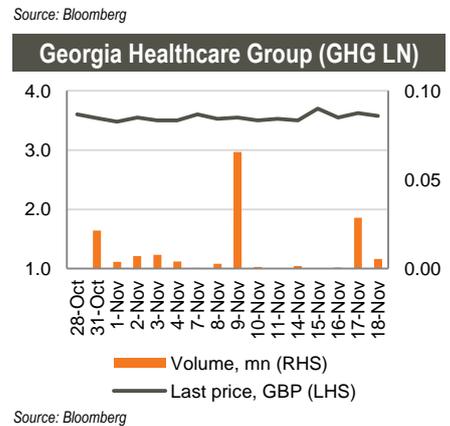
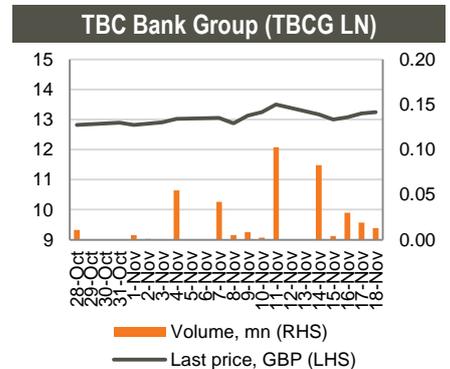
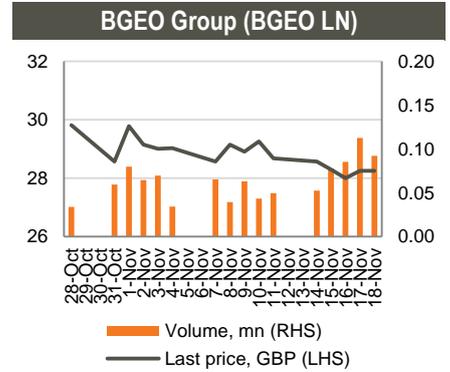
Equities

BGEO Group (BGEO LN) shares closed at GBP 28.25/share (-1.50% w/w and -6.83% m/m). More than 420k shares traded in the range of GBP 27.96 – 29.31/share. Average daily traded volume was 57k in the last 4 weeks, more than in the previous month. FTSE 250 Index, of which BGEO is a constituent, gained 1.23% w/w and lost 1.86% 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 13.25 (-1.85% w/w and +4.95% m/m). More than 148k shares changed hands in the range of GBP 12.60 – 13.50/share. Averaged daily traded volume was 30k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.58/share (+2.14% w/w and +8.33% m/m). More than 36k shares were traded in the range of GBP 3.30 – 3.70/share. Average daily traded volume was 22k in the last 4 weeks. The volume of GHG shares traded was at 0.03% of its capitalization.

On the Georgian stock exchange, Liberty Consumer shares were traded at GEL 0.11 (unchanged w/w). As a result, the G&T Index remained at 908.54 (unchanged w/w).



Eastern European Banks								
Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
BGEO*	BGEO	34.85	1,377	-6.5%	-0.9%	-1.3%	24.2%	20.2%
TBC*	TBC	16.35	853	5.3%	26.7%	40.3%	61.9%	91.7%
Halyk Bank	HSBK	6.00	1,649	-8.1%	6.0%	42.9%	21.2%	0.0%
KKB	KKB	1.38	550	0.0%	-13.2%	-13.2%	12.7%	2.2%
VTB Bank	VTBR	2.05	13,298	-2.7%	0.6%	-0.5%	-2.7%	-10.7%
Vozrozhdenie Bank	VZRZ	10.90	259	-4.8%	5.3%	12.3%	32.0%	17.9%
Sberbank	SBER	9.52	51,366	-0.7%	8.8%	20.6%	61.9%	37.7%

Source: Bloomberg
*BGEO and TBC are traded in GBP and are shown in US\$ equivalent
Note: 6M, YTD, and 1Y changes in TBC share prices calculated using GDR prices on those dates.

Healthcare Sector Peers								
Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
GHG*	GHG	4.41	581	8.7%	6.6%	38.5%	93.1%	61.1%
Mouwasat	MOUWASAT	34.64	1,732	13.5%	-0.1%	-4.3%	6.7%	17.0%
Fortis	FORH	2.35	1,090	-14.1%	-18.8%	-7.5%	-13.4%	-2.3%
Raffles	RFMD	1.00	1,742	-9.2%	-11.5%	-12.3%	1.8%	-0.5%
IHH	IHH	1.45	11,947	-5.4%	-13.3%	-9.5%	-5.1%	-4.6%
Bangkok Chain	BCH	0.38	947	4.8%	11.3%	31.4%	51.4%	89.9%
Netcare	NTC	2.36	3,455	-5.9%	-2.2%	17.1%	7.9%	-11.6%

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



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