

# Weekly Market Watch

Weekly Market Watch | Georgia  
May 10, 2021

## Economy

### Inflation was 7.2% y/y and 0.9% m/m in April 2021

Annual CPI inflation came in at 7.2% in April 2021, unchanged from previous month, according to Geostat. Core inflation (non-food, non-energy) was 6.9% in April, and core inflation excluding tobacco was also 6.9% in April. By categories, annual inflation was mainly driven by price changes in transport (+12.4% y/y, +1.53ppts), housing, water, electricity, gas and other fuels (+7.1% y/y, +1.14ppts), health (+13.8% y/y, +1.04ppts), food and non-alcoholic beverages (+3.0% y/y, +0.94ppts), hotels and restaurants (+15.0% y/y, +0.73ppts), furnishings, household equipment and maintenance (+9.0% y/y, +0.50ppts) and alcoholic beverages and tobacco (+8.0% y/y, +0.50ppts) categories. On a monthly basis, there was 0.9% inflation in April 2021, reflecting price increase in transport (+3.0% m/m) category.

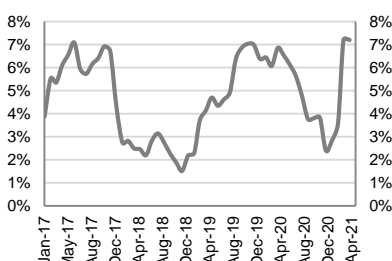
### International arrivals up 140.4% y/y in April 2021

Total international arrivals (tourists and same-day arrivals) to Georgia rebounded significantly by 140.4% y/y to 82.5k persons in April 2021, according to GNTA. This growth was driven by surge in tourist arrivals (+182.2% y/y) from last year's low base. The largest contribution to international visitor growth came from Israel (+140x higher y/y), followed by Turkey (+48.4% y/y) in April. Overall, in 4M21 total international arrivals stood at 212.7k (-81.6% y/y), of which tourist arrivals reached 192.4k (-75.7% y/y) persons. Meanwhile, we estimate tourism revenues at US\$ 98.3mn (-77.5% y/y) in 4M21.

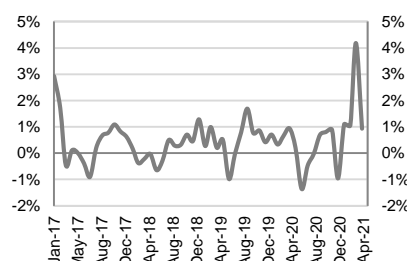
### International reserves at US\$ 4.1bn in April 2021

Gross international reserves increased by 19.0% y/y to US\$ 4.1bn in April 2021 according to NBG. On a monthly basis, the reserves were up by 0.9% (+US\$ 34.9mn). Notably, NBG sold US\$ 82.9mn in April via FX auction. Changes in reserves were attributed to the government and banking sector FX operations, and/or asset revaluation.

Annual CPI inflation (% change, y/y)



Monthly CPI inflation (% change, m/m)



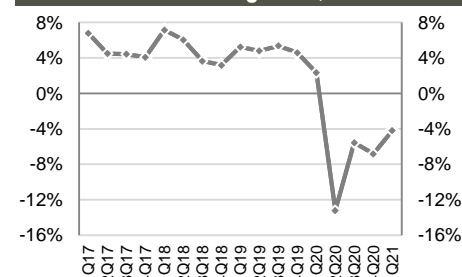
Source: Geostat

### Key macro indicators

	2018	2019	2020
GDP (% change)	4.8%	5.0%	-6.2%
GDP per capita (ppp)	14,584	15,613	14,918
GDP per capita (US\$)	4,722	4,696	4,275
Population (mn)	3.7	3.7	3.7
Inflation (eop)	1.5%	7.0%	2.4%
Gross reserves (US\$ bn)	3.3	3.5	3.9
CAD (% of GDP)	6.8%	5.5%	12.3%
Fiscal deficit (% of GDP)	2.3%	2.1%	9.3%
Total public debt (% of GDP)	38.9%	40.4%	60.0%

Source: Official data

### Real GDP growth, %



Source: Geostat

### International ranking, 2019-21

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

<b>STANDARD &amp; POOR'S</b>  <b>BB</b> Negative Affirmed Feb-2021	<b>Moody's</b> INVESTORS SERVICE  <b>Ba2</b> Stable Affirmed Aug-2020	<b>FitchRatings</b>  <b>BB</b> Negative Affirmed Feb-2021
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Source: Rating agencies



## Money market

There was no treasury securities auction last week. The nearest treasury security auction is scheduled for May 25, 2021, where GEL 35.0mn nominal value 5-year Benchmark bonds will be sold.

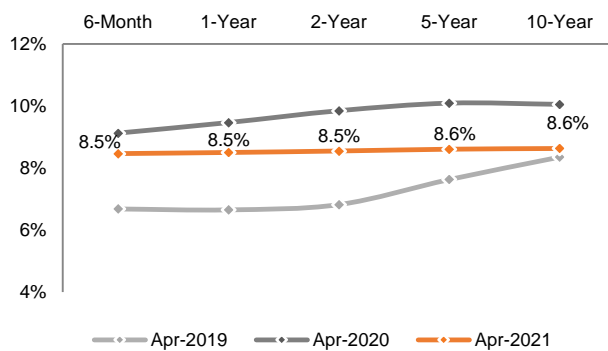
### T-bills / T-notes in 2021

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	45	120	90
1-year	45	120	540
2-year	60	160	1,270
5-year	148	280	2,373
10-year	44	56	1,262
<b>Total</b>	<b>342</b>	<b>736</b>	<b>5,535</b>

Source: MoF

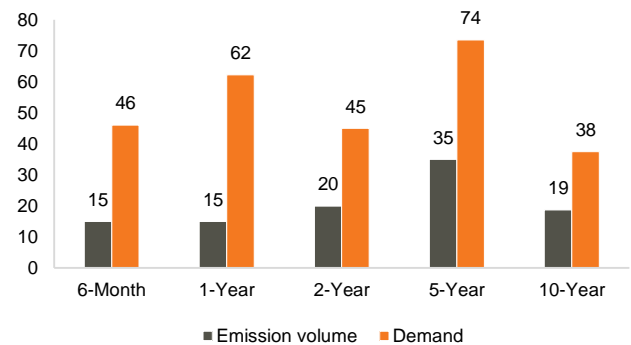
Note: \* As of 31 March 2021

### T-bills / T-notes, yield curve



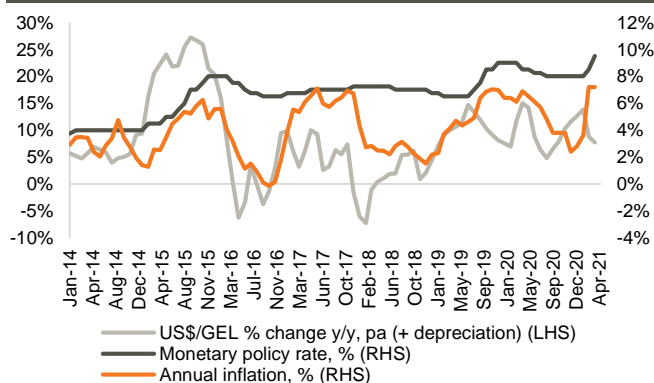
Source: NBG

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



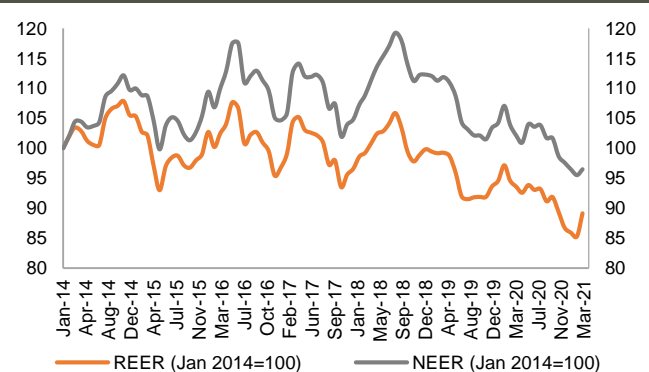
Source: NBG

### 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

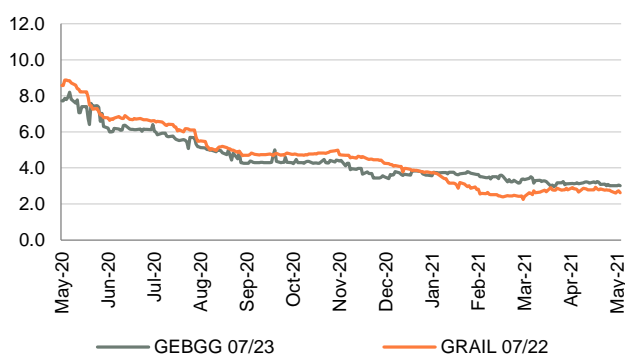
## Fixed income

**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 2.99% yield, trading at 106.38 (unchanged w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 101.40 (+0.04% w/w), yielding 5.58%.

Georgian Railway Eurobonds (GRAIL) traded at a premium at 105.90 (+0.07% w/w), yielding 2.58%.

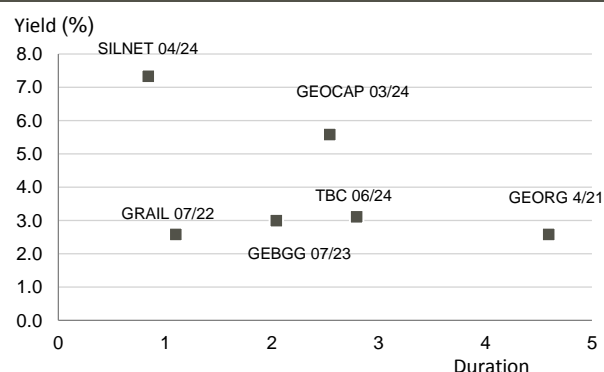
**Georgian Sovereign Eurobonds (GEORG)** closed at 100.77 (+0.14% w/w) at 2.58% yield to maturity.

Georgian Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

Note: For Silknet duration calculation call date is taken as maturity.

### 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
GEORG 04/26	USD	500	2.750%	Apr-26	BB/BB/Ba2	100.77	2.58	175.76
GRAIL 07/22	USD	500	7.750%	Jul-22	BB-/B+/-	105.90	2.58	238.67
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/B+/-	106.38	2.99	271.42
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/B-	108.77	9.14	748.12
GEOCAP 03/24	USD	300	6.125%	Mar-24	-B/B2	101.40	5.58	520.49
SILKNET 04/24	USD	200	11.000%	Apr-24	B-/B1	109.39	7.33	590.92
TBC 06/24	USD	300	5.750%	Jun-24	BB-/B+/-	107.75	3.11	268.72
TBC PERP	USD	125	10.775%	n/a	B-/B-	110.03	9.28	690.11
GGU 07/25	USD	250	7.750%	Jul-25	B+/B/-	105.59	6.22	537.27

#### Georgian local bonds performance

KTW 12/22	USD	10	9.00%	Dec-22	-/-/-	n/a	n/a	n/a
GWP 12/21	GEL	30	12.50%	Dec-21	BB-/B+/-	n/a	n/a	n/a
M2CA 12/21	USD	30	7.50%	Dec-21	-/-/-	100.00	7.50	n/a
M2RE 10/22	USD	35	7.50%	Oct-22	-/-/-	100.43	7.20	n/a
GLC 06/21	USD	5	6.50%	Jun-21	-/-/-	n/a	n/a	n/a
GLC 08/21	USD	10	7.50%	Aug-21	-/-/-	100.00	7.50	n/a
GLC 08/22	USD	10	7.50%	Aug-22	-/-/-	n/a	n/a	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	USD	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	14.25%	Sep-21	B-/B-	100.00	14.25	n/a
EVEX 11/24	GEL	50	12.10%	Nov-24	-/-/-BB	n/a	n/a	n/a

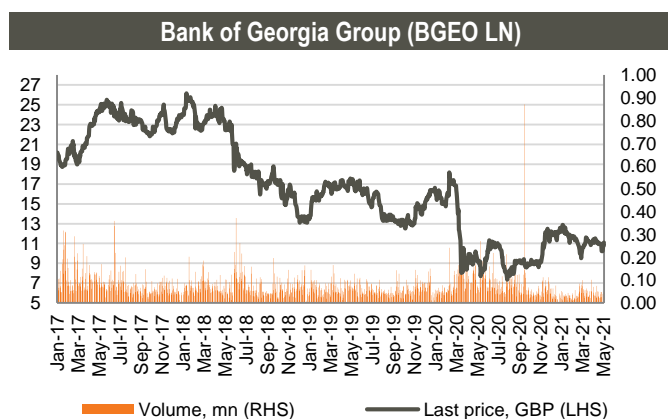
Source: Bloomberg

## Equities

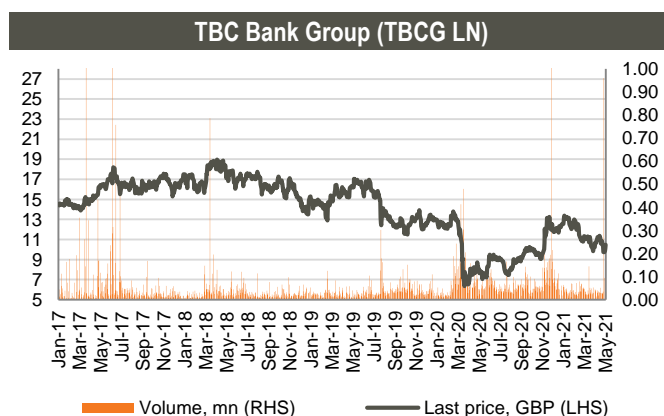
**Bank of Georgia Group (BGEO LN)** shares closed at GBP 11.10/share (+8.61% w/w and -1.77% m/m). More than 186k shares traded in the range of GBP 10.32 - 11.24/share. Average daily traded volume was 39k in the last 4 weeks. The volume of BGEO shares traded was at 0.38% of its capitalization.

**Georgia Capital (CGEO LN)** shares closed at GBP 5.95/share (+5.68% w/w and -0.67% m/m). More than 144k shares traded in the range of GBP 5.52 - 5.95/share. Average daily traded volume was 34k in the last 4 weeks. The volume of CGEO shares traded was at 0.30% of its capitalization.

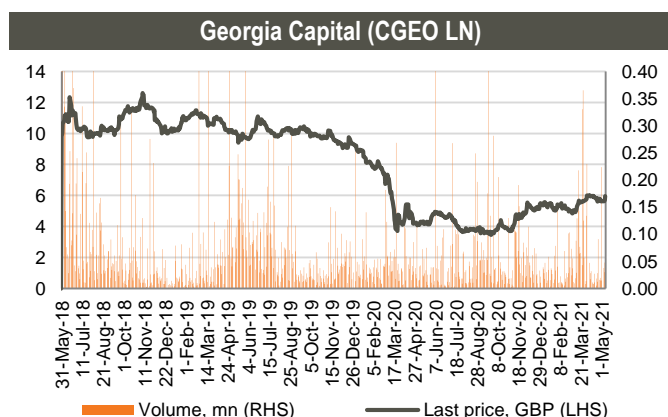
**TBC Bank Group (TBCG LN)** closed the week at GBP 10.48/share (+7.60% w/w and -0.95% m/m). More than 181k shares changed hands in the range of GBP 9.65 - 10.48/share. Average daily traded volume was 83k in the last 4 weeks. The volume of TBCG shares traded was at 0.33% of its capitalization.



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	11.10	546	21.7%	21.0%	-9.0%	8.10x	4.68x	0.98x	0.80x
TBC	TBC	GBP	10.48	578	8.7%	33.0%	-16.2%	6.29x	4.72x	0.88x	0.77x
Sberbank	SBER	USD	17.25	93,094	52.9%	63.3%	18.8%	9.38x	6.67x	1.42x	1.32x
Halyk Bank	HSBK	USD	14.50	4,261	42.2%	56.6%	24.5%	5.82x	5.03x	1.18x	1.11x
VTB Bank	VTBR	USD	1.39	8,982	67.5%	47.2%	45.2%	9.29x	3.64x	0.48x	0.44x
Akbank	AKBNK	TRY	5.15	26,780	2.6%	-9.0%	-25.7%	4.13x	3.55x	0.41x	0.39x
Garanti	GARAN	TRY	7.72	32,424	10.6%	-3.7%	-25.6%	4.45x	3.75x	0.48x	0.46x
Isbank	ISCTR	TRY	5.08	22,860	-6.6%	3.9%	-27.4%	3.14x	2.84x	0.31x	0.31x
PKO	PKO	PLN	35.82	44,775	70.6%	70.6%	24.7%	15.53x	12.91x	0.99x	0.97x
PEKAO	PEO	PLN	83.70	21,969	89.1%	68.1%	37.0%	18.17x	13.81x	0.86x	0.82x
Millennium	MIL	PLN	4.25	5,158	79.4%	85.0%	30.0%	72.55x	6.69x	0.56x	0.65x
Mbank	MBK	PLN	253.00	10,719	104.5%	34.4%	41.2%	43.05x	16.09x	0.63x	0.61x
BRD	BRD	RON	16.02	11,164	31.3%	39.5%	7.8%	13.78x	10.84x	1.22x	1.45x
Banca Transilvania	TLV	RON	2.60	14,918	28.1%	43.3%	15.6%	15.29x	10.06x	1.62x	1.35x
OTP	OTPD	USD	22.40	12,544	-1.8%	-1.8%	-1.8%	12.52x	9.89x	0.70x	0.64x
Komerční	KOMB	CZK	675.00	128,283	37.8%	28.6%	2.7%	15.90x	13.51x	1.12x	1.05x
<b>Mean</b>								<b>16.09x</b>	<b>8.04x</b>	<b>0.87x</b>	<b>0.82x</b>
<b>Median</b>								<b>10.95x</b>	<b>6.68x</b>	<b>0.87x</b>	<b>0.78x</b>

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	5.95	285	50.3%	38.4%	10.2%	na	na	na	na
Tinc Comm	TINC	EUR	12.44	452	-4.7%	-4.7%	-3.9%	na	na	na	na
Sabancı Holding	SAHOL	TRY	8.68	17,711	-2.8%	8.9%	-24.3%	3.40x	3.22x	0.45x	0.40x
Deutsche Beteiligungs	DBAN	EUR	33.55	505	20.0%	22.1%	7.7%	na	6.60x	1.16x	1.04x
Eurazeo	RF	EUR	70.25	5,551	66.9%	64.8%	26.6%	33.49x	9.53x	1.00x	0.88x
Carlyle Group	CG	USD	44.36	15,727	62.4%	85.6%	41.1%	23.89x	17.81x	7.33x	4.93x
<b>Mean</b>								<b>20.26x</b>	<b>9.29x</b>	<b>2.48x</b>	<b>1.81x</b>
<b>Median</b>								<b>23.89x</b>	<b>8.06x</b>	<b>1.08x</b>	<b>0.96x</b>

Source: Bloomberg, S&P Capital IQ

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