



Weekly Market Watch

Weekly Market Watch | Georgia
December 14, 2020

Economy

FDI stood at 7.0% of GDP in 3Q20

FDI was down 23.6% y/y to US\$ 302.6mn (7.0% of GDP) in 3Q20, according to Geostat's preliminary figures. Notably, reinvestments accounted for 44.2% of total FDI in 3Q20. The financial sector was the largest FDI recipient at US\$ 128.3mn (+20.4% y/y, 42.4% of total), followed by energy at US\$ 37.1mn (-24.7% y/y, 12.3% of total), manufacturing at US\$ 36.6mn (-27.2% y/y, 12.1% of total), mining at US\$ 31.0mn (+117.2 y/y, 10.3% of total) and real estate at US\$ 20.6mn (-44.1% y/y, 6.8% of total). UK topped the list of investors with US\$ 117.7mn (38.9% of total), followed by Netherlands at US\$ 79.3mn (26.2% of total), USA at US\$ 24.2mn (8.0% of total) and Japan at US\$ 15.6mn (5.2% of total). In 9M20, FDI stood at US\$ 719mn, down 24.0% y/y (6.2% of GDP).

International reserves at US\$ 3.8bn in November 2020

Gross international reserves increased by 12.8% y/y to US\$ 3.8bn in November 2020 according to NBG. On a monthly basis, the reserves were down by 0.7% (-US\$ 25.9mn). Changes in reserves were attributed to the disbursement of donor funds to the budget and FX sales totaling US\$ 173.8mn by NBG in November 2020.

NBG kept its policy rate unchanged at 8.0%

At its meeting on 9 December 2020, NBG's monetary policy committee decided to maintain its policy rate unchanged at 8.0%, keeping rate at this level for the third time since August 2020. Annual inflation has been at 3.8% in recent months. According to NBG, the inflation rate will hover close to the target level of 3% in 1H21, reflecting weak aggregate demand. The regulator also took into account the supply-side factors, such as the increase in production costs due to pandemic-related additional restrictions and uncertainties surrounding the prolonged pandemic and the global restrictions. Committee also stated that a tight policy stance may be necessary to last for longer period, due to inflation expectations and the dynamics of economic activity. The likelihood of rate increase is not also ruled out by the regulator. The next committee meeting is scheduled for 3 February 2021.

FDI in Georgia, US\$ mn



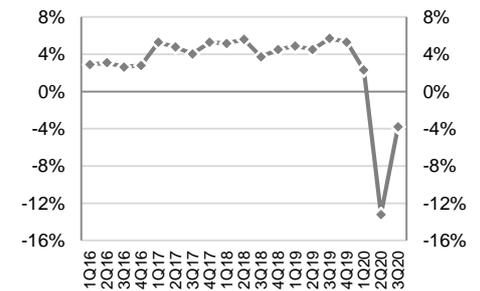
Source: Geostat

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



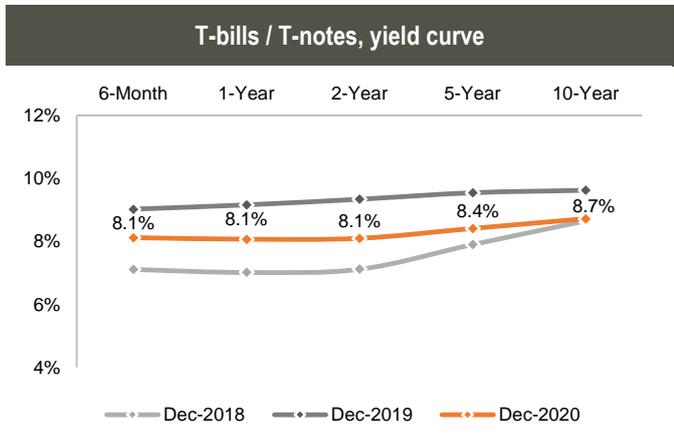
Money market

Ministry of Finance T-Bills: 1-year GEL 50.0mn (US\$ 15.2mn) T-Bills were sold at the auction held at NBG on December 8, 2020. Total demand was 2.4x higher and the weighted average yield was fixed at 8.119%, down 0.033ppts from previous auction held in November, 2020. The nearest treasury security auction is scheduled for December 22, 2020, where GEL 80.0mn nominal value 5-year Benchmark Bonds will be sold.

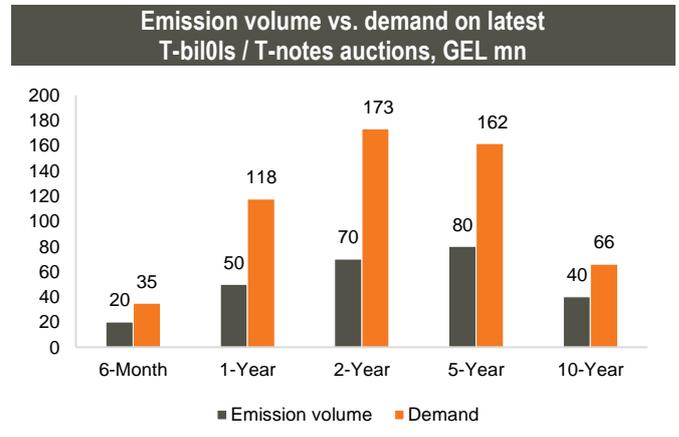
T-bills / T-notes in 2020

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	350	0	180
1-year	660	0	680
2-year	840	0	1,390
5-year	880	80	2,088
10-year	150	0	1,237
Total	2,880	80	5,575

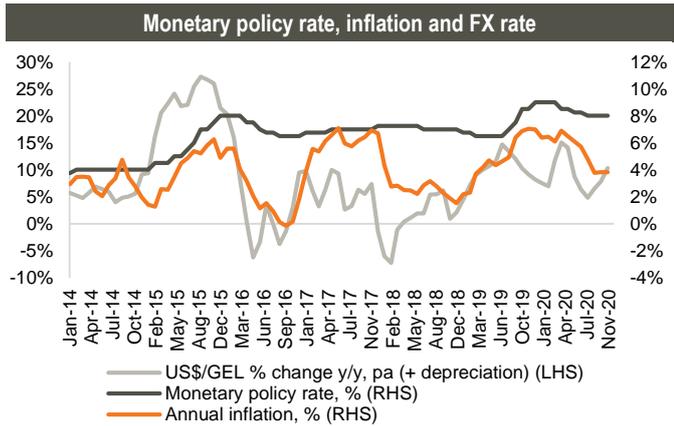
Source: MoF
Note: * As of 31 October 2020



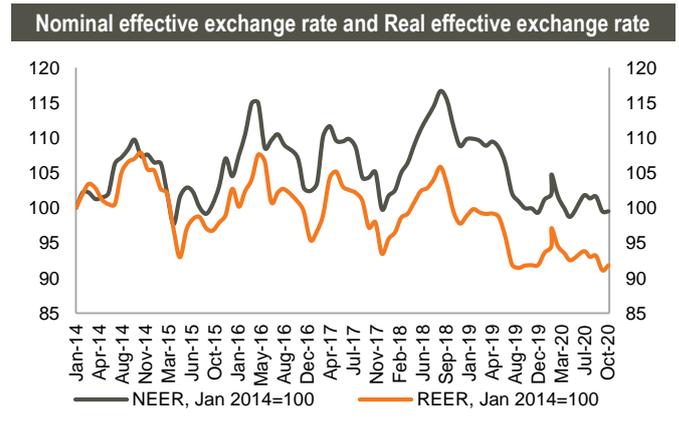
Source: NBG



Source: NBG



Source: NBG



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



Fixed income

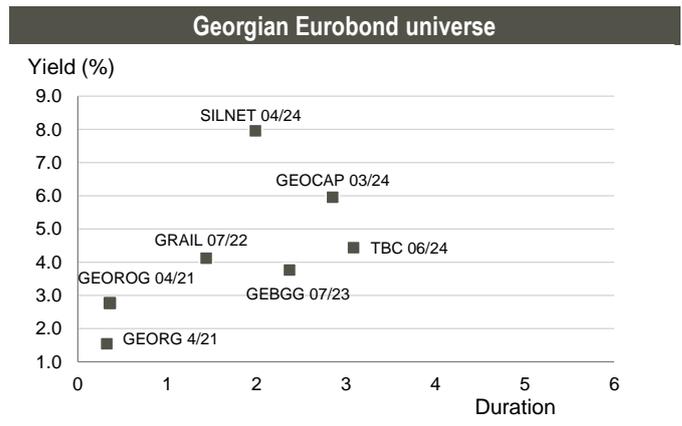
Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 3.77% yield, trading at 105.49 (-0.67% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 100.45 (+0.18% w/w), yielding 5.97%.

GOGC Eurobonds (GEOROG) were trading at 101.42 (-0.32% w/w), yielding 2.77%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 105.45 (+0.12% w/w), yielding 4.13%.

Georgian Sovereign Eurobonds (GEORG) closed at 101.72 (+0.10% w/w) at 1.55% 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	101.72	1.55	134.09
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	105.45	4.13	393.54
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/BB/-	101.42	2.77	256.52
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/B/Ba2	105.49	3.77	355.39
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-/-	105.11	9.21	912.19
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B/B2	100.45	5.97	571.56
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	108.64	7.96	770.73
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B/Ba2	104.20	4.44	417.12
TBC PERP	US\$	125	10.775%	n/a	B-/-/-	102.61	9.68	963.42
GGU 07/25	US\$	250	7.750%	Jul-25	B+/-/B1	102.10	7.21	680.03
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	-/-/-	100.50	7.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	100.83	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	101.72	1.55	134.09
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	100.85	1.61	141.98
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	104.96	4.48	427.42
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	111.08	0.92	62.47
Russia	US\$	3,000	4.875%	Sep-23	BBB/BBB-/Baa3	109.98	1.18	95.48
Turkey	US\$	2,000	5.625%	Mar-21	BB-/-/B2	100.86	2.64	243.22
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/B3	103.94	2.13	194.06

Source: Bloomberg

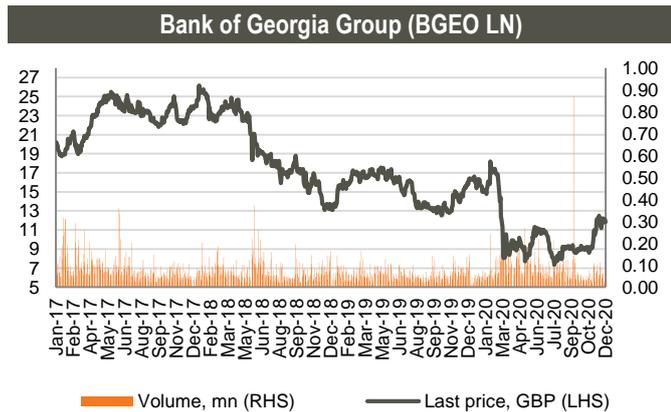


Equities

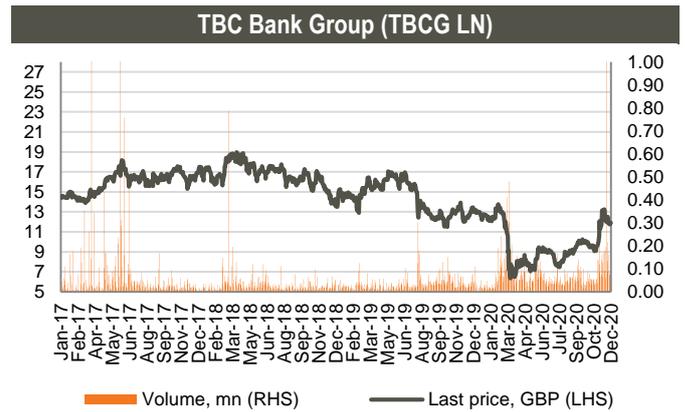
Bank of Georgia Group (BGEO LN) shares closed at GBP 11.84/share (-3.11% w/w and +7.64% m/m). More than 157k shares traded in the range of GBP 11.68 - 12.24/share. Average daily traded volume was 58k in the last 4 weeks. The volume of BGEO shares traded was at 0.32% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 5.22/share (-5.78% w/w and +11.06% m/m). More than 245k shares traded in the range of GBP 5.12 - 5.50/share. Average daily traded volume was 60k in the last 4 weeks. The volume of CGEO shares traded was at 0.67% of its capitalization.

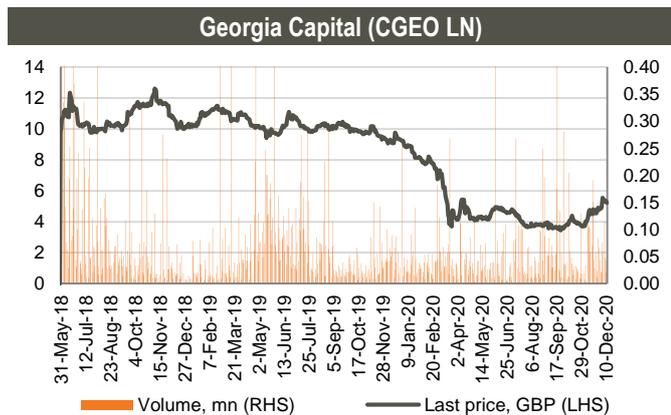
TBC Bank Group (TBCG LN) closed the week at GBP 11.90/share (unchanged w/w and -1.49% m/m). More than 430k shares changed hands in the range of GBP 11.44 - 12.20/share. Average daily traded volume was 174k in the last 4 weeks. The volume of TBCG shares traded was at 0.78% of its capitalization.



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	11.84	582	13.8%	-23.3%	-27.1%	8.20x	4.82x	0.96x	0.81x
TBC	TBC	GBP	11.90	655	30.1%	-8.5%	-8.5%	8.12x	5.48x	0.94x	0.82x
Halyk Bank	HSBK	US\$	11.35	3,335	-0.4%	-15.3%	-15.0%	4.73x	4.30x	0.92x	0.86x
VTB Bank	VTBR	US\$	1.01	6,565	-0.1%	-27.3%	-30.8%	7.54x	3.50x	0.36x	0.34x
Akbank	AKBNK	TRY	6.31	32,812	8.8%	-17.5%	-22.2%	8.19x	6.19x	0.81x	0.71x
Garanti	GARAN	TRY	9.53	40,026	16.8%	-7.7%	-14.5%	8.56x	6.12x	0.91x	0.77x
Isbank	ISCTR	TRY	6.58	29,610	28.5%	8.8%	2.7%	6.80x	5.12x	0.66x	0.58x
PKO	PKO	PLN	28.85	36,063	23.2%	-13.8%	-16.3%	12.48x	11.87x	0.77x	0.74x
PEKAO	PEO	PLN	60.84	15,969	7.1%	-35.8%	-39.4%	12.43x	11.27x	0.61x	0.59x
Millennium	MIL	PLN	3.21	3,894	-0.9%	-41.0%	-45.1%	10.64x	9.86x	0.41x	0.41x
Mbank	MBK	PLN	179.30	7,591	-28.7%	-50.2%	-54.0%	20.94x	15.40x	0.43x	0.42x
BRD	BRD	RON	14.60	10,175	19.3%	-4.6%	-7.8%	12.42x	12.54x	1.10x	1.16x
Banca Transilvania	TLV	RON	2.23	11,631	17.4%	-2.5%	-5.5%	11.97x	10.57x	1.52x	1.47x
OTP	OTPD	USD	22.80	12,768	0.0%	7.5%	7.5%	12.68x	11.43x	0.70x	0.66x
Komercni	KOMB	CZK	619.00	117,641	10.7%	-22.6%	-25.4%	14.20x	12.38x	1.00x	0.96x
Mean								10.66x	8.72x	0.81x	0.75x
Median								10.64x	9.86x	0.81x	0.74x

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	5.22	192	8.7%	-43.3%	-43.4%	n/a	n/a	n/a	n/a
Tinc Comm	TINC	EUR	12.75	348	-4.9%	-5.2%	-4.5%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	10.52	21,465	17.3%	13.1%	10.3%	6.95x	6.00x	0.87x	0.74x
Deutsche Beteiligungs	DBAN	EUR	32.50	489	10.9%	-16.1%	-17.6%	nmf	10.81x	1.07x	1.04x
Eurazeo	RF	EUR	54.05	4,257	19.7%	-12.5%	-11.4%	30.47x	8.32x	0.73x	0.69x
Carlyle Group	CG	USD	29.68	3,285	5.8%	-1.7%	-7.5%	5.13x	4.31x	4.67x	4.83x
Mean								14.19x	7.36x	1.84x	1.82x
Median								6.95x	7.16x	0.97x	0.89x

Source: Bloomberg, S&P Capital IQ

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