

# Azerbaijan Weekly Market Watch

Weekly Market Watch | Azerbaijan  
February 6, 2017

## Economy

### Azerbaijan's sovereign rating affirmed at BB+

S&P affirmed Azerbaijan's BB+ rating, while keeping the outlook negative. The agency views Azerbaijan's fiscal position as strong, helped by substantial reserves at the Oil Fund. Azerbaijan's institutional settings and risk to the banking system are the main weaknesses of the economy going forward.

### CBAR reserves increased at the highest pace in over three years

Central Bank reserves increased by US\$ 352.8mn m/m (+8.9% m/m) in January 2017 to US\$ 4.3bn, the highest level since February 2016. A bigger increase was last recorded in December 2013.

### SOFAZ sold US\$ 285.0mn in FX auctions in January 2017

At FX auctions organized by CBAR in January 2017, State Oil Fund of Azerbaijan Republic sold US\$ 285.0mn, 15.9% more than in the previous month (-52.0% y/y).

### Oil price and exports up in January 2017

According to SOCAR, BTC FOB Ceyhan crude oil price was up 0.4% m/m (+70.6% y/y) to US\$ 55.1 per barrel in January 2017. Crude oil exports were up 7.3% m/m (-6.3% y/y) to 1.7mn tons in December 2017.

Based on SOCAR data, our calculations indicate that receipts from crude oil exports were up 7.8% m/m (+59.6% y/y) to US\$ 0.7bn in January 2017.

### Key macro indicators

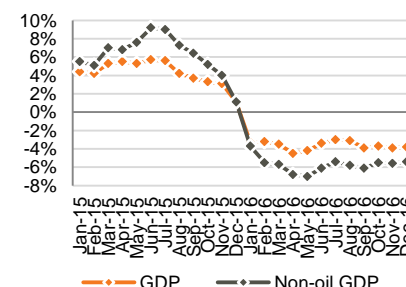
	2016	2015	2014
GDP (% change)	-3.8%	1.1%	2.8%
NO* GDP (% change)	-5.4%	1.1%	7.0%
GDP per capita (ppp)	...	17,993	17,762
GDP per capita (US\$)	3,897	5,559	7,991
Population (mn)	...	9.7	9.6
Inflation (eop)	15.5%	7.7%	-0.1%
CAB (% of GDP)**	-4.0%	-0.4%	13.9%
NO* CAB (% of NOGDP)**	-22.7%	-18.4%	-16.5%
Fiscal balance (% of GDP)	0.3%	-5.3%	2.9%
NO* fiscal bal. (% of NOGDP)**	-18.8%	-33.7%	-38.1%
Gross reserves (US\$ bn)**	40.0	38.6	50.9

Source: Official data

\* Non-oil

\*\* 9M16

### Real GDP growth, % (YTD)



Source: AzSTAT

### International ranking of Azerbaijan

Ease of Doing Business # 65

Economic Freedom Index # 91 (moderately free)

Global Competitiveness Index # 37 (regional leader)

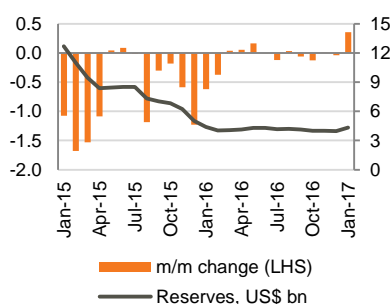
Source: World Bank, Heritage Foundation and World Economic Forum

### Azerbaijan sovereign credit ratings

 <b>BB+</b> Negative Jul-2016	 <b>Ba1</b> Negative Apr-2016	 <b>BB+</b> Negative Aug-2016
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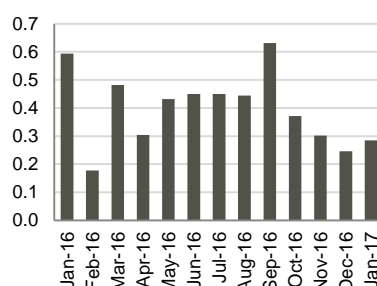
Source: Rating agencies

### CBAR reserves



Source: CBAR

### FX sold by SOFAZ, US\$ bn



Source: SOFAZ



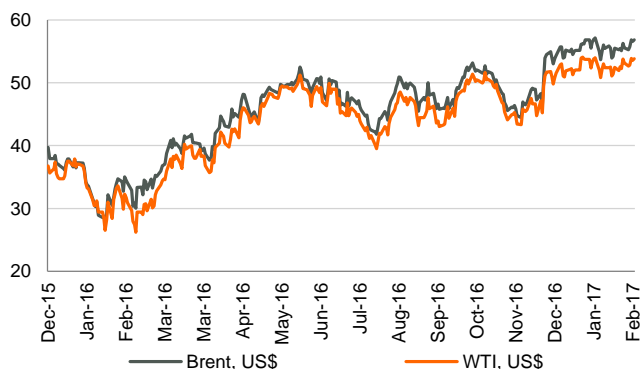
## Oil prices and exchange rate

**Oil price:** Brent oil price was up 2.3% w/w to US\$ 56.8/bbl (up 62.1% y/y), while WTI oil price increased 1.2% w/w to US\$ 53.8/bbl (up 66.8% y/y). In AZN terms, Brent oil price was up 2.1% w/w to AZN 110.0 (up 93.9% y/y).

**Exchange rate:** On February 3, 2016, Central Bank's AZN/US\$ rate was 1.9111 (+0.2% w/w) and AZN/EUR rate was 2.0561 (+1.0% w/w). At Bloomberg AZN/US\$ was trading at 1.9367 (-0.2% w/w) while AZN/EUR was trading at 2.0876 (+0.4% w/w).

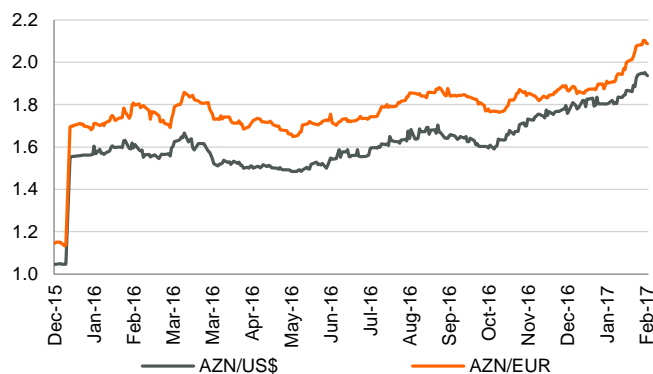
**Monetary policy rate:** Monetary policy rate was unchanged at 15.0%.

Crude oil prices (US\$/bbl)



Source: Bloomberg

Exchange rates



Source: Bloomberg

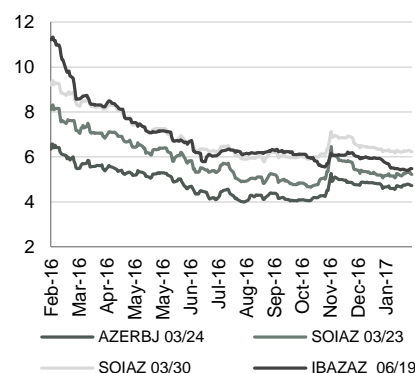


## Fixed income

**Corporate Eurobonds:** State Oil Company of Azerbaijan (SOCAR) Eurobond (SOIAZ 03/30) closed at 6.2% yield, trading at 106.3 (+0.1% w/w). International Bank of Azerbaijan Eurobonds (IBAZAZ 06/19) were trading at 100.3 (-0.1% w/w), yielding 5.5%.

**Azerbaijan Sovereign Eurobonds** (AZERBJ 03/24) closed at 100.2 (+0.1% w/w) at 4.7% yield to maturity.

**Azerbaijan Eurobonds, YTM (%)**

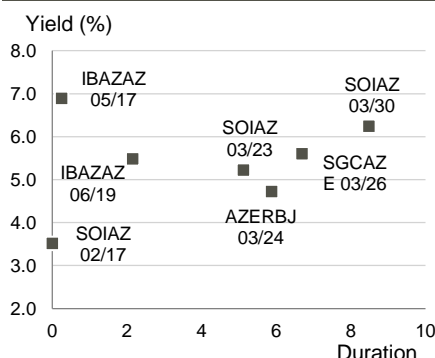


Source: Bloomberg

	Eurobonds						
	SOIAZ 02/17	SOIAZ 03/23	SOIAZ 03/30	IBAZAZ 05/17	IBAZAZ 06/19	SGCAZE 03/26	AZERBJ 03/24
Amount, US\$ mn	97.1	1000	750	100	500	1,000	1,250
Issue date	Feb-12	Mar-13	Mar-15	May-07	Jun-14	Mar-16	Mar-14
Maturity date	Feb-17	Mar-23	Mar-30	May-17	Jun-19	Mar-26	Mar-24
Coupon, %	5.450%	4.750%	6.950%	6.170%	5.625%	6.875%	4.750%
Fitch/S&P/Moody's	BB+/BB /Ba1	BB+/BB /Ba1	BB+/BB /Ba1	BB-/Ba3	BB-/Ba3	BB+/- Ba1	BB+/- Ba1
Mid price, US\$	100.0	97.6	106.3	99.8	100.3	109.0	100.2
Mid yield, %	3.5	5.2	6.2	6.9	5.5	5.6	4.7
Z-spread, bps	-6827.1	306.0	375.9	415.1	369.8	332.3	251.2

Source: Bloomberg

**Azerbaijan Eurobond universe**



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
Azerbaijan	1,250	4.750%	3/18/2024	BB+/BB+/Ba1	100.2	4.7	251.2
Georgia	500	6.875%	4/12/2021	BB-/BB-/Ba3	111.0	4.0	206.0
Bulgaria	323	5.000%	7/19/2021	BBB-/BB+/Baa2	120.2	0.4	-236.5
Croatia	1,250	3.875%	5/30/2022	BB/BB/Baa2	108.2	2.2	197.1
Hungary	3,000	6.375%	3/29/2021	BBB-/BBB-/Baa3	112.4	3.2	117.8
Romania	2,250	6.750%	2/7/2022	BBB-/BBB-/Baa3	114.6	3.5	152.4
Russia	3,500	5.000%	4/29/2020	BBB-/BB+/Ba1	107.1	2.7	88.1
Turkey	2,000	5.625%	3/30/2021	BB+/BB/Ba1	103.8	4.6	267.3
Kazakhstan	2,500	5.125%	7/21/2025	BBB-/BBB-/Baa3	100.2	4.7	251.2

Source: Bloomberg

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