

Azerbaijan Weekly Market Watch

Weekly Market Watch | Azerbaijan
November 28, 2016

Economy

Oil extraction down at the Azeri-Chirag-Gunashli oil field in 3Q16

In 3Q16, oil production was down 2.5% y/y to 622,359 barrels per day at the Azeri-Chirag-Gunashli (ACG) oil field, operated by the BP-led consortium, as operations at one of the platforms on the field (Deepwater Gunashli) were suspended for 11 days for scheduled maintenance in September 2016.

In 9M16, however, oil extraction at ACG is up 0.6% y/y to 644,000 barrels per day.

Gas production up 25.4% y/y in 3Q16

After four quarters of contraction, gas production from Shah Deniz and ACG (associated gas) increased 25.4% y/y to 3.3 bcm in 3Q16.

In 9M16, gas production was up 0.7% y/y to 10.0bcm.

CAPEX down in BP-led projects in 3Q16

BP-led consortium spent US\$1.5bn (-25.2% y/y or -11.1% q/q) in capex in Azerbaijan in 3Q16 for ACG, Shah Deniz, Baku-Tbilisi-Ceyhan pipeline, and South Caucasus Pipeline. The drop in capex was driven by lower investment in ACG and Shah Deniz fields.

CAPEX was down 18.5% y/y in 9M16 to US\$ 4.7bn.

IBAR rating affirmed at BB

On November 22, 2016, Fitch Ratings affirmed International Bank of Azerbaijan (IBAR) at BB with negative outlook on the expectations of continued strong sovereign support for the bank.

Key macro indicators

	10M16	2015	2014
GDP (% change)	-3.7%	1.1%	2.8%
NO* GDP (% change)	-5.5%	1.1%	7.0%
GDP per capita (ppp)	...	17,993	17,762
GDP per capita (US\$)	...	5,739	8,055
Population (mn)	...	9.7	9.6
Inflation (eop)	15.6%	7.7%	-0.1%
CAB (% of GDP)**	-4.6%	-0.4%	13.9%
NO* CAB (% of NOGDP)**	-24.9%	-18.4%	-16.5%
Fiscal balance (% of GDP)***	5.4%	-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

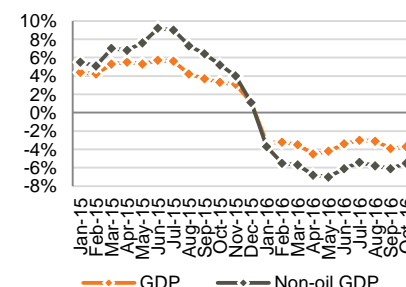
Source: Official data

* Non-oil

**1H16

***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)

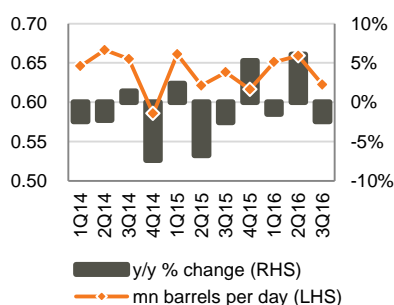
Source: World Bank, Heritage Foundation and World Economic Forum

Azerbaijan sovereign credit ratings

STANDARD & POOR'S BB+ Negative Jul-2016	Moody's INVESTORS SERVICE Ba1 Negative Apr-2016	Fitch Ratings BB+ Negative Aug-2016
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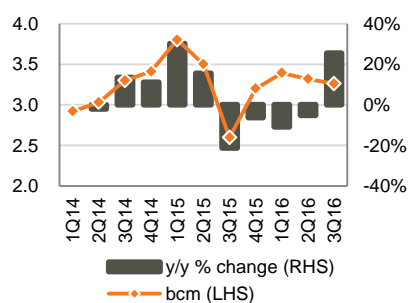
Source: Rating agencies

ACG oil production



Source: BP Caspian

Gas production



Source: BP Caspian



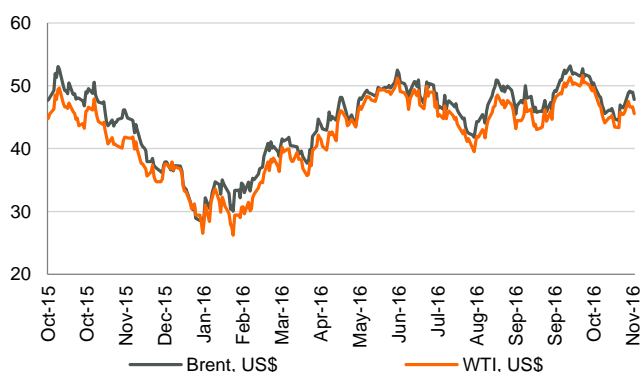
Oil prices and exchange rate

Oil price: Brent oil price was up 2.0% w/w to US\$ 47.8/bbl (up 3.6% y/y), while WTI oil price decreased 0.3% w/w to US\$ 45.6/bbl (up 9.0% y/y). In AZN terms, Brent oil price was up 2.6% w/w to AZN 84.4 (up 74.8% y/y).

Exchange rate: On November 25, 2016, Central Bank's AZN/US\$ rate was 1.7196 (+0.6% w/w) and AZN/EUR rate was 1.8176 (+0.3% w/w). At Bloomberg AZN/US\$ was trading at 1.7663 (+0.6% w/w) while AZN/EUR was trading at 1.8462 (+1.5% w/w).

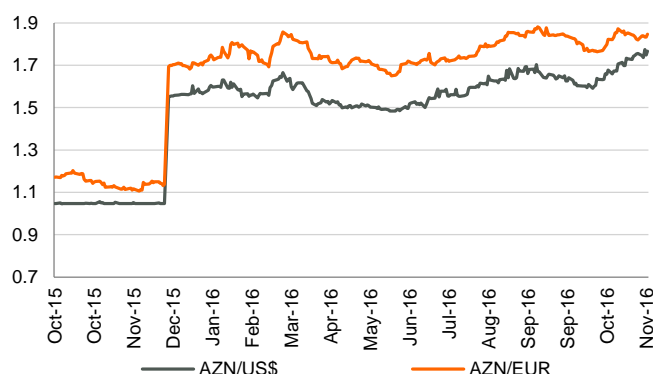
Monetary policy rate: Monetary policy rate was unchanged at 15.0%.

Crude oil prices (US\$/bbl)



Source: Bloomberg

Exchange rates



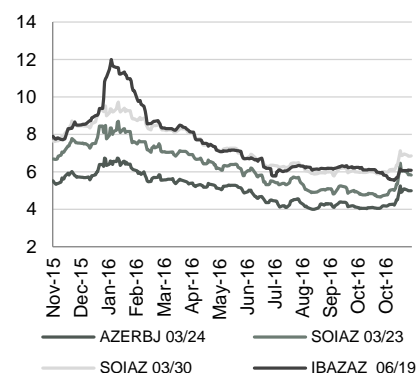
Source: Bloomberg

Fixed income

Corporate Eurobonds: State Oil Company of Azerbaijan (SOCAR) Eurobond (SOIAZ 03/30) closed at 6.9% yield, trading at 100.7 (+0.8% w/w). International Bank of Azerbaijan Eurobonds (IBAZAZ 06/19) were trading at 98.9 (+0.0% w/w), yielding 6.1%.

Azerbaijan Sovereign Eurobonds (AZERBJ 03/24) closed at 98.5 (+0.7% w/w) at 5.0% yield to maturity.

Azerbaijan Eurobonds, YTM (%)

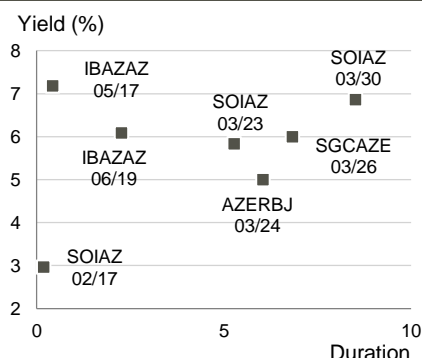


Source: Bloomberg

	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-2012	Mar-2013	Mar-2015	May-2007	Jun-2014	Mar-16	Mar-14
Maturity date	Feb-2017	Mar-2023	Mar-2030	May-2017	Jun-2019	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\$	100.5	94.4	100.7	99.6	98.9	106.2	98.5
Mid yield, %	3.0	5.8	6.9	7.2	6.1	6.0	5.0
Z-spread, bps	-86.1	382.8	457.4	539.3	447.7	383.1	292

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	98.5	5.0	292.0
Georgia	500	6.875%	4/12/2021	BB-/BB-/Ba3	108.2	4.8	293.1
Bulgaria	323	5.000%	7/19/2021	BBB-/BB+/Baa2	119.6	0.7	-238.3
Croatia	1,250	3.875%	5/30/2022	BB/BB/Ba1	106.8	2.5	233.5
Hungary	3,000	6.375%	3/29/2021	BB+/BB+/Ba1	112.5	3.2	149.2
Romania	2,250	6.750%	2/7/2022	BBB-/BBB-/Baa3	114.8	3.6	178.5
Russia	3,500	5.000%	4/29/2020	BBB-/BB+/Ba1	105.4	3.3	162.7
Turkey	2,000	5.625%	3/30/2021	BBB-/BB+/Ba1	102.5	5.0	319.2
Kazakhstan	2,500	5.125%	7/21/2025	BBB+/BBB-/Baa2	106.3	4.2	210.4

Source: Bloomberg

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