

Azerbaijan Weekly Market Watch

Weekly Market Watch | Azerbaijan
January 9, 2017

Economy

SOFAZ sold US\$ 246.0mn in FX auctions in December 2016

At FX auctions organized by CBAR, State Oil Fund of Azerbaijan Republic sold US\$ 246.0mn in December 2016, 18.4% less than in the previous month and the lowest amount of the last ten months. Our calculations indicate that SOFAZ has sold US\$ 4.9bn in 2016, corresponding to AZN 7.8bn, which in turn amounts to 72.8% of the budgeted expenditure of SOFAZ for 2016.

According to SOFAZ's 2016 budget, the Fund's total expenditures in 2016 were budgeted at AZN 10.7bn, of which transfers to the state budget were set at AZN 7.6bn.

Oil price up while exports down

According to SOCAR, BTC FOB Ceyhan crude oil price was up 17.8% m/m (+42.5% y/y) to US\$ 54.9 per barrel in December 2016. However, crude oil exports were down 12.1% m/m (-26.8% y/y) to 1.5mn tons in December 2016. Overall, exports in 2016 were down 7.3% y/y to 20.4mn tons.

Based on SOCAR data, our calculations indicate that receipts from crude oil exports were up 3.8% m/m (+4.1% y/y) to US\$ 0.6bn in December 2016. In annual terms, however, export receipts were down 22.2% y/y in 2016.

Key macro indicators

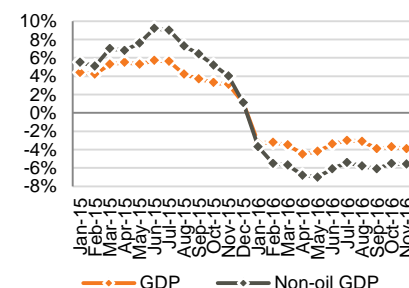
	11M16	2015	2014
GDP (% change)	-3.9%	1.1%	2.8%
NO* GDP (% change)	-5.6%	1.1%	7.0%
GDP per capita (ppp)	...	17,993	17,762
GDP per capita (US\$)	...	5,739	8,055
Population (mn)	...	9.7	9.6
Inflation (eop)	17.1%	7.7%	-0.1%
CAB (% of GDP)**	-4.0%	-0.4%	13.9%
NO* CAB (% of NOGDP)**	-22.7%	-18.4%	-16.5%
Fiscal balance (% of GDP)**	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

**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)

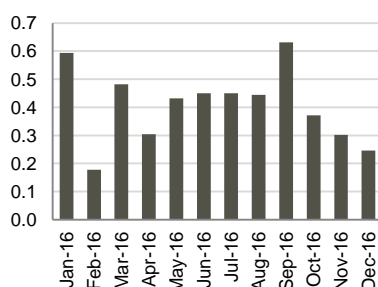
Source: World Bank, Heritage Foundation and World Economic Forum

Azerbaijan sovereign credit ratings

 BB+ Negative Jul-2016	 Ba1 Negative Apr-2016	 BB+ Negative Aug-2016
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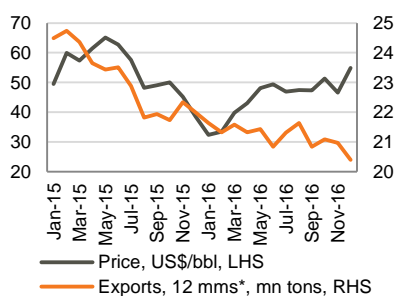
Source: Rating agencies

FX sold by SOFAZ, US\$ bn



Source: SOFAZ

Crude oil exports and price



Source: SOCAR
*12 month moving sum



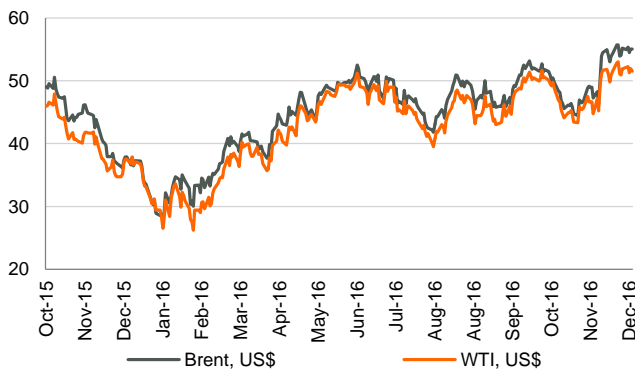
Oil prices and exchange rate

Oil price: Brent oil price was down 0.3% w/w to US\$ 55.1/bbl (up 47.4% y/y), while WTI oil price decreased 0.7% w/w to US\$ 51.5/bbl (up 39.7% y/y). In AZN terms, Brent oil price was up 2.0% w/w to AZN 94.1 (up 73.1% y/y).

Exchange rate: On December 23, 2016, Central Bank's AZN/US\$ rate was 1.7622 (+0.6% w/w) and AZN/EUR rate was 1.8412 (+0.7% w/w). At Bloomberg AZN/US\$ was trading at 1.8262 (+2.3% w/w) while AZN/EUR was trading at 1.8758 (+0.7% w/w).

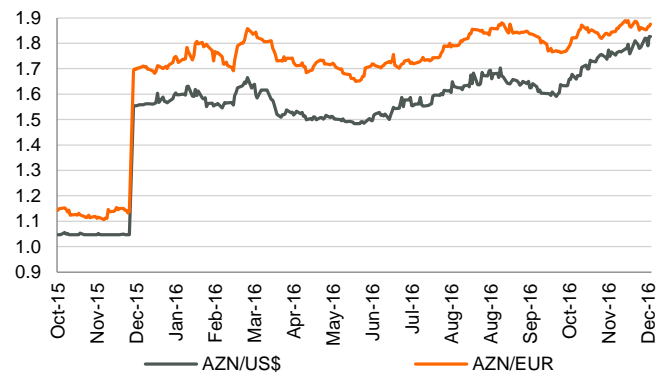
Monetary policy rate: Monetary policy rate was unchanged at 15.0%.

Crude oil prices (US\$/bbl)



Source: Bloomberg

Exchange rates



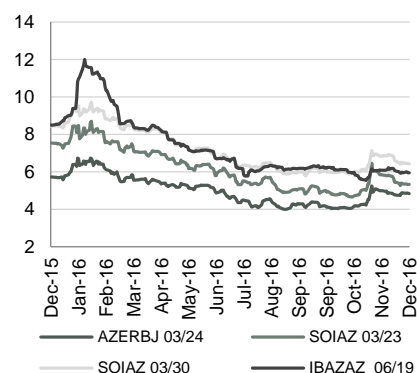
Source: Bloomberg

Fixed income

Corporate Eurobonds: State Oil Company of Azerbaijan (SOCAR) Eurobond (SOIAZ 03/30) closed at 6.4% yield, trading at 104.7 (+0.5% w/w). International Bank of Azerbaijan Eurobonds (IBAZAZ 06/19) were trading at 99.3 (+0.0% w/w), yielding 6.0%.

Azerbaijan Sovereign Eurobonds (AZERBJ 03/24) closed at 99.5 (+0.3% w/w) at 4.8% yield to maturity.

Azerbaijan Eurobonds, YTM (%)

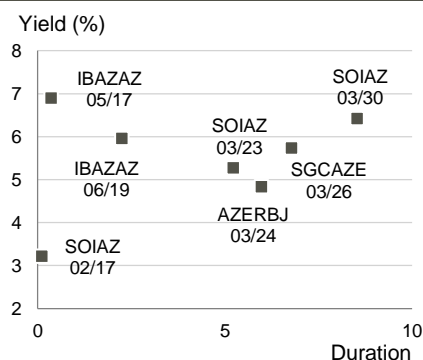


Source: Bloomberg

	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\$	100.2	97.2	104.7	99.7	99.3	108.1	99.5
Mid yield, %	3.2	5.3	6.4	6.9	6.0	5.7	4.8
Z-spread, bps	-80.3	308.3	392.9	488.4	416.6	335.3	252.3

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	99.5	4.8	252.3
Georgia	500	6.875%	4/12/2021	BB-/BB-/Ba3	109.7	4.4	233.0
Bulgaria	323	5.000%	7/19/2021	BBB-/BB+/Baa2	120.3	0.5	-237.7
Croatia	1,250	3.875%	5/30/2022	BB/BB/Ba1	107.6	2.4	215.5
Hungary	3,000	6.375%	3/29/2021	BB+/BB+/Ba1	112.2	3.3	133.9
Romania	2,250	6.750%	2/7/2022	BBB-/BBB-/Baa3	113.9	3.7	163.8
Russia	3,500	5.000%	4/29/2020	BBB-/BB+/Ba1	106.1	3.1	114.5
Turkey	2,000	5.625%	3/30/2021	BBB-/BB+/Ba1	102.5	5.0	289.9
Kazakhstan	2,500	5.125%	7/21/2025	BBB+/BBB-/Baa2	106.8	4.2	180.1

Source: Bloomberg

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