

# Azerbaijan Weekly Market Watch

Weekly Market Watch | Azerbaijan  
March 28, 2016

## Economy

### Azerbaijan placed a 10-year US\$ 1.0bn Eurobond

On March 22, 2016, Azerbaijan's Southern Gas Corridor company completed the issuance of a 10-year Eurobond in the amount of \$1.0bn, with a 6.875% coupon rate, payable semi-annually. The placement was announced as a success by the Ministry of Finance of Azerbaijan. Proceeds will be used to finance the second stage of Shah Deniz gas field and pipeline expansion to transport gas through Georgia to Turkey and on to European markets.

### Key macro indicators

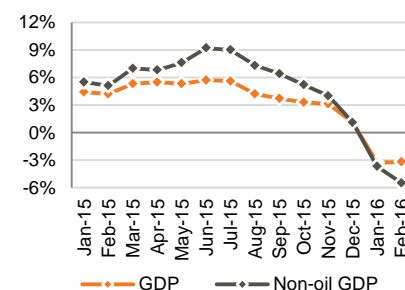
	2M16	2015	2014
GDP (% change)	-3.2%	1.1%	2.8%
NO* GDP (% change)	-5.5%	1.1%	7.0%
GDP per capita (ppp)	...	...	17,761
GDP per capita (US\$)	...	5,559	7,936
Population (mn)	9.7	9.7	9.6
Inflation (eop)	9.8%	7.7%	-0.1%
CAB (% of GDP)**	...	0.6%	13.9%
NO* CAB (% of NOGDP)**	...	-18.6%	-21.2%
Fiscal balance (% of GDP)	...	-5.3%	2.9%
NO* fiscal bal. (% of NOGDP)	...	-34.0%	-38.4%
Gross reserves (US\$ bn)	...	38.6	50.9

Source: Official data

\*Non-oil

\*\*As of 9M15

### Real GDP growth, % (YTD)



Source: AzSTAT

### International ranking of Azerbaijan

Ease of Doing Business # 63

Economic Freedom Index # 91 (moderately free)

Global Competitiveness Index # 40 (regional leader)

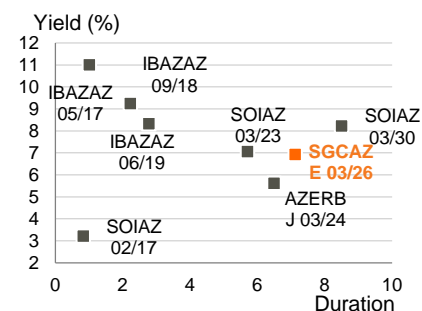
Source: World Bank, Heritage Foundation and World Economic Forum

### Azerbaijan sovereign credit ratings

<b>STANDARD &amp; POOR'S</b>  <b>BB+</b> Stable Jan-2016	<b>Moody's</b> INVESTORS SERVICE  <b>Ba1</b> Under review Feb-2016	<b>Fitch Ratings</b>  <b>BB+</b> Negative Feb-2016
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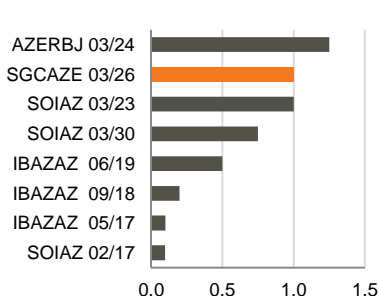
Source: Rating agencies

### Azerbaijan Eurobond universe



Source: Bloomberg

### Outstanding Eurobonds, US\$ bn



Source: Bloomberg



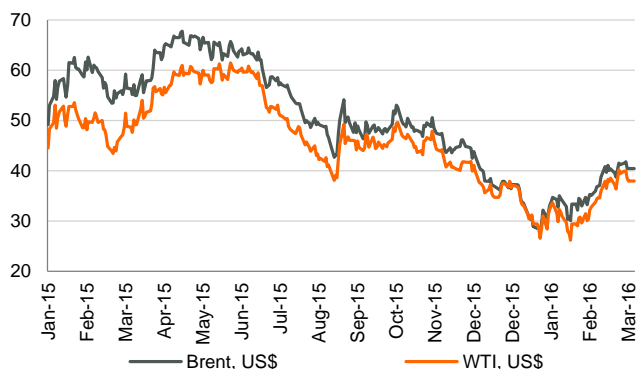
## Oil prices and exchange rate

**Oil price:** Brent oil price was down 1.8% w/w to US\$ 40.4/bbl (down 31.1% y/y), while WTI oil price decreased 3.8% w/w to US\$ 38.0/bbl (down 21.9% y/y). In AZN terms, Brent oil price was up 0.1% w/w to AZN 65.4 (up 6.4% y/y).

**Exchange rate:** At Bloomberg AZN/US\$ was trading at 1.6163 (+2.0% w/w) while AZN/EUR was trading at 1.8065 (-0.9% w/w).

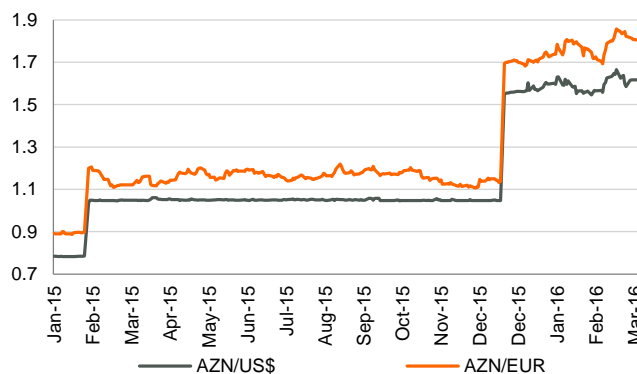
**Monetary policy rate:** Monetary policy rate remained unchanged at 7.0%.

Crude oil prices (US\$/bbl)



Source: Bloomberg

Exchange rates



Source: Bloomberg

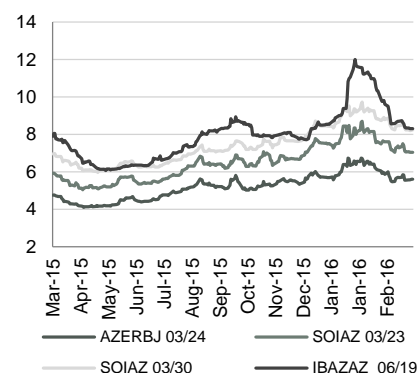


## Fixed income

**Corporate Eurobonds:** State Oil Company of Azerbaijan (SOCAR) Eurobond (SOIAZ 03/30) closed at 8.2% yield, trading at 89.4 (+0.1% w/w). International Bank of Azerbaijan Eurobonds (IBAZAZ 06/19) were trading at 92.6 (+0.1% w/w), yielding 8.3%.

**Azerbaijan Sovereign Eurobonds** (AZERBJ 03/24) closed at 94.5 (-0.3% w/w) at 5.6% yield to maturity.

**Azerbaijan Eurobonds, YTM (%)**

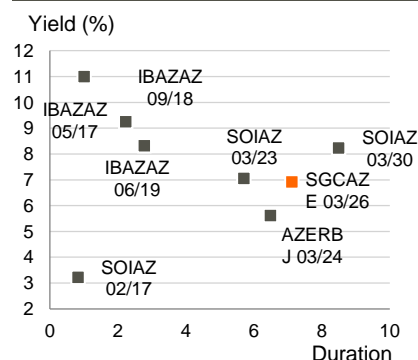


Source: Bloomberg

	Eurobonds							
	SOIAZ 02/17	SOIAZ 03/23	SOIAZ 03/30	IBAZAZ 05/17	IBAZAZ 09/18	IBAZAZ 06/19	AZERBJ 03/24	SGCAZE 03/26
Amount, US\$ mn	97.1	1,000	750	100	198	500	1,250	1,000
Issue date	Feb-12	Mar-13	Mar-15	May-07	Sep-13	Jun-14	Mar-14	Mar-16
Maturity date	Feb-17	Mar-23	Mar-30	May-17	Sep-18	Jun-19	Mar-24	Mar-26
Coupon, %	5.450%	4.750%	6.950%	6.170%	7.750%	5.625%	4.750%	6.875%
Fitch/S&P / Moody's	BB+/BB+/Ba1	BB+/BB+/Ba1	BB+/BB+/Ba1	BB-/Ba3	BB-/Ba3	BB-/Ba3	BB+/BB+/Ba1	BB+/BB+/Ba1
Mid price, US\$	101.9	87.5	89.5	95.1	96.7	92.6	94.5	99.7
Mid yield, %	3.2	7.1	8.2	11.0	9.2	8.3	5.6	6.9
Z-spread, bps	282.1	548.8	631.8	895.0	830.7	767.0	396.1	521.6

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	94.8	5.6	396.4
Georgia	500	6.875%	4/12/2021	BB-/BB-/Ba3	107.3	5.2	384.9
Bulgaria	323	5.000%	7/19/2021	BBB-/BB+/Baa2	119.8	1.1	-238.3
Croatia	1,250	3.875%	5/30/2022	BB/BB/Ba2	102.9	3.4	314.9
Hungary	3,000	6.375%	3/29/2021	BB+/BB+/Ba1	113.8	3.4	215.8
Romania	2,250	6.750%	2/7/2022	BBB-/BBB-/Baa3	119.0	3.2	179.6
Russia	3,500	5.000%	4/29/2020	BBB-/BB+/Ba1	105.7	3.5	223.5
Turkey	2,000	5.625%	3/30/2021	BBB-/BB+/Baa3	108.0	3.9	252.8
Kazakhstan	2,500	5.125%	7/21/2025	BBB+/BBB-/Baa2	102.2	4.8	316.1

Source: Bloomberg

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