

# Azerbaijan Weekly Market Watch

Weekly Market Watch | Azerbaijan  
September 5, 2016

## Economy

### CBAR reserves up US\$ 29.6mn m/m in August 2016

Reserves of the Central Bank of Azerbaijan increased 0.7% m/m (-42.7% y/y) in August 2016 to US\$ 4.2bn. During August 2016 CBAR did not participate in the FX auctions and increase was likely due to currency revaluations.

### SOFAZ crude oil exports up 26.4% y/y in August 2016

SOCAR exported 1.5mn tons of crude oil in July 2016, up 26.4% y/y. In 8M16, however, crude oil exports were down 2.6% to 13.7mn tons. Monthly average price of BTC FOB Ceyhan crude was up 1.0% m/m (-1.6% y/y) to US\$ 47.4/bbl.

SOCAR exports crude oil belonging to the company and to Azerbaijan state.

### Key macro indicators

	7M16	2015	2014
GDP (% change)	-3.0%	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\$)	...	5,739	8,055
Population (mn)	...	9.7	9.6
Inflation (eop)	11.3%	7.7%	-0.1%
CAB (% of GDP)**	-5.4%	-0.4%	13.9%
NO* CAB (% of NOGDP)***	-18.4%	-18.4%	-16.5%
Fiscal balance (% of GDP)***	3.8%	-5.3%	2.9%
NO* fiscal bal. (% of NOGDP)***	-20.8%	-33.7%	-38.1%
Gross reserves (US\$ bn)***	39.4	38.6	50.9

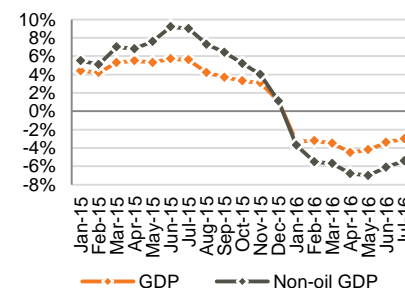
Source: Official data

\* Non-oil

\*\*1Q16

\*\*\*1H16

### 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)

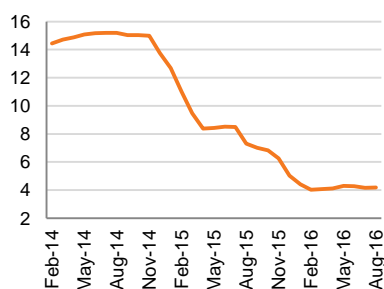
Source: World Bank, Heritage Foundation and World Economic Forum

### Azerbaijan sovereign credit ratings

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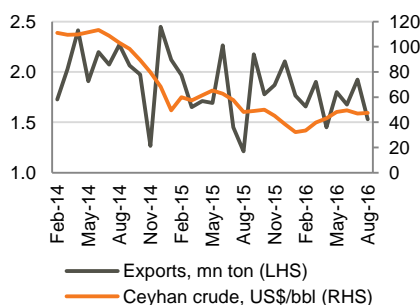
Source: Rating agencies

### CBAR reserves, US\$ bn



Source: CBAR

### SOCAR crude oil exports and Brent crude oil price



Source: SOCAR



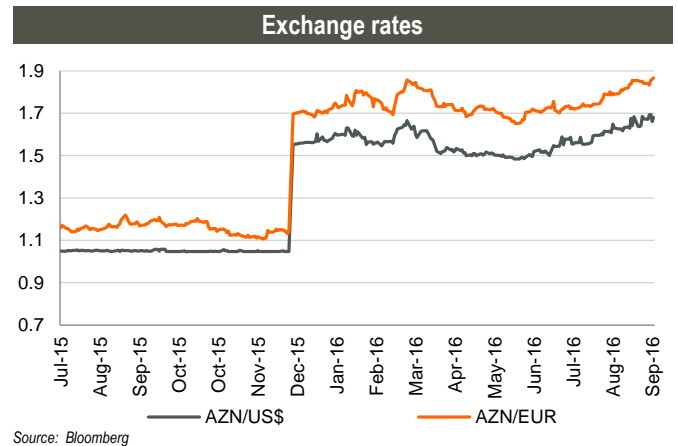
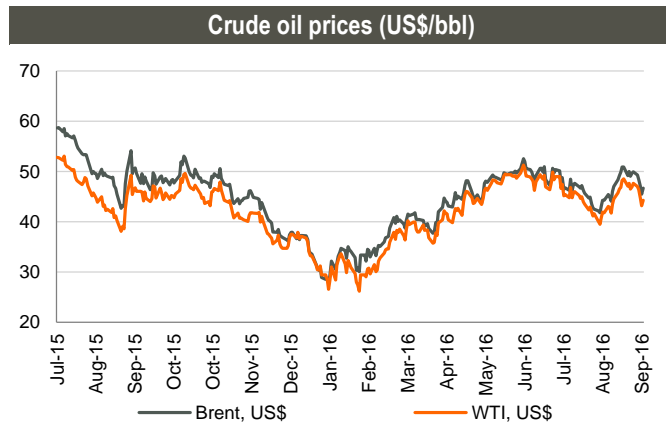
## Oil prices and exchange rate

**Oil price:** Brent oil price was down 6.5% w/w to US\$ 46.7/bbl (down 7.6% y/y), while WTI oil price decreased 7.1% w/w to US\$ 44.3/bbl (down 4.3% y/y). In AZN terms, Brent oil price was down 6.1% w/w to AZN 78.4 (up 48.1% y/y).

**Exchange rate:** On September 2, 2016, Central Bank set AZN/US\$ rate at 1.6362 (+0.5% w/w) and AZN/EUR at 1.8327 (-0.3% w/w). At Bloomberg AZN/US\$ was trading at 1.6800 (+0.4% w/w) while AZN/EUR was trading at 1.8655 (+1.3% w/w).

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

**FX auctions:** In two FX auctions organized by the Central Bank over the last week, State Oil Fund sold US\$ 100.0mn to commercial banks.

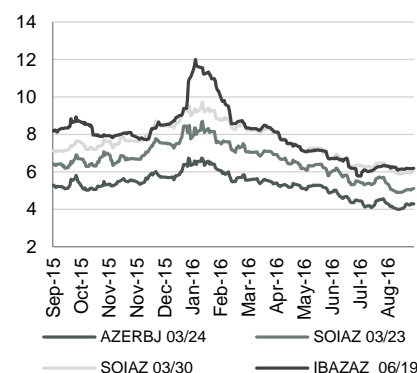


# Fixed income

**Corporate Eurobonds:** State Oil Company of Azerbaijan (SOCAR) Eurobond (SOIAZ 03/30) closed at 6.0% yield, trading at 108.6 (-0.6% w/w). International Bank of Azerbaijan Eurobonds (IBAZAZ 06/19) were trading at 98.6 (+0.0% w/w), yielding 6.2%.

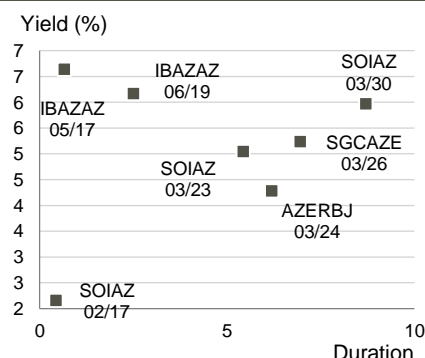
**Azerbaijan Sovereign Eurobonds** (AZERBJ 03/24) closed at 102.9 (+0.0% w/w) at 4.3% yield to maturity.

**Azerbaijan Eurobonds, YTM (%)**



Source: Bloomberg

**Azerbaijan Eurobond universe**



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+/BB+/Ba1
Mid price, US\$	101.4	98.0	108.6	99.7	98.6	111.9	102.9
Mid yield, %	2.0	5.1	6.0	6.7	6.2	5.3	4.3
Z-spread, bps	37.9	371.9	445.1	448.6	512.9	380.0	288.4

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	102.9	4.3	288.4
Georgia	500	6.875%	4/12/2021	BB-/BB-/Ba3	112.2	3.9	265.2
Bulgaria	323	5.000%	7/19/2021	BBB-/BB+/Baa2	121.2	0.6	-235.6
Croatia	1,250	3.875%	5/30/2022	BB/BB/Ba1	107.1	2.5	254.9
Hungary	3,000	6.375%	3/29/2021	BB+/BB+/Ba1	115.3	2.8	154.0
Romania	2,250	6.750%	2/7/2022	BBB-/BBB-/Baa3	121.2	2.5	126.1
Russia	3,500	5.000%	4/29/2020	BBB-/BB+/Ba1	107.8	2.7	150.2
Turkey	2,000	5.625%	3/30/2021	BBB-/BB+/Baa3	107.2	3.9	263.2
Kazakhstan	2,500	5.125%	7/21/2025	BBB+/BBB-/Baa2	112.5	3.5	202.9

Source: Bloomberg

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