

Azerbaijan Weekly Market Watch

 Weekly Market Watch | Azerbaijan
 May 3, 2016

Economy

CBAR reserves up 1.3% m/m to US\$ 4.1bn

Central Bank of Azerbaijan Republic bought US\$ 37.3mn in two auctions in April 2016. The market interventions, along with revaluation of assets, led to m/m increases in reserves for the second month in a row. In April 2016, reserves were up US\$ 54.8mn m/m (+1.3% m/m) to US\$ 4.1bn, but down 50.9% y/y and down 72.9% compared to the record high of July 2014.

Azerbaijan's rating confirmed at Ba1

Following the late February 2016 downgrade, Moody's confirmed Azerbaijan's rating at Ba1 and assigned a negative outlook on April 29, 2016. According to Moody's, Azerbaijan's sizable foreign exchange reserves provide sufficient buffer to absorb shocks to the economy. Nevertheless, the rating agency states that outlook remains weak, as it expects the economy to contract 3.3% in 2016.

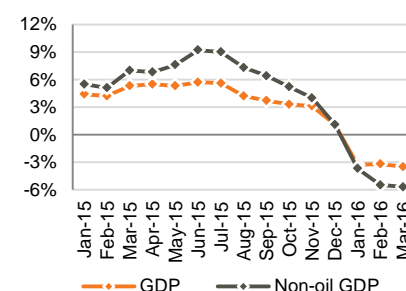
Key macro indicators

	1Q16	2015	2014
GDP (% change)	-3.5%	1.1%	2.8%
NO* GDP (% change)	-5.7%	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)	9.2%	7.7%	-0.1%
CAB (% of GDP)	...	-0.4%	13.9%
NO* CAB (% of NOGDP)	...	-18.4%	-16.5%
Fiscal balance (% of GDP)	8.9%	-5.3%	2.9%
NO* fiscal bal. (% of NOGDP)	-14.9%	-33.7%	-38.1%
Gross reserves (US\$ bn)	38.3	38.6	50.9

Source: Official data

*Non-oil

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)

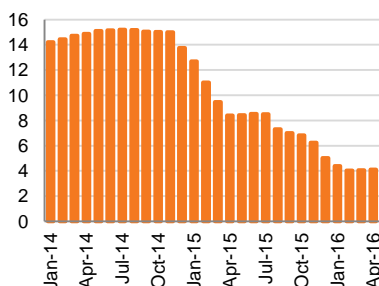
Source: World Bank, Heritage Foundation and World Economic Forum

Azerbaijan sovereign credit ratings

STANDARD & POORS BB+ Stable Jan-2016	Moody's INVESTORS SERVICE Ba1 Negative Apr-2016	FitchRatings BB+ Negative Feb-2016
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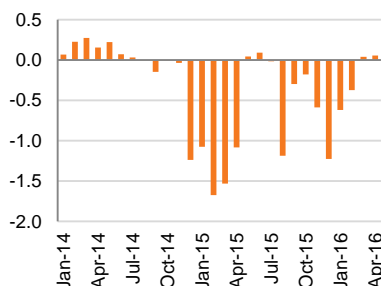
Source: Rating agencies

CBAR reserves, US\$ bn



Source: CBAR

m/m change in CBAR reserves, US\$ bn



Source: CBAR



Oil prices and exchange rate

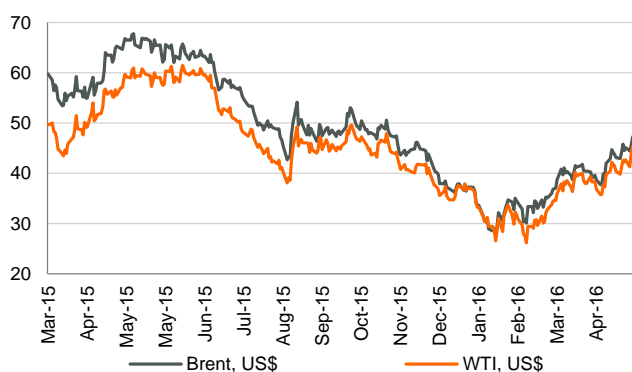
Oil price: Brent oil price was up 5.7% w/w to US\$ 47.7/bbl (down 26.3% y/y), while WTI oil price increased 6.5% w/w to US\$ 45.5/bbl (down 20.3% y/y). In AZN terms, Brent oil price was up 6.4% w/w to AZN 72.0 (up 5.9% y/y).

Exchange rate: On April 28, 2016, Central Bank set AZN/US\$ rate at 1.5056 (-0.1% w/w) and AZN/EUR at 1.7067 (+0.2% w/w). At Bloomberg AZN/US\$ was trading at 1.5100 (+0.7% w/w) while AZN/EUR was trading at 1.7115 (+1.7% w/w).

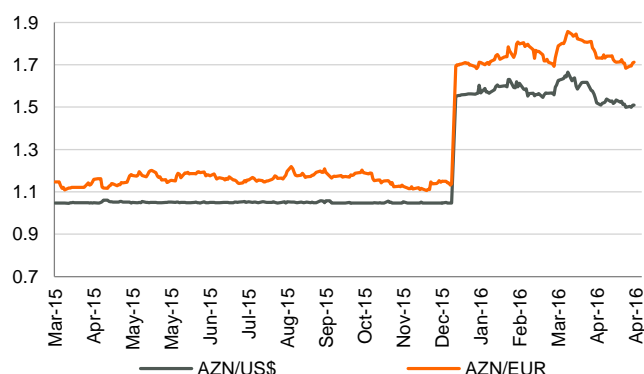
Monetary policy rate: Monetary policy rate remained unchanged at 7.0%.

FX auctions: In two FX auctions organized by the Central Bank over the last week, State Oil Fund sold US\$ 77.3mn, of which US\$ 40.0mn was bought by CBAR and the rest by commercial banks.

Crude oil prices (US\$/bbl)



Exchange rates



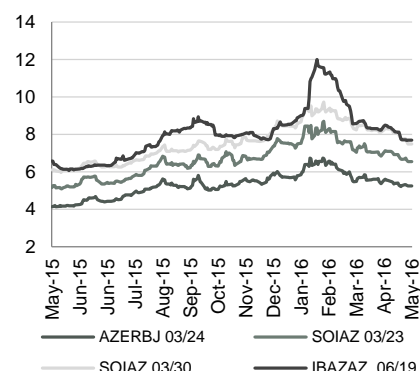


Fixed income

Corporate Eurobonds: State Oil Company of Azerbaijan (SOCAR) Eurobond (SOIAZ 03/30) closed at 7.5% yield, trading at 95.3 (+2.1% w/w). International Bank of Azerbaijan Eurobonds (IBAZAZ 06/19) were trading at 94.4 (+0.1% w/w), yielding 7.7%.

Azerbaijan Sovereign Eurobonds (AZERBJ 03/24) closed at 96.8 (+0.1% w/w) at 5.3% yield to maturity.

Azerbaijan Eurobonds, YTM (%)

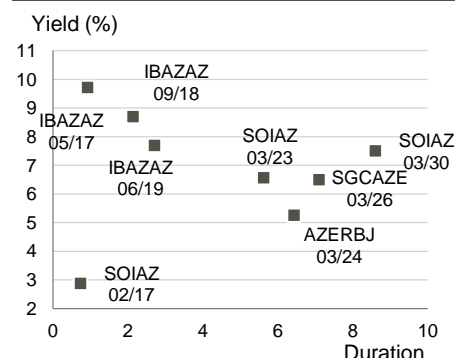


Source: Bloomberg

	Eurobonds							
	SOIAZ 02/17	SOIAZ 03/23	SOIAZ 03/30	IBAZAZ 05/17	IBAZAZ 09/18	IBAZAZ 06/19	SGCAZE 03/26	AZERBJ 03/24
Amount, US\$ mn	97.1	1000	750	100	198	500	1,000	1,250
Issue date	Feb-2012	Mar-2013	Mar-2015	May-2007	Sep-2013	Jun-2014	Mar-16	Mar-14
Maturity date	Feb-2017	Mar-2023	Mar-2030	May-2017	Sep-2018	Jun-2019	Mar-26	Mar-24
Coupon, %	5.450%	4.750%	6.950%	6.170%	7.750%	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-/Ba3	BB+/-/Ba1	BB+/-/Ba1
Mid price, US\$	101.9	90.1	95.3	96.6	97.9	94.4	96.8	102.8
Mid yield, %	2.9	6.6	7.5	9.7	8.7	7.7	5.3	6.5
Z-spread, bps	200.5	547.2	562.2	937.0	839.7	703.3	364.5	478

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	96.8	5.3	364.5
Georgia	500	6.875%	4/12/2021	BB-/BB-/Ba3	110.5	4.5	308.0
Bulgaria	323	5.000%	7/19/2021	BBB-/BB+/Baa2	119.5	1.1	-239.3
Croatia	1,250	3.875%	5/30/2022	BB/BB/Ba1	103.2	3.3	308.0
Hungary	3,000	6.375%	3/29/2021	BB+/BB+/Ba1	113.8	3.3	197.2
Romania	2,250	6.750%	2/7/2022	BBB-/BBB-/Baa3	118.5	3.2	184.6
Russia	3,500	5.000%	4/29/2020	BBB-/BB+/Ba1	105.8	3.4	217.0
Turkey	2,000	5.625%	3/30/2021	BBB-/BB+/Baa3	108.6	3.7	235.1
Kazakhstan	2,500	5.125%	7/21/2025	BBB+/BBB-/Baa2	105.9	4.3	266.4

Source: Bloomberg

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Galt & Taggart

Address: 79 D. Agmashenebeli Avenue, Tbilisi 0102, Georgia

Tel: + (995) 32 2401 111

Email: gt@gt.ge