



Azerbaijan Weekly Market Watch

Weekly Market Watch | Azerbaijan
November 7, 2016

Economy

CBAR reserves down 3.1% m/m to US\$ 4.0bn

Central Bank's reserves were down 3.1% m/m in October 2016, the highest monthly drop of the last eight months. At US\$ 4.0bn, reserves are at the lowest level since 2007 and are down 41.4% in annual terms.

SOFAZ sold US\$ 371.0mn in FX auctions in October 2016

At FX auctions organized by CBAR, State Oil Fund of Azerbaijan Republic sold US\$ 371.0mn in October 2016, 41.2% less than in the previous month and the lowest amount of the last six months.

Oil exports up 45.5% m/m to 2.0mn tons

According to SOCAR, the company exported 2.0mn tons of crude oil in October 2016 (+45.5% m/m and +13.4% y/y). In 10M16, exports were down 5.1% y/y to 17.1mn tons. SOCAR exports crude oil belonging to the company as well as to the Azerbaijan state.

Monthly average price of BTC FOB Ceyhan oil was up 8.6% m/m to US\$ 51.4 per barrel, the highest level of the last 15 months. In annual terms, the price was up 2.6%, the first increase in the last 27 months.

Banking sector loans down 0.3% m/m in September 2016

After a 0.8% m/m increase in August 2016, banking sector loans were down 0.3% m/m (-12.2% y/y) to AZN 16.3bn in September 2016. Following three months of increases, household savings, which account for 33.5% of total deposits at commercial banks, were down 1.5% m/m (+6.9% y/y) to AZN 7.8bn in September 2016.

Key macro indicators

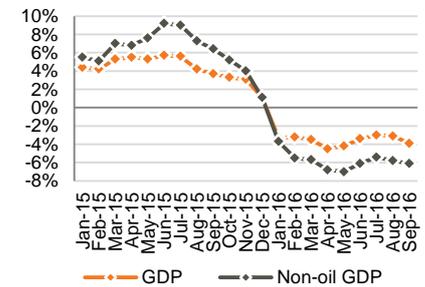
	9M16	2015	2014
GDP (% change)	-3.9%	1.1%	2.8%
NO** GDP (% change)	-6.1%	1.1%	7.0%
GDP per capita (ppp)	...	17,993	17,762
GDP per capita (US\$)	...	5,739	8,055
Population (mn)	...	9.7	9.6
Inflation (eop)	14.2%	7.7%	-0.1%
CAB (% of GDP)*	-4.6%	-0.4%	13.9%
NO* CAB (% of NOGDP)**	-24.9%	-18.4%	-16.5%
Fiscal 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

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)

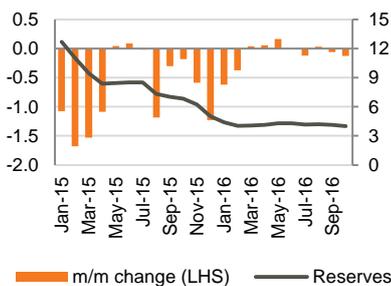
Source: World Bank, Heritage Foundation and World Economic Forum

Azerbaijan sovereign credit ratings



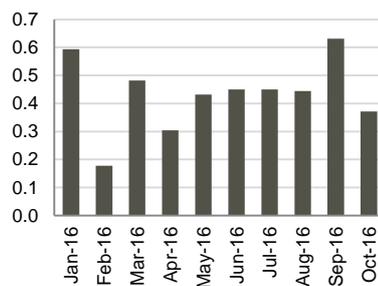
Source: Rating agencies

CBAR reserves, US\$ bn



Source: CBAR

FX sold by SOFAZ, US\$ bn



Source: SOFAZ, Galt & Taggart Research



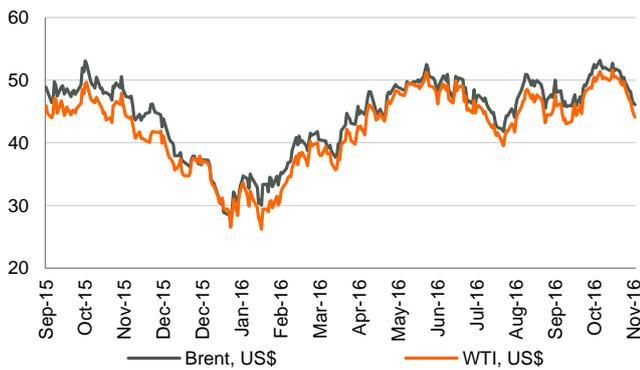
Oil prices and exchange rate

Oil price: Brent oil price was down 7.3% w/w to US\$ 46.1/bbl (down 5.1% y/y), while WTI oil price decreased 9.5% w/w to US\$ 44.1/bbl (down 4.9% y/y). In AZN terms, Brent oil price was down 5.8% w/w to AZN 78.6 (up 53.8% y/y).

Exchange rate: On November 4, 2016, Central Bank's AZN/US\$ rate was 1.6596 (+1.3% w/w) and AZN/EUR rate was 1.8413 (+3.1% w/w). At Bloomberg AZN/US\$ was trading at 1.7053 (+1.6% w/w) while AZN/EUR was trading at 1.8658 (+2.4% w/w).

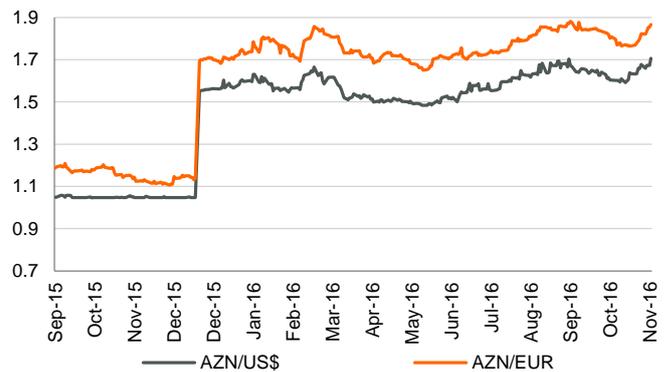
Monetary policy rate: Monetary policy rate was unchanged at 15.0%.

Crude oil prices (US\$/bbl)



Source: Bloomberg

Exchange rates



Source: Bloomberg

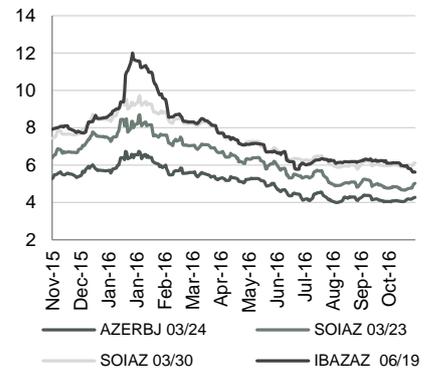


Fixed income

Corporate Eurobonds: State Oil Company of Azerbaijan (SOCAR) Eurobond (SOIAZ 03/30) closed at 6.1% yield, trading at 107.4 (-0.9% w/w). International Bank of Azerbaijan Eurobonds (IBAZAZ 06/19) were trading at 100.0 (+0.5% w/w), yielding 5.6%.

Azerbaijan Sovereign Eurobonds (AZERBJ 03/24) closed at 102.9 (-0.6% w/w) at 4.3% yield to maturity.

Azerbaijan Eurobonds, YTM (%)

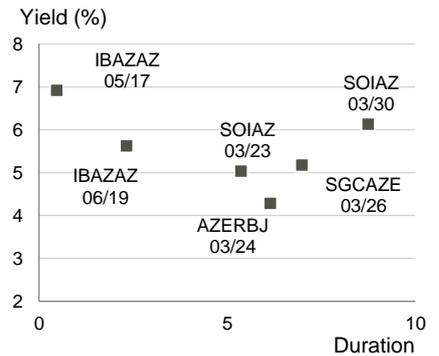


Source: Bloomberg

	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+/BB+ /Ba1	
Mid price, US\$	100.9	98.5	107.4	99.6	100.0	112.5	102.9	
Mid yield, %	1.8	5.0	6.1	6.9	5.6	5.2	4.3	
Z-spread, bps	-37.4	362.5	438.2	495.1	469.8	357.3	278.6	

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	102.9	4.3	278.6
Georgia	500	6.875%	4/12/2021	BB-/BB-/Ba3	111.8	3.9	263.0
Bulgaria	323	5.000%	7/19/2021	BBB-/BB+/Baa2	121.1	0.5	-248.1
Croatia	1,250	3.875%	5/30/2022	BB/BB/Ba1	108.0	2.3	221.9
Hungary	3,000	6.375%	3/29/2021	BB+/BB+/Ba1	115.7	2.6	131.5
Romania	2,250	6.750%	2/7/2022	BBB-/BBB-/Baa3	118.8	2.9	154.1
Russia	3,500	5.000%	4/29/2020	BBB-/BB+/Ba1	106.5	3.0	177.5
Turkey	2,000	5.625%	3/30/2021	BBB-/BB+/Ba1	105.1	4.3	304.0
Kazakhstan	2,500	5.125%	7/21/2025	BBB+/BBB-/Baa2	109.8	3.8	221.6

Source: Bloomberg

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