

Azerbaijan Weekly Market Watch

Weekly Market Watch | Azerbaijan
March 6, 2017

Economy

CBAR reserves up 8.5% y/y to US\$ 4.4bn

After an 8.9% m/m increase in January 2017, Azerbaijan's Central Bank (CBAR) reserves increased further (+1.0% m/m) to US\$ 4.4bn in February 2017. In annual terms, reserves were up 8.5% y/y, the first annual increase since November 2014.

SOFAZ sold US\$ 258.4mn in February 2017

In the FX auctions organized by CBAR, State Oil Fund of Azerbaijan (SOFAZ) sold US\$ 258.4mn in February 2017, 9.3% less than in January 2017.

Monetary base in manat down 4.7% m/m to AZN 7.0bn in February 2017

After a recent high of AZN 7.9bn in December 2017, the monetary base in manat started to decline, falling 6.7% m/m in January 2017 and 4.7% m/m in February 2017, reaching the lowest level of the last five months. This has likely helped AZN to appreciate against US\$ from 1.92 in early February to 1.75 in early March 2017.

Crude oil exports up 5.7% y/y to 1.8mn tons in February 2017

According to SOCAR data, crude oil exports from Azerbaijan increased 5.7% y/y (+5.9% m/m) to 1.8mn tons in February 2017. The price of Azeri Light crude oil was up 69.4% y/y (+2.7% m/m), reaching US\$ 56.6/bbl, the highest level since August 2015.

Key macro indicators

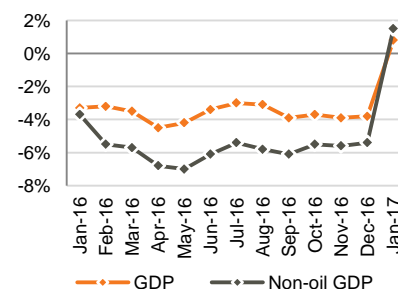
	1M16	2016	2015
GDP (% change)	0.8%	-3.8%	1.1%
NO* GDP (% change)	1.5%	-5.4%	1.1%
GDP per capita (ppp)	17,993
GDP per capita (US\$)	...	3,897	5,559
Population (mn)	...	9.8	9.7
Inflation (eop)	11.9%	15.5%	7.7%
CAB (% of GDP)**	-4.0%	...	-0.4%
NO* CAB (% of NOGDP)**	-22.7%	...	-18.4%
Fiscal balance (% of GDP)	...	0.3%	-5.3%
NO* fiscal bal. (% of NOGDP)	...	-14.5%	-33.7%
Gross reserves (US\$ bn)	...	37.1	38.6

Source: Official data

* Non-oil

** 9M16

Real GDP growth, % (YTD)



Source: AzSTAT

International ranking of Azerbaijan

Ease of Doing Business # 65

Economic Freedom Index # 68 (moderately free)

Global Competitiveness Index # 37 (regional leader)

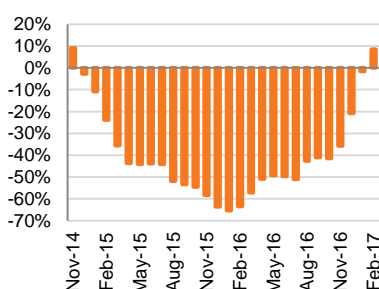
Source: World Bank, Heritage Foundation and World Economic Forum

Azerbaijan sovereign credit ratings

STANDARD & POOR'S BB+ Negative Jul-2016	Moody's INVESTORS SERVICE Ba1 Negative Apr-2016	FitchRatings BB+ Negative Aug-2016
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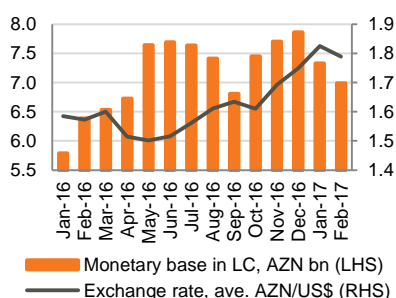
Source: Rating agencies

Change in CBAR reserves, % y/y



Source: CBAR

Monetary base and exchange rate



Source: CBAR



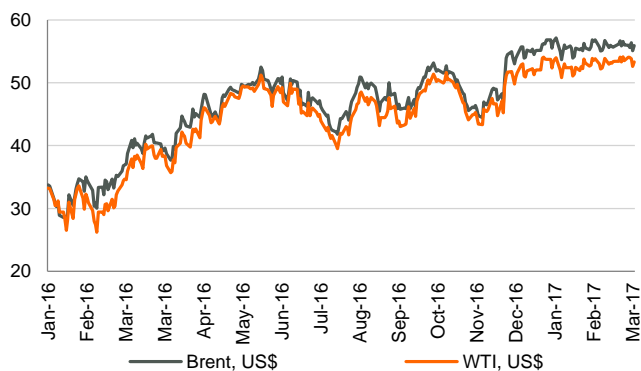
Oil prices and exchange rate

Oil price: Brent oil price was down 0.2% w/w to US\$ 55.9/bbl (up 50.8% y/y), while WTI oil price decreased 0.3% w/w to US\$ 53.3/bbl (up 54.3% y/y). In AZN terms, Brent oil price was down 0.8% w/w to AZN 99.6 (up 67.5% y/y).

Exchange rate: On March 3, 2017, Central Bank's AZN/US\$ rate was 1.7548 (+0.4% w/w) and AZN/EUR rate was 1.8460 (-0.2% w/w). At Bloomberg AZN/US\$ was trading at 1.7825 (-0.6% w/w) while AZN/EUR was trading at 1.8924 (-0.1% w/w).

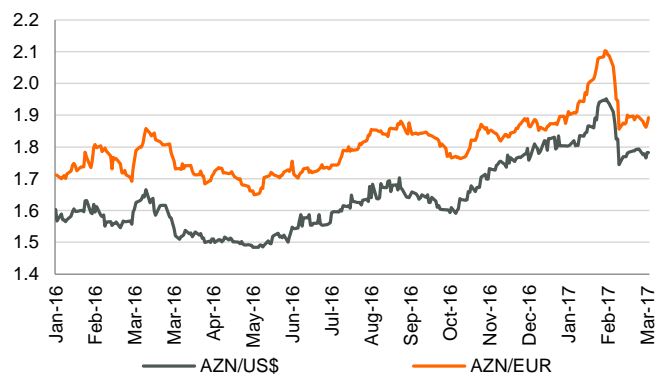
Monetary policy rate: Monetary policy rate was unchanged at 15.0%.

Crude oil prices (US\$/bbl)



Source: Bloomberg

Exchange rates



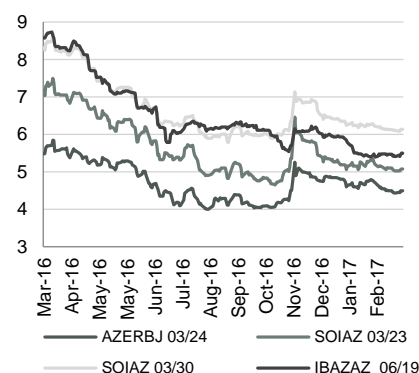
Source: Bloomberg

Fixed income

Corporate Eurobonds: State Oil Company of Azerbaijan (SOCAR) Eurobond (SOIAZ 03/30) closed at 6.1% yield, trading at 107.2 (-0.3% w/w). International Bank of Azerbaijan Eurobonds (IBAZAZ 06/19) were trading at 100.3 (-0.2% w/w), yielding 5.5%.

Azerbaijan Sovereign Eurobonds (AZERBJ 03/24) closed at 101.5 (-0.4% w/w) at 4.5% yield to maturity.

Azerbaijan Eurobonds, YTM (%)

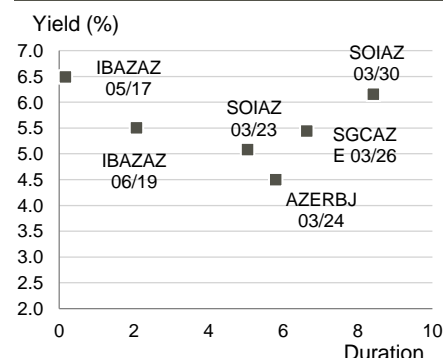


Source: Bloomberg

	Eurobonds					
	SOIAZ 03/23	SOIAZ 03/30	IBAZAZ 05/17	IBAZAZ 06/19	SGCAZE 03/26	AZERBJ 03/24
Amount, US\$ mn	1000	750	100	500	1,000	1,250
Issue date	Mar-13	Mar-15	May-07	Jun-14	Mar-16	Mar-14
Maturity date	Mar-23	Mar-30	May-17	Jun-19	Mar-26	Mar-24
Coupon, %	4.750%	6.950%	6.170%	5.625%	6.875%	4.750%
Fitch/S&P/Moody's	BB+/BB-/Ba1	BB+/BB-/Ba1	BB-/Ba3	BB-/Ba3	BB+/-Ba1	BB+/BB-/Ba1
Mid price, US\$	98.3	107.2	99.9	100.3	110.1	101.5
Mid yield, %	5.1	6.1	6.5	5.5	5.4	4.5
Z-spread, bps	282.8	362.6	356.8	356.3	304.8	219.9

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	101.5	4.5	219.9
Georgia	500	6.875%	4/12/2021	BB-/BB-/Ba3	111.1	3.9	179.6
Bulgaria	323	5.000%	7/19/2021	BBB-/BB+/Baa2	119.9	0.4	-242.8
Croatia	1,250	3.875%	5/30/2022	BB/BB/Baa2	109.0	2.0	179.9
Hungary	3,000	6.375%	3/29/2021	BBB-/BBB-/Baa3	112.0	3.2	115.7
Romania	2,250	6.750%	2/7/2022	BBB-/BBB-/Baa3	115.6	3.3	111.9
Russia	3,500	5.000%	4/29/2020	BBB-/BB+/Ba1	107.5	2.5	58.4
Turkey	2,000	5.625%	3/30/2021	BB+/BB/Baa1	103.6	4.7	259.8
Kazakhstan	2,500	5.125%	7/21/2025	BBB-/BBB-/Baa3	108.0	4.0	164.0

Source: Bloomberg

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