



Azerbaijan Weekly Market Watch

Weekly Market Watch | Azerbaijan
December 12, 2016

Economy

ADB approved two funding channels for Azerbaijan amounting to US\$ 1.5bn

Asian Development Bank (ADB) will provide US\$ 1.0bn in private and public sector assistance to expand Azerbaijan's Shah Deniz II gas field. The assistance comprises a \$500 million private sector loan to the Southern Gas Corridor Closed Joint Stock Company (SGC) and a \$500 million sovereign counter-guaranteed partial credit guarantee. The guarantee will back \$526 million in commercial loans made by a consortium of international banks to SGC, which is 51% owned by the Azerbaijan government and 49% by the State Oil Company of the Azerbaijan Republic (SOCAR).

Additionally, according to ADB's official statement, ADB approved US\$ 0.5bn loan to the budget through its countercyclical support facility, which will contribute to the government's \$1.4 billion countercyclical stimulus package.

Money transfers abroad restricted further

Azerbaijan introduced several limitations on money transfers abroad. According to the new regulations, individuals will be able to transfer abroad up to US\$ 10,000 per month. In the case of payments for education, medical treatment, and participation in various events, individuals can transfer a higher amount upon submission of supporting documentation. Additionally, individuals can transfer higher amounts in case the original money was transferred from abroad supported by the necessary documentation.

SOFAZ sold US\$ 301.5mn in FX auctions in November 2016

At FX auctions organized by CBAR, State Oil Fund of Azerbaijan Republic sold US\$ 301.5mn in November 2016, 18.7% less than in the previous month and the lowest amount of the last nine months. Our calculations indicate that SOFAZ has sold US\$ 4.6bn in 11M16, corresponding to AZN 7.3bn, which in turn amounts to 68.8% of the budgeted expenditure of SOFAZ for 2016.

SOCAR tax payments down 13.0% y/y in November 2016

SOCAR paid AZN 116.2mn (-13.0% y/y) in taxes to the state budget in November 2016. Additionally, it paid AZN 12.4mn (+10.7% y/y) to the State Social Protection Fund (SSPF). In YTD terms, SOCAR paid AZN 1.3bn (-9.9% y/y) in taxes to the state budget and AZN 131.8mn (+4.1% y/y) to SSPF.

Key macro indicators

	10M16	2015	2014
GDP (% change)	-3.7%	1.1%	2.8%
NO* GDP (% change)	-5.5%	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)	15.6%	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

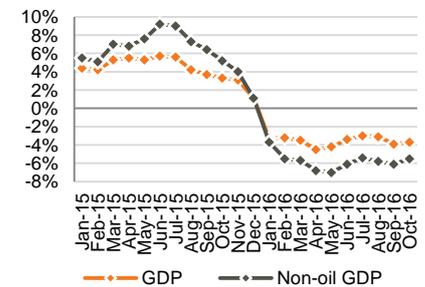
Source: Official data

* Non-oil

**1H16

***9M16

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)

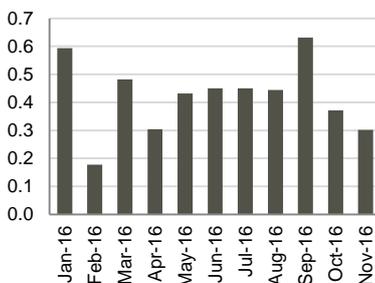
Source: World Bank, Heritage Foundation and World Economic Forum

Azerbaijan sovereign credit ratings

 BB+ Negative Jul-2016	 Ba1 Negative Apr-2016	 BB+ Negative Aug-2016
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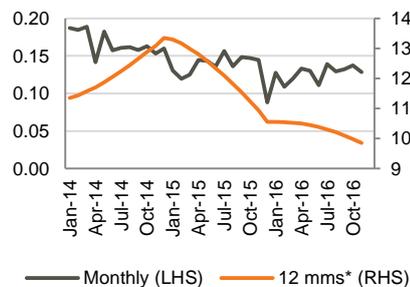
Source: Rating agencies

FX sold by SOFAZ in 2016, US\$ bn



Source: SOFAZ

SOCAR's total tax payments, AZN bn



Source: SOCAR
*mms: monthly moving sum

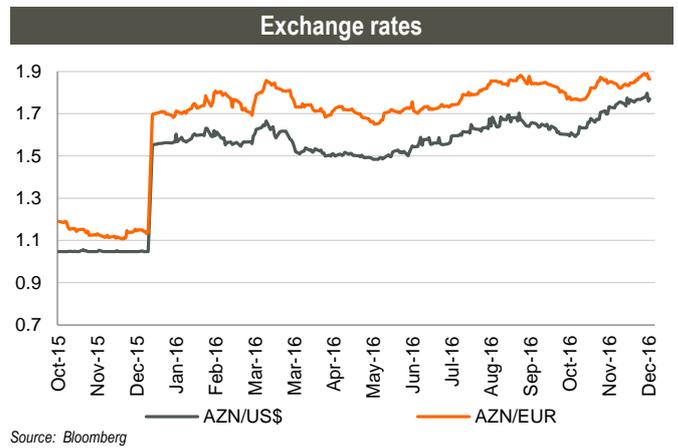
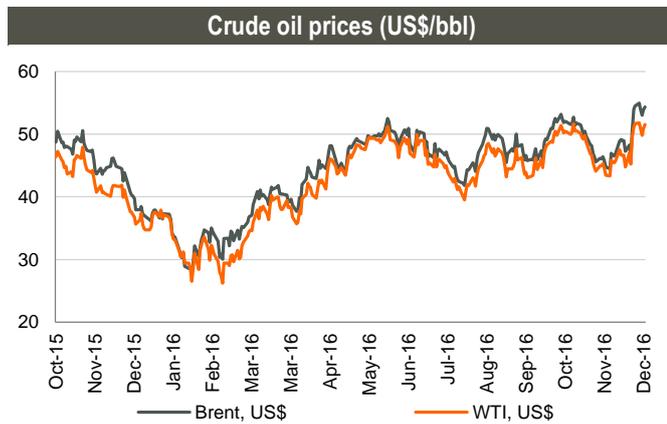


Oil prices and exchange rate

Oil price: Brent oil price was down 0.2% w/w to US\$ 54.3/bbl (up 35.5% y/y), while WTI oil price decreased 0.3% w/w to US\$ 51.5/bbl (up 38.6% y/y). In AZN terms, Brent oil price was down 0.1% w/w to AZN 96.1 (up 129.0% y/y).

Exchange rate: On December 9, 2016, Central Bank's AZN/US\$ rate was 1.7430 (+0.5% w/w) and AZN/EUR rate was 1.8487 (-0.2% w/w). At Bloomberg AZN/US\$ was trading at 1.7694 (+0.2% w/w) while AZN/EUR was trading at 1.8631 (-0.5% w/w).

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



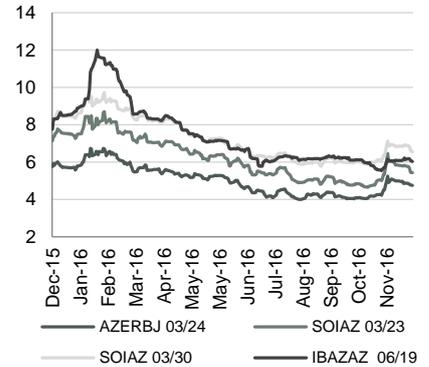


Fixed income

Corporate Eurobonds: State Oil Company of Azerbaijan (SOCAR) Eurobond (SOIAZ 03/30) closed at 6.5% yield, trading at 103.5 (+3.2% w/w). International Bank of Azerbaijan Eurobonds (IBAZAZ 06/19) were trading at 99.1 (+0.3% w/w), yielding 6.0%.

Azerbaijan Sovereign Eurobonds (AZERBJ 03/24) closed at 99.9 (+0.6% w/w) at 4.8% yield to maturity.

Azerbaijan Eurobonds, YTM (%)

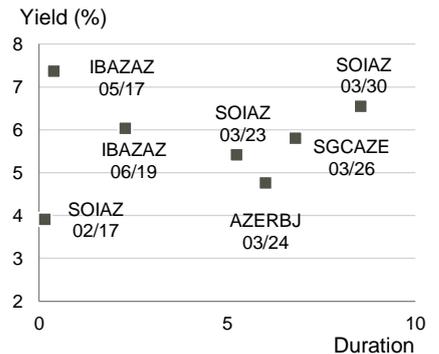


Source: Bloomberg

	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\$	100.2	96.5	103.5	99.5	99.1	107.6	99.9	
Mid yield, %	3.9	5.4	6.5	7.4	6.0	5.8	4.8	
Z-spread, bps	-152.1	349.3	415.6	486.5	442.2	361.0	261.7	

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	99.9	4.8	261.7
Georgia	500	6.875%	4/12/2021	BB-/BB-/Ba3	108.9	4.6	271.9
Bulgaria	323	5.000%	7/19/2021	BBB-/BB+/Baa2	119.8	0.6	-245.2
Croatia	1,250	3.875%	5/30/2022	BB/BB/Ba1	107.0	2.5	226.3
Hungary	3,000	6.375%	3/29/2021	BB+/BB+/Ba1	113.0	3.1	138.2
Romania	2,250	6.750%	2/7/2022	BBB-/BBB-/Baa3	114.2	3.7	181.2
Russia	3,500	5.000%	4/29/2020	BBB-/BB+/Ba1	106.1	3.1	140.4
Turkey	2,000	5.625%	3/30/2021	BBB-/BB+/Ba1	102.5	5.0	317.1
Kazakhstan	2,500	5.125%	7/21/2025	BBB+/BBB-/Baa2	106.8	4.2	196.3

Source: Bloomberg



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