



Azerbaijan Weekly Market Watch

Weekly Market Watch | Azerbaijan
July 11, 2016

Economy

Crude oil exports down in June 2016

SOCAR's crude oil exports, comprising crude belonging to the company and the Azerbaijani state, which accounted for 67.6% of total crude oil exports in 2015, were down 26.0% y/y in June 2016 to 1.7mn tons and down 10.2% y/y in 1H16.

Average monthly crude oil price for BTC FOB Ceyhan was up 2.7% m/m in June 2016, reaching US\$ 49.4/bbl, an 8-month high. In annual terms, however, BTC FOB Ceyhan price was down 21.2% in June 2016.

Loans and household deposits down in May 2016

Total loan portfolio, excluding non-bank entities, was down 3.1% m/m to AZN 17.6bn in May 2016, the lowest level for the last 18 months. Household deposits, which accounted for 34.1% of total deposits in April 2016, were down 1.5% m/m to AZN 7.6bn in May 2016, the lowest level for the last 6 months.

Key macro indicators

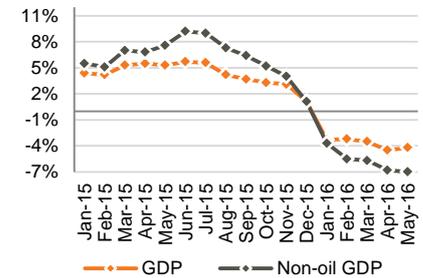
	5M16	2015	2014
GDP (% change)	-4.2%	1.1%	2.8%
NO* GDP (% change)	-7.0%	1.1%	7.0%
GDP per capita (ppp)	...	17,993	17,762
GDP per capita (US\$)	...	5,739	8,055
Population (mn)	...	9.7	9.6
Inflation (eop)	10.2%	7.7%	-0.1%
CAB (% of GDP)**	-5.4%	-0.4%	13.9%
NO* CAB (% of NOGDP)**	-18.4%	-18.4%	-16.5%
Fiscal balance (% of GDP)**	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

**1Q16

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

 BB+ Stable Jan-2016	 Ba1 Negative Apr-2016	 BB+ Negative Feb-2016
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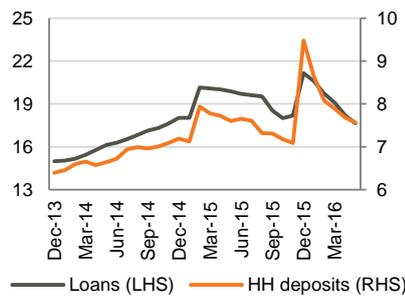
Source: Rating agencies

Crude oil exports, mn ton



Source: SOCAR

Loans and household loans, AZN bn



Source: CBAR



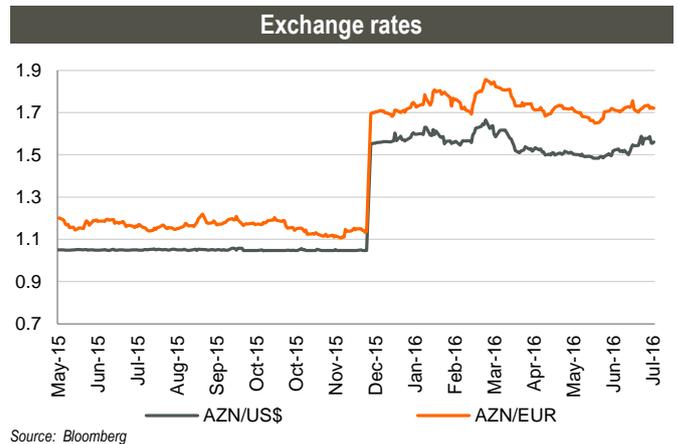
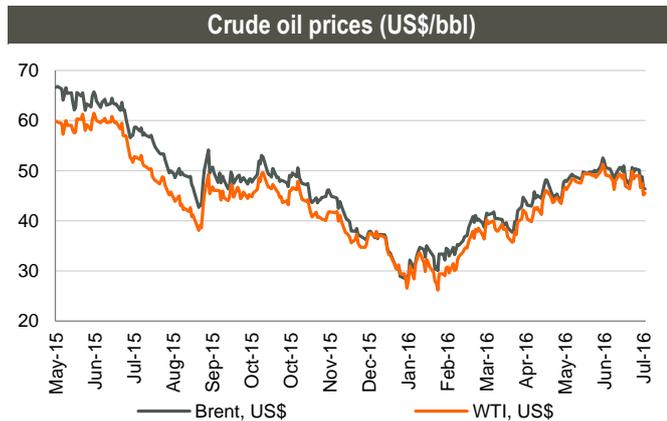
Oil prices and exchange rate

Oil price: Brent oil price was down 7.9% w/w to US\$ 46.4/bbl (down 18.7% y/y), while WTI oil price decreased 7.1% w/w to US\$ 45.5/bbl (down 11.9% y/y). In AZN terms, Brent oil price was down 8.9% w/w to AZN 72.3 (up 20.7% y/y).

Exchange rate: On July 8, 2016, Central Bank set AZN/US\$ rate at 1.5456 (+0.2% w/w) and AZN/EUR at 1.7131 (+0.1% w/w). At Bloomberg AZN/US\$ was trading at 1.5600 (-1.1% w/w) while AZN/EUR was trading at 1.7212 (-0.5% 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\$ 100.0mn to commercial banks.



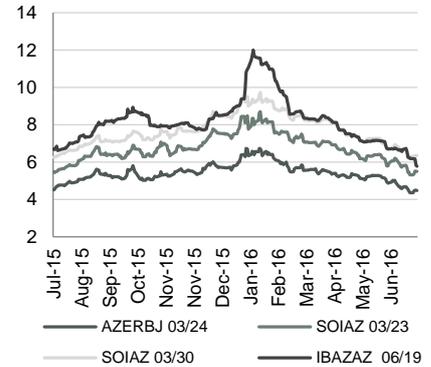


Fixed income

Corporate Eurobonds: State Oil Company of Azerbaijan (SOCAR) Eurobond (SOIAZ 03/30) closed at 6.4% yield, trading at 105.4 (-0.5% w/w). International Bank of Azerbaijan Eurobonds (IBAZAZ 06/19) were trading at 99.6 (+1.1% w/w), yielding 5.8%.

Azerbaijan Sovereign Eurobonds (AZERBJ 03/24) closed at 101.8 (-0.8% w/w) at 4.5% yield to maturity.

Azerbaijan Eurobonds, YTM (%)

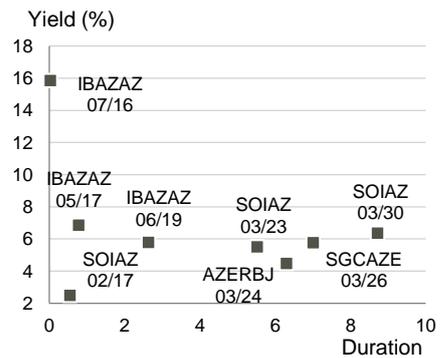


Source: Bloomberg

	Eurobonds							
	SOIAZ 02/17	SOIAZ 03/23	SOIAZ 03/30	IBAZAZ 05/17	IBAZAZ 07/16	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	Jul-2016	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\$	101.7	95.8	105.4	99.5	99.7	99.6	108.2	101.8
Mid yield, %	2.5	5.5	6.4	6.8	15.9	5.8	5.8	4.5
Z-spread, bps	165.6	441.0	495.5	581.6	-801.3	515.8	450.8	328.9

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	101.8	4.5	328.9
Georgia	500	6.875%	4/12/2021	BB-/BB-/Ba3	110.9	4.3	327.6
Bulgaria	323	5.000%	7/19/2021	BBB-/BB+/Baa2	119.0	1.1	-246.3
Croatia	1,250	3.875%	5/30/2022	BB/BB/Ba1	103.4	3.2	329.0
Hungary	3,000	6.375%	3/29/2021	BB+/BB+/Ba1	114.9	3.0	202.2
Romania	2,250	6.750%	2/7/2022	BBB-/BBB-/Baa3	119.5	2.9	189.3
Russia	3,500	5.000%	4/29/2020	BBB-/BB+/Ba1	108.4	2.7	170.3
Turkey	2,000	5.625%	3/30/2021	BBB-/BB+/Baa3	110.0	3.3	230.9
Kazakhstan	2,500	5.125%	7/21/2025	BBB+/BBB-/Baa2	110.1	3.8	255.4

Source: Bloomberg



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