

Activity Cooling After the Holidays

Market overview

Between December 30, 2024, and January 13, 2025, the Armenian stock market displayed a mixed performance, with overall activity calming as anticipated. Telecom Armenia's share prices held steady, mirroring their year-end values. Announcements concerning the issuance of ESG bonds in dollars and drams, alongside the acquisition of a controlling stake in the Irish telecom firm Imagine Broadband, were revealed in December and are likely already reflected in current stock valuations. In contrast, ACBA Bank shares experienced a modest decline of 1.7%, despite the absence of any news during this period that might have influenced market sentiment regarding the Company.

Despite the Central Bank's ongoing rate-cutting cycle, which saw the key rate reduced by 0.25 percentage points to 7% in December as anticipated, the 3-Year Corporate Bond Price Index remained largely flat. Moreover, the index declined by 1.5% in December. This drop can be attributed to several factors, including falling prices in the global corporate bond market and rising risk premiums. There may also be a partial reallocation of funds by large institutional investors in the domestic bond market toward safer debt securities, in light of rising yields (especially in the U.S.), as well as shifting expectations regarding the Central Bank's rate policy for 2025.

Economic news

Between December 30, 2024, and January 13, 2025, Armenia's Statistical Committee released foreign trade data showing an unexpected slowdown, both on a yearly and monthly basis. Meanwhile, inflation data revealed a modest acceleration in growth, though the increase was generally weaker than anticipated. On the other hand, the unemployment rate remained at its average level since 2021.

- o In November, Armenia experienced a decline in its exports, which fell 35% compared to the previous year and 19.6% from the previous month. Imports also decreased, dropping 21.4% y/y and 12.8% m/m. Consequently, the trade deficit expanded, and foreign trade turnover shrank by 27.4% y/y and 15.6% m/m. If this trend of a widening negative balance continues, the country's currency might face downward pressure in the future.
- o In December, Armenia's Consumer Price Index rose by 1.5% y/y, marginally undercutting the anticipated 1.6%. Though inflation peaked annually in December, it fell short of market predictions by the close of 2024. Despite varying forecasts, inflationary expectations surpassed the actual figures, indicating that the anticipated year-end surge in price growth never materialized. This trend may encourage the Central Bank to consider a more accommodative monetary stance.
- o According to Arka, Hovhannes Khachatryan, Deputy Chairman of the Central Bank of Armenia, believes that the current interest rate is near a neutral level. He also stated that interest rate cuts on deposits, loans, and Treasury bonds are expected to continue in the first half of 2025 in the domestic market.
- o Armenia's unemployment rate for the third quarter fell to 13.3%, below the projected 13.8%. This current rate aligns with the average since 2021, yet it remains a bit above the 2022 average of 13.2%. While the slight drop in unemployment might relieve some pressure on the regulator's monetary policy choices, overall, unemployment is not a primary consideration in the Central Bank's discourse on rate decisions in the present context.

Company news

- o Feedback.one introduced a platform that enables website owners to efficiently gather user feedback in a secure and cost-effective manner.



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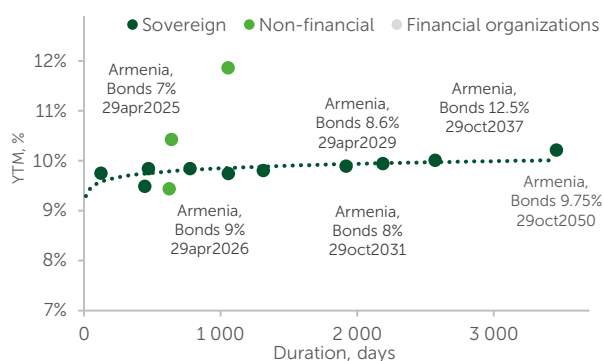
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Key economic indicators

	Growth YoY	Growth MoM
CPI - Dec	1.5%	1.0%
GDP - 3Q	5.2%	25.6% QoQ
Economic activity index - Nov	1.2%	0.0%

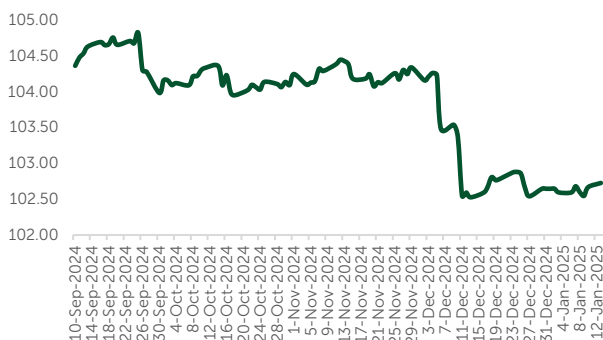
Source: armstat.am, Freedom Broker Armenia

Armenian issuers' bonds denominated in AMD



Source: cbonds.com, Freedom Broker Armenia

Three-year corporate bonds index in AMD *



Source: amx.am, Freedom Broker Armenia

*The historical comparison of the index is irrelevant - since September 10 the calculation method was revised

Company news (continued)

- The International Finance Corporation (IFC) entered into agreements with three Armenian banks—Acba, Converse, and Evoca—to allocate \$80 million in support of micro, small, and medium-sized enterprises in agribusiness, women entrepreneurs, and climate initiatives.
- Telecom Armenia announced the acquisition of Irish telecommunications operator Imagine Broadband from Brookfield Corporation, as stated in the Company's press release. Imagine provides fixed-line and wireless broadband services throughout Ireland.

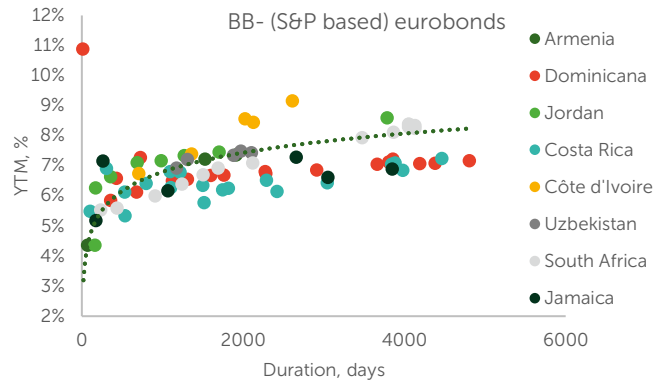
Outlook for the next two weeks

From January 17 to 27, 2025, no major macroeconomic reports are set for release. Nonetheless, revisions to earlier data may be published.

The week commencing January 27th promises the release of December's economic activity data, anticipated to reveal a growth acceleration to 4.0%, up from November's 1.2%. However, this potential boost might be tempered by a deceleration in retail investor sales, which are expected to grow by 6.6% in December, down from 11.5% in November. The Producer Price Index is expected to reveal a deceleration in annual price growth, dropping to 5.5% in December from November's 6.1%.

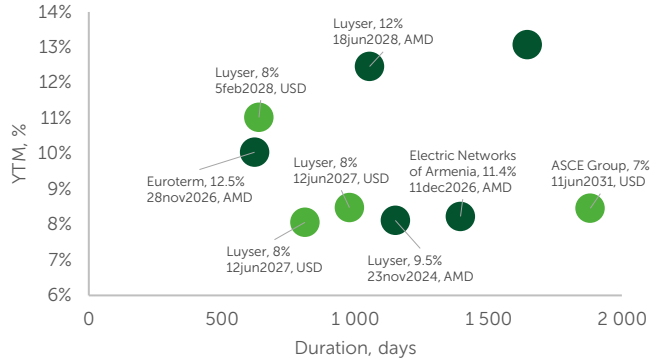
At the same time, the country's trade balance data for December could provide insights into FX flows in the market, though it is likely that these trends are already factored into the current AMD exchange rate.

Sovereign Eurobonds of developing countries with BB-rating, in USD



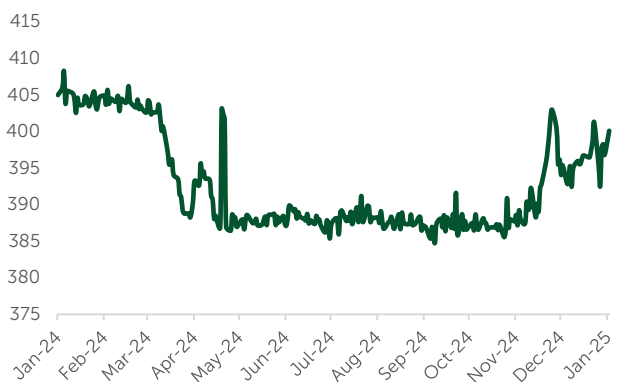
Source: amx.am, cbonds.com, Freedom Broker Armenia

Non-financial organizations' bonds of RA



Source: cbonds.com, Freedom Broker Armenia

USD/AMD dynamics



Source: amx.am, Freedom Broker Armenia

Chart 1: Currency rate dynamics

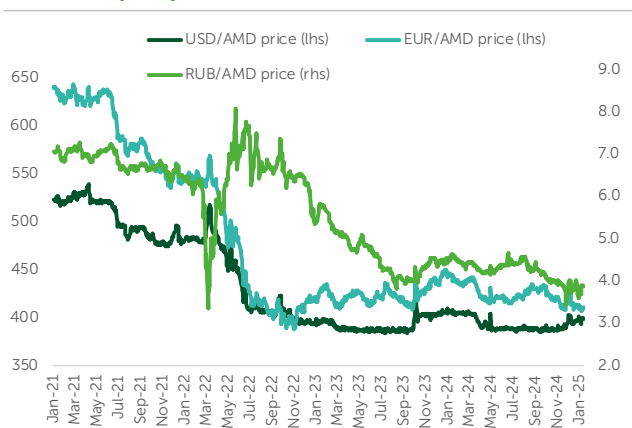


Chart 2: CPY vs refinancing rates of RA

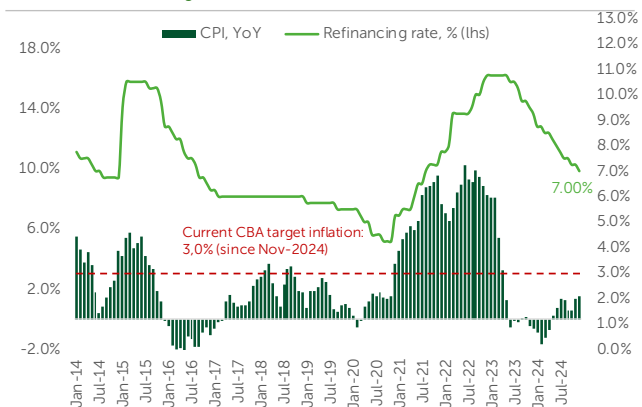


Chart 3: Armenian export breakdown by countries

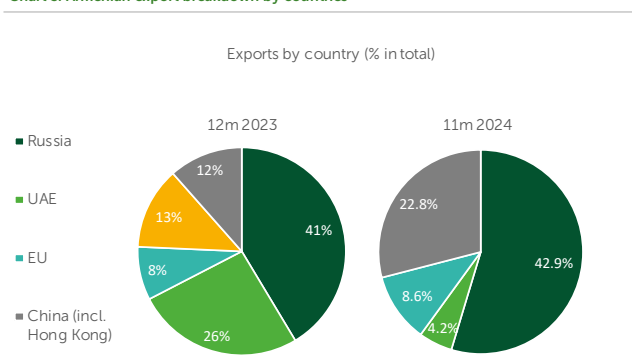


Chart 4: Armenian import breakdown by origin countries

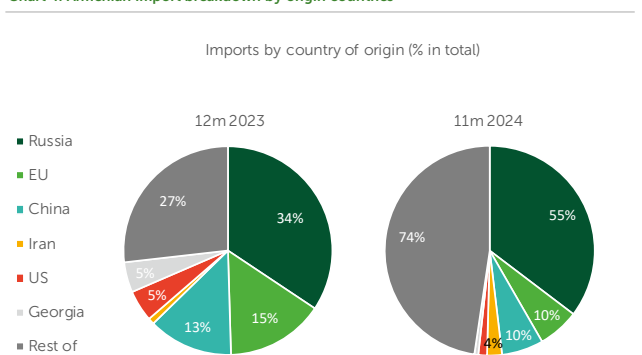


Chart 5: Armenian export breakdown by products

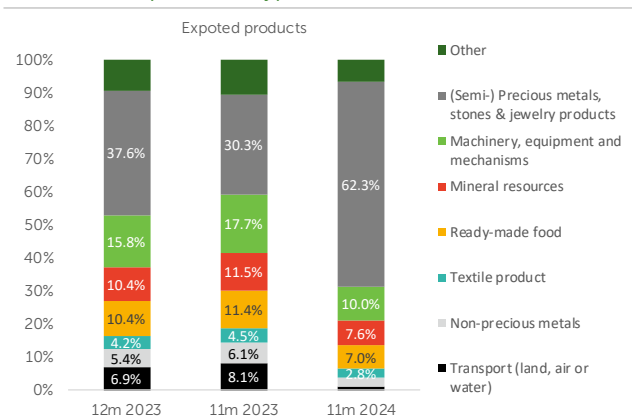


Chart 5: Armenian import breakdown by products

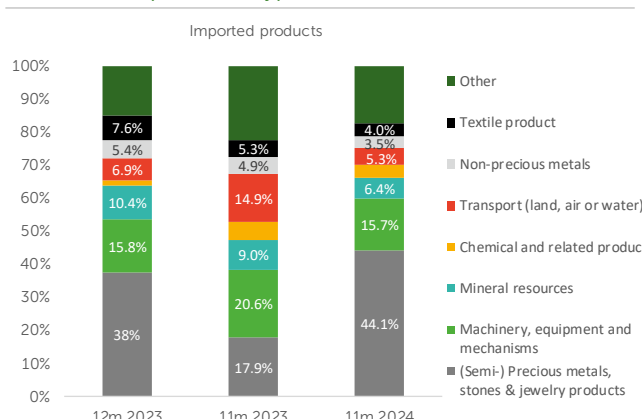


Chart 6: Construction price index

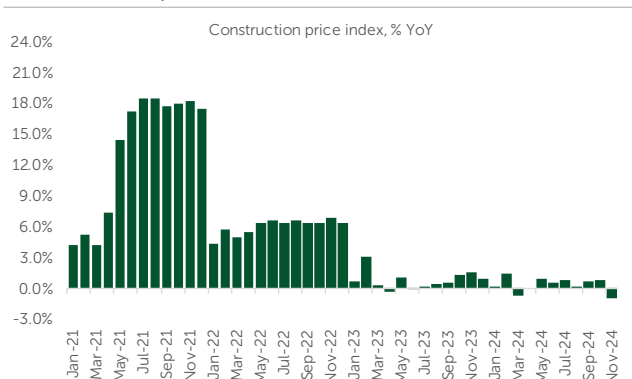


Chart 7: Export and import price indices



Source: armstat.am, cba.am, FactSet, Bloomberg, Freedom Broker Armenia

Freedom Broker Armenia

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