

Navigating Increased Volatility Amidst a Calm News Landscape

Market overview

From September 9 to 23, 2024, Armenia's stock market exhibited a mixed performance. Shares of ACBA BANK experienced a notable increase of 2.7%, while Telecom Armenia stock declined by 4.8%, reaching its lowest point since the initial public offering. This drop occurred without any significant news that might have dampened investor sentiment. One underlying factor contributing to the restrained growth of these companies' shares is the rising interest among investors in real estate and debt instruments within the country.

In terms of the dynamics of three-year corporate bonds, a significant event occurred on September 10 when the Armenian Stock Exchange (AMX) changed its index calculation methodology. This alteration led to a sharp increase in the index's price. Consequently, the updated index renders comparisons with historical values irrelevant. However, it is important to note that a comparison of yields on AMD-denominated securities—both sovereign and corporate—with those from a month earlier and at the end of June indicates a relative stability in the bond market, as evidenced by Cbonds data. This change is likely a response to the low trading activity observed in most securities

Economic news

No significant macroeconomic statistics for Armenia were published during the period from September 9 to 23, 2024. The Consumer Price Index (CPI) data released on September 10, which was included in the previous report, indicated an increase of 1.3% y/y, slightly below the anticipated 1.8%. Some noteworthy news items reported by the country's media during this period are as follows:

- o The head of the Central Bank of Armenia stated that the current growth of the country's economy, which stands at 6.4% for the second quarter, exceeds its real potential. He acknowledged the gradual narrowing of the gap between actual growth and potential growth; however, he emphasized that the influence of short-term factors continues to persist.
- o The Eurasian Development Bank's (EDB) expectations regarding the Central Bank of Armenia's future actions on the refinancing rate align with those expressed earlier by Freedom Broker. The EDB anticipates further rate cuts throughout the year. We also reaffirm our forecast for at least one additional rate cut by the Central Bank, provided there are no significant market shocks.

Company news

- o EasyDMARC Inc., an Armenian start-up, successfully secured \$20 million in funding during its Series A investment round. The company offers a cloud-based platform that enables businesses to implement the DMARC email security standard, which is increasingly being adopted in conjunction with SPF and DKIM cybersecurity technologies.

Outlook for the next two weeks

From September 27 to October 7, 2024, a significant volume of important data regarding the Armenian economy is anticipated to be released; however, some delays in publication dates may occur. Additionally, updates or revisions to several previously published indicators are also possible.

Economic activity statistics for August are set to be released, with the forecast indicating a slight decline in growth from 6.2% last month to 5.0%. This projection aligns closely with the Central Bank's perspective on the potential for cooling economic growth.

The Consumer Price Index (CPI) for September is scheduled for publication, with expectations of a weaker price growth of 1.0% y/y, down from 1.8% in August. Additionally, the release of the Producer Price Index (PPI) for August may reflect a slight cooling from 3.7% to 3.1%, following the trends observed in last month's CPI.



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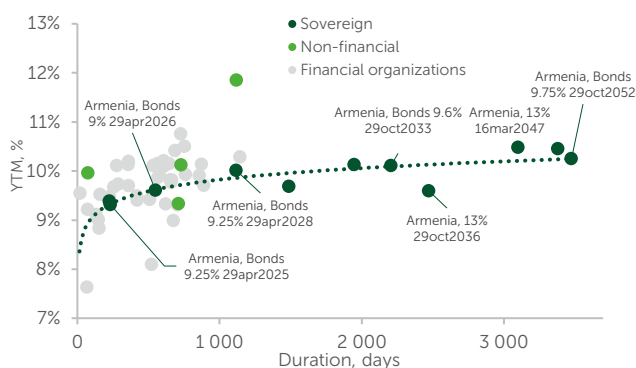
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Key economic indicators

	Growth YoY	Growth MoM
CPI - Sep	0.6%	0.2%
GDP - 2Q	6.4%	16.0% QoQ
Economic activity index - Aug	5.6%	7.2%

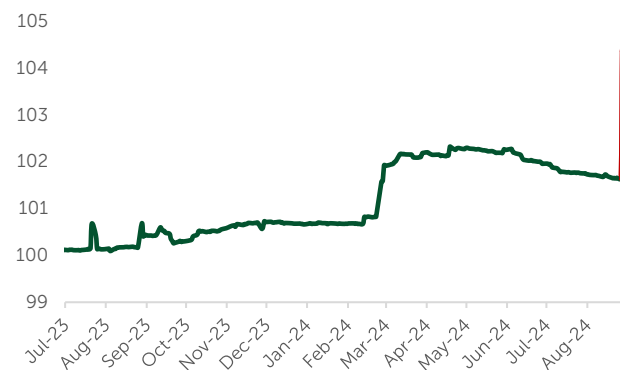
Source: armstat.am, Freedom Broker Armenia

Armenian issuers' bonds denominated in AMD



Source: cbonds.com, Freedom Broker Armenia

Three-year corporate bonds index in AMD *

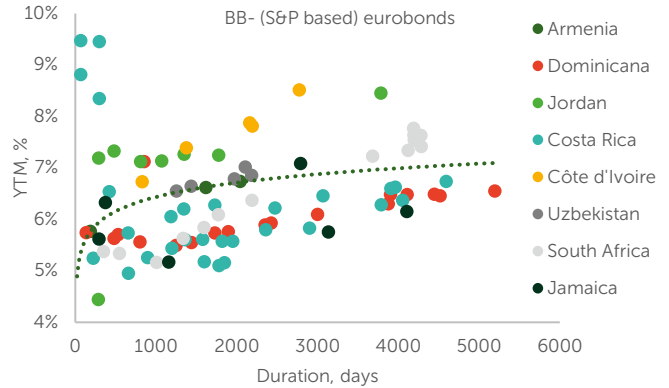


Source: amx.am, Freedom Broker Armenia

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

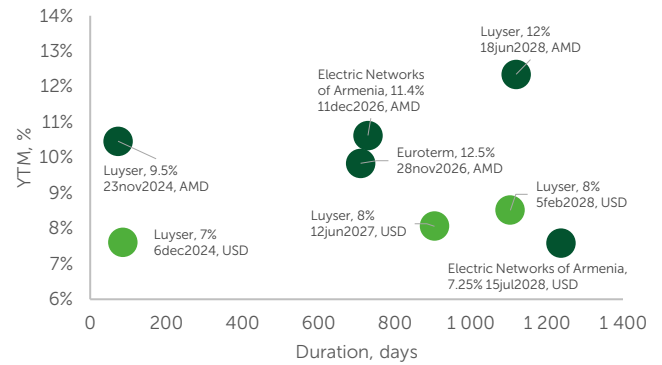
The upcoming publication of the country's trade balance is unlikely to yield any surprises. A deficit reduction of 13% is anticipated, bringing it to approximately \$320 million. However, this decrease is expected to have already been factored into the value of the Armenian Dram (AMD). The publication of unemployment data is also anticipated, with figures showing a decline to 13% in the second quarter, down from 15.5% in the first quarter. This reduction, coupled with the need to bring inflation down to the target level, reinforces expectations for further rate cuts by the Central Bank.

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



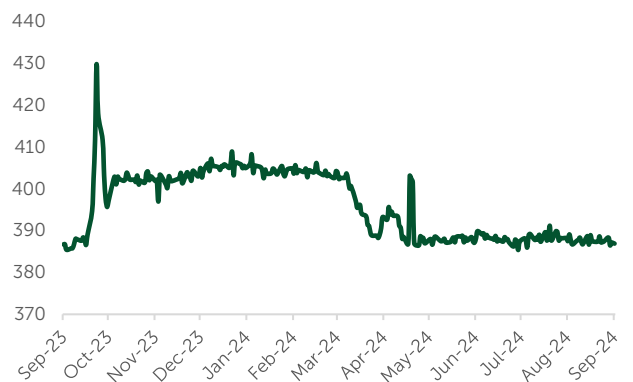
Source: amx.am, cbonds.com, Freedom Broker Armenia

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

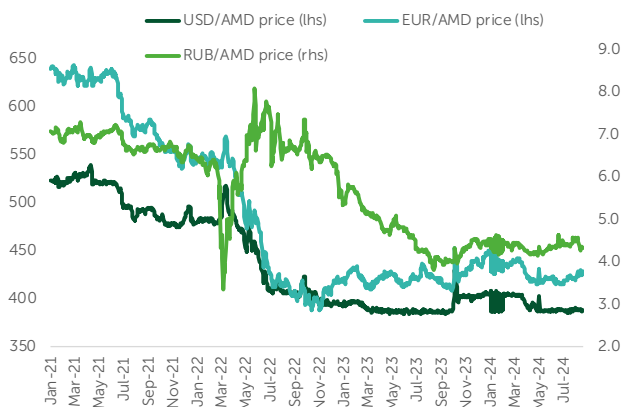


Chart 2: CPY vs refinancing rates of RA

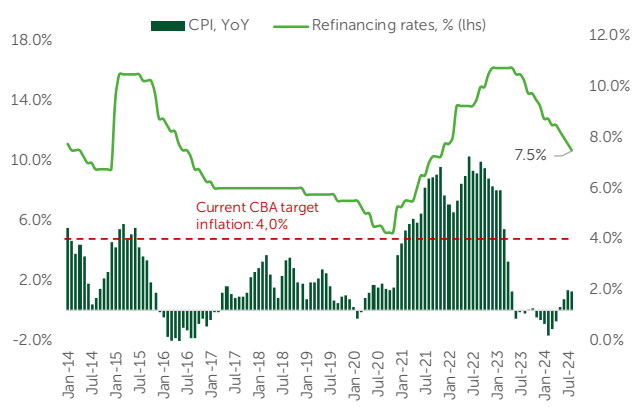


Chart 3: Armenian export breakdown by countries

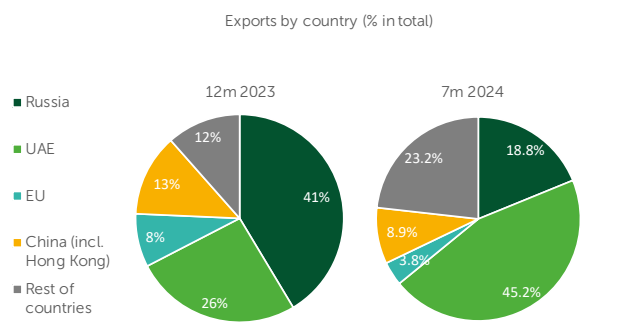


Chart 4: Armenian import breakdown by origin countries

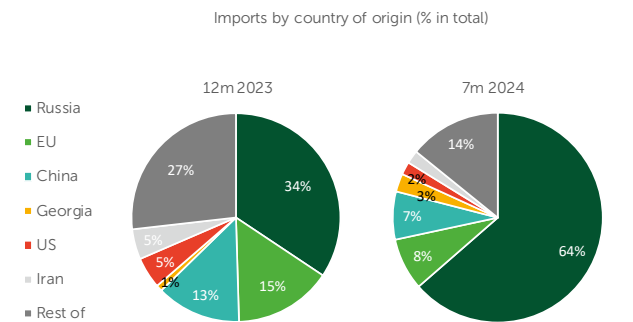


Chart 5: Armenian export breakdown by products

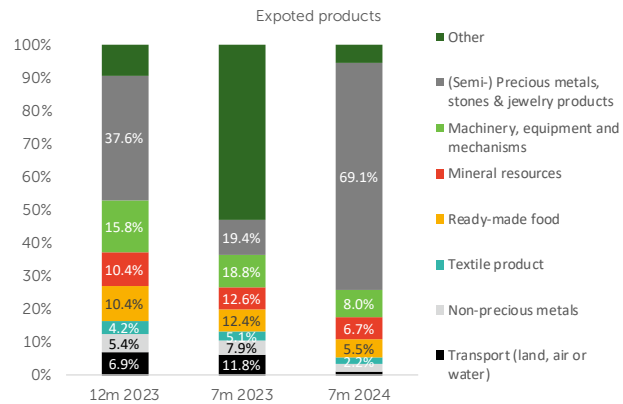


Chart 5: Armenian import breakdown by products

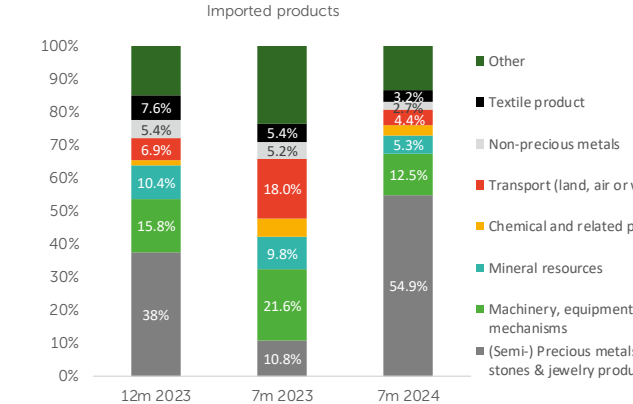


Chart 6: Construction price index

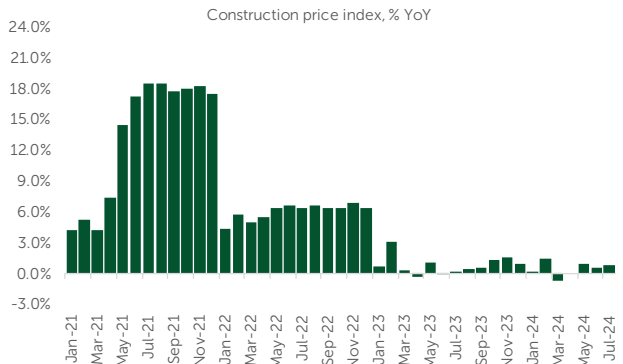
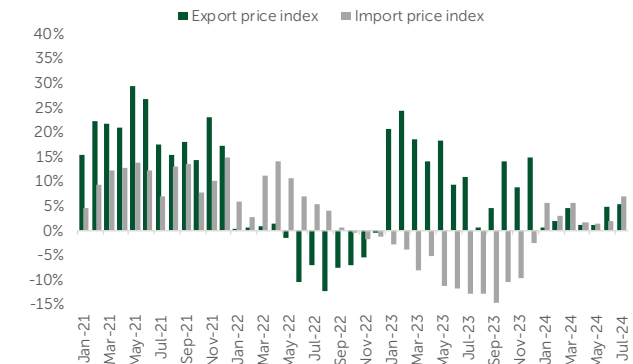


Chart 7: Export and import price indices



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

Freedom Broker Armenia

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