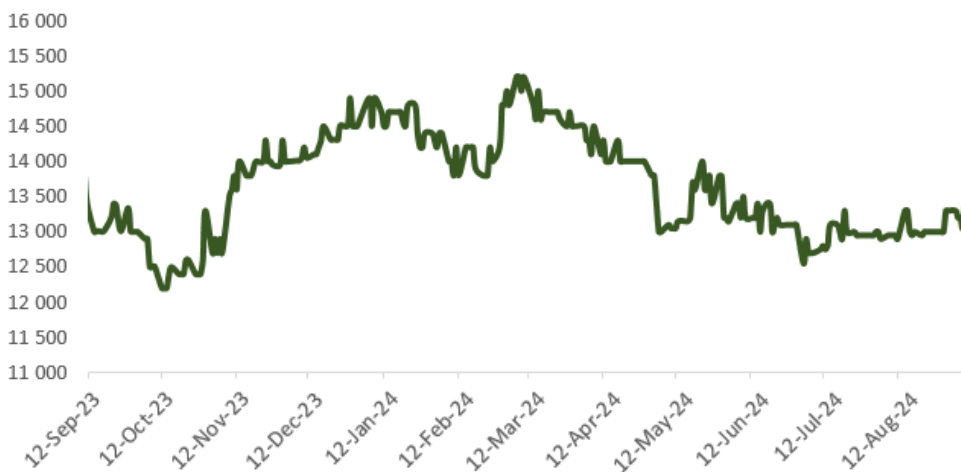


Armenian Market

The Real Estate Market Puts Pressure on Capital Markets

- Between August 26 and September 9, 2024, the Armenian stock market largely experienced a sideways trend. ACBA BANK shares rose by only 0.4%. However, Telecom Armenia shares grew by 3.1% during this period. The slight recovery in stock prices may be partly due to the release of revenue data in the (television) broadcasting and telecommunications field, which showed a small increase of 1.4% month-on-month (m/m) for July. Data from the real estate market indicates continued high demand, signaling that investors prefer to allocate funds to this segment rather than capital markets. However, the gradual reduction of preferential mortgage programs, primarily in the capital, starting in early 2025, along with accelerating inflation, may slightly boost interest in securities in the country.
- The index of three-year corporate bonds and the exchange rate of the dram against the dollar remain stable. The steady exchange rate since the beginning of summer indirectly indicates a lack of sharp changes and a relative stabilization of the country's external trade flows. In turn, inflation accelerating at a slower-than-expected pace may prompt the Central Bank to implement at least one more interest rate cut for 2024, the seventh this year, which could moderately pressure the national currency and support bond price dynamics, especially for medium- and long-term maturities.

ACBA BANK share dynamics, 1 year



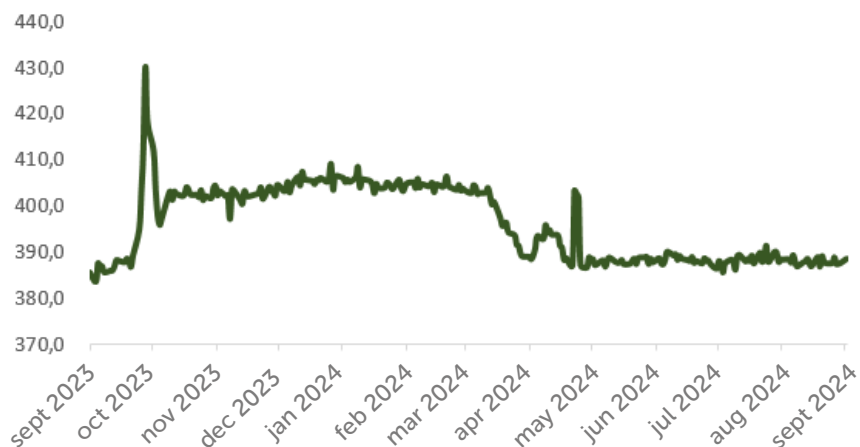
Source: amx.am

- The Central Bank of Armenia cut its refinancing rate by 0.25 points, setting it at 7.5%. This was the sixth cut since the beginning of 2024 from an initial 9.25%. This move aligned with our expectations, but given trends in the published macroeconomic statistics, we expect at least one more cut before the end of 2024. Lowering the rate may offer some support for economic activity in the country and put slight pressure on the currency exchange rate.
- In August, Armenia's inflation (CPI) rose by 1.3% year-on-year (y/y) – slightly below the expected 1.8% level – and every month, prices increased by 0.1% month-on-month (m/m). Food prices, which carry significant weight in the inflation basket, rose by 1.0% y/y, becoming an important driver of CPI growth. Additionally, as in the previous month, the prices of alcoholic beverages and tobacco rose the most (+4.4% y/y), as did education (+4.8%) and transportation (+9.1%). Deflationary trends that began in April continued in the clothing and footwear segment. Overall, CPI data below expectations does not pose significant negative risks for the market and could push the regulator to continue cutting rates, which, in turn, could lead to a rise in prices in the secondary bond market, especially for the medium- and long-term segments of the yield curve.
- In the Armenian real estate market, the total number of transactions in July grew by 2.1% y/y to 21,584, including all transactions: purchases, disposals, exchanges, re-registrations, etc. Notably, purchase-sale transactions increased by 8.4% m/m in July and by 21.4% y/y to 4,939 deals. Strong demand indirectly points to a prevailing preference for allocating funds to this segment, partially explaining the relatively neutral dynamics and weak interest in capital markets in the country.
- The Ministry of Finance forecasts GDP growth of around 6.0% in 2024, against a target level of 7.0% set in the state budget law, according to Finance Minister Vahe Hovhannisyan. According to the minister, the positive shocks driving economic growth are weakening.

Company News

At a meeting on August 27, the Central Bank of the Republic of Armenia's board preliminarily approved Ardshinbank CJSC's acquisition of 75% (or more) of the shares of HSBC Bank Armenia, according to Ardshinbank's press service. Earlier, the Competition Protection Commission also approved the merger of the banks.

USD/AMD dynamics, 1 year



Source: amx.am

Expectations for the Next Two Weeks

Several important economic data releases are expected between September 13 and 23, 2024, though some delays are possible. The publication of revised (final) values for several previously published indicators is also expected.

No significant publications are planned for this period. The most important release will be the economic activity index for August, scheduled for September 25, which may offer more insight into the country's financial state. Overall, we do not expect substantial changes in the indicator – its previous value was at 6.2%. On the same day, the trade balance for August is scheduled to be published, although its dynamics have already largely been factored into the exchange rate. The August producer price index (PPI) is also important for understanding overall pricing trends in the economy (the value was 3.7% in May) – we forecast a slight acceleration in price growth, following CPI trends.

Freedom Broker Armenia

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