

## A Positive Shift Driven by Economic Momentum

### Market overview

Between June 16 and 30, 2025, the Armenian stock market showed mixed performance. Shares of Telecom Armenia (AMTL) extended their June rally, gaining another 4.0% and reaching their highest level since the end of Q1 2025. The upside was likely supported by a statement from the company's CEO regarding the planned launch—within approximately six months—of a data center built around artificial intelligence solutions. Investor sentiment may have also been buoyed by stronger-than-expected economic activity data for the country. On the flip side, Acba Bank shares pulled back by 5.4% over the same period, giving up some of the gains posted earlier in June.

At the same time, the price index of three-year dram-denominated corporate bonds continued to decline, slipping another 0.4% and pushing yields higher. The upward pressure on local mid-term bond yields likely stemmed from a combination of rising market concerns over regional geopolitical tensions, a decline in real yields, and growing fears of potential monetary tightening amid accelerating inflation. However, in the short term, we do not expect the central bank to raise rates—barring any major surprises in the macro data. The Armenian dram remained stable against the U.S. dollar following a brief strengthening in mid-May. Among the key data points that may have contributed to this appreciation in Q2 were record-high remittance inflows into Armenia between January and April (+6% y/y), followed by continued growth in May (+13.9% for January–May), along with the stabilization of external trade flows. Notably, the Eurasian Development Bank (EDB) forecasts the dram's average exchange rate for 2025 at 392 per U.S. dollar—compared to an average of 391 year-to-date and the current level of 385.

### Economic news

Between June 16 and 30, 2025, Armenia's National Statistical Committee released new economic data showing a marked acceleration in economic activity in May. This development serves as a moderately positive signal for the market, partly driven by a surge in tourist inflows. Meanwhile, foreign trade activity stabilized following last year's spike.

- In May, economic activity surged to 10.4% year-over-year, well above the 5.7% average growth seen from January through May. This surge signals strong domestic demand—a positive catalyst for corporate revenues and the market overall. Part of this growth is likely driven by a sharp uptick in tourist arrivals, which rose 8.6% year-over-year and approximately 46% month-over-month in May.
- The rebalancing of foreign trade is underway following last year's surge. The trade deficit in May was largely in line with April's figures (-\$386 million in May versus -\$381 million in April), aligning with our projections. Notably, the contraction rate in foreign trade decelerated: May witnessed a 28.8% y/y decline as opposed to the average 49% y/y decrease observed from January through May. In detail, export activities in May plunged by 39.3% y/y and by 19% from April, while imports decreased by 20.4% y/y and 12% m/m. This downturn was anticipated given the high base effect from 2024 and the winding down of re-export schemes.
- Inflation in the manufacturing sector edged up to 2.2% y/y in the latest month, slightly above the previous month's 1.9% y/y and exceeding market expectations of 1.8% y/y, aligning with our forecast of accelerating price growth. Overall, the data is unlikely to have a material impact on investor sentiment.

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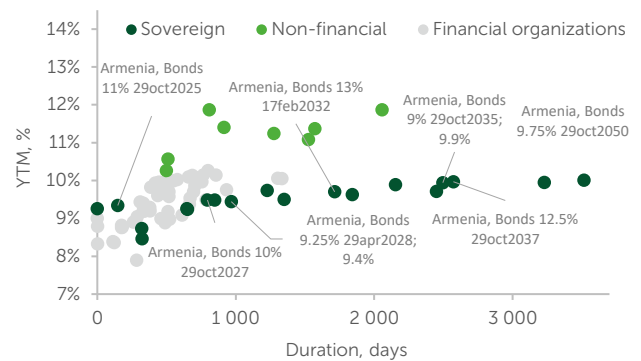
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### Key economic indicators

	Growth YoY	Growth MoM
CPI - May	4.3%	0.3%
GDP - 1Q 2025	5.2%	-34.4% QoQ
Economic activity index - May	10.4%	5.4%

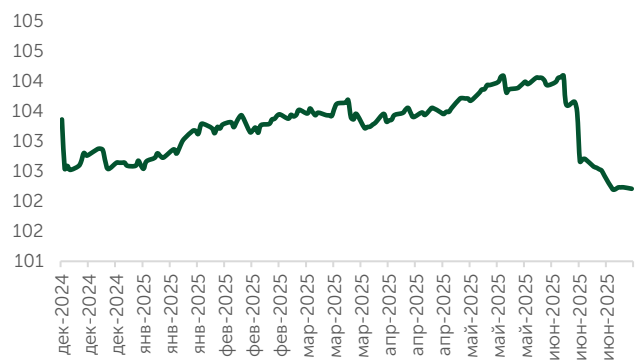
Source: armstat.am, Freedom Broker Armenia

### 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 Eurasian Development Bank (EDB) forecasts inflation between 2.5% and 3.1% for 2025–2027, comfortably within the central bank's target range of 3.0%. However, the bank highlights elevated external inflationary risks stemming from geopolitical tensions in the Middle East and does not rule out a potential tightening of monetary policy domestically. That said, the recent de-escalation of the conflict reduces the likelihood of this risk materializing. GDP growth forecasts stand at 5.5%, 5.3%, and 5.0% for 2025, 2026, and 2027, respectively

#### Company news

- Team Telecom's CEO revealed plans to open an AI-driven data center within the next six months. The \$500 million project will be developed in collaboration with NVIDIA, Dell, Firebird, and government authorities, according to Arca Telecom.

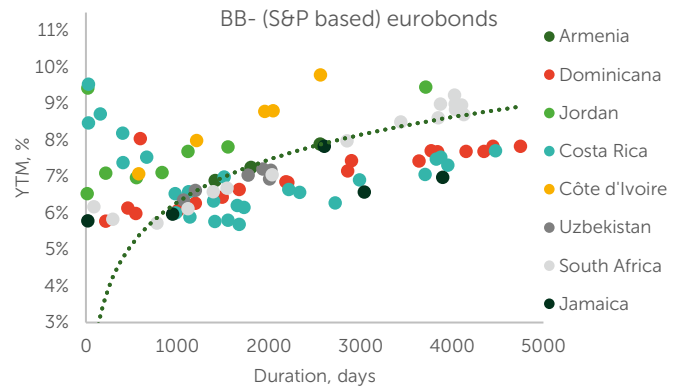
#### Outlook for the next two weeks

Between July 4 and 14, 2025, a limited number of key macroeconomic indicators are scheduled for release. However, updated or revised figures related to previously published data may also come to light during this period.

Inflation data (CPI) is set for release, with forecasts indicating a slight uptick to 4.5% in June, up from 4.3% in May. Seasonal inflationary pressure may build amid increased tourist inflows. Meanwhile, a central bank meeting is also expected during this period. However, despite the modest inflation acceleration, we do not anticipate any significant changes to monetary policy or the refinancing rate in the near term.

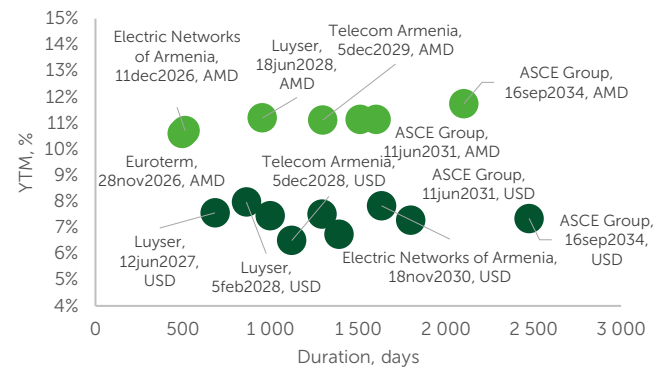
Should inflation accelerate further, demand for local debt instruments could come under pressure, potentially driving investor funds toward riskier assets. Crucially, the regulator currently views the prevailing interest rate level as close to neutral, implying a low likelihood of significant cuts ahead. Moreover, any clear signs of sustained price growth are likely to increase investor expectations of tighter monetary policy and put downward pressure on real yields of fixed-income securities.

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



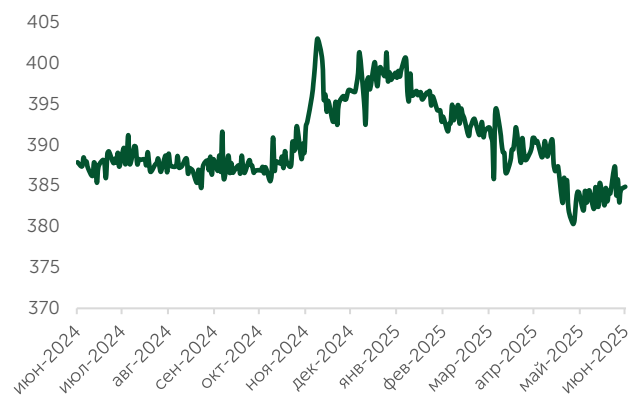
Source: amx.am, cbonds.com, Freedom Broker Armenia

#### Non-financial organizations' bonds of RA

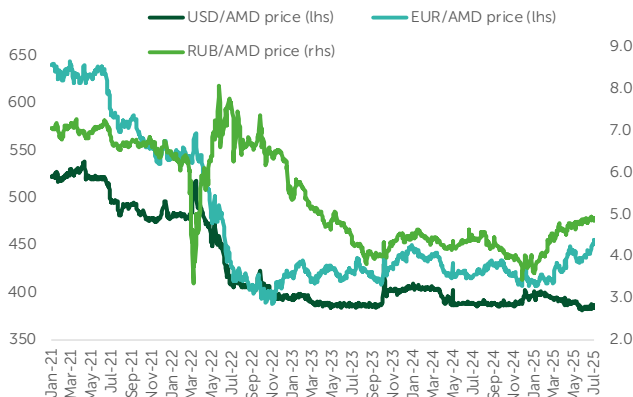
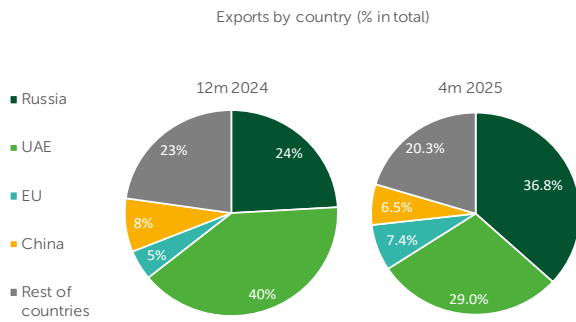
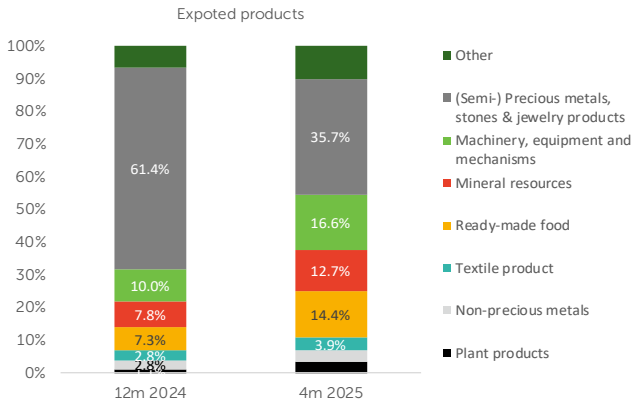
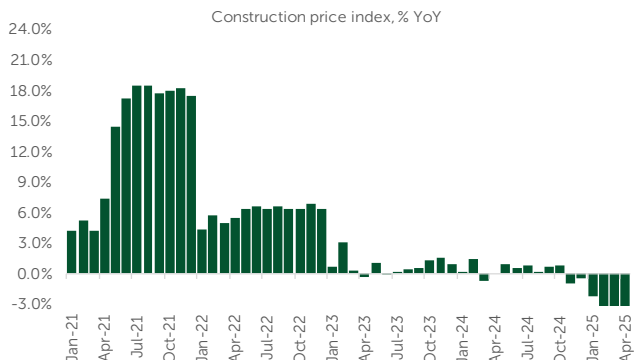


Source: cbonds.com, Freedom Broker Armenia

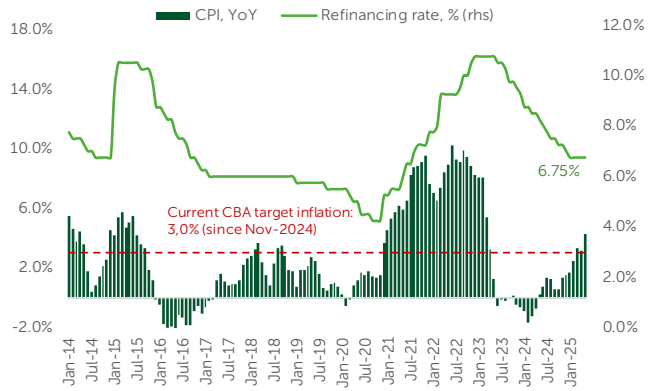
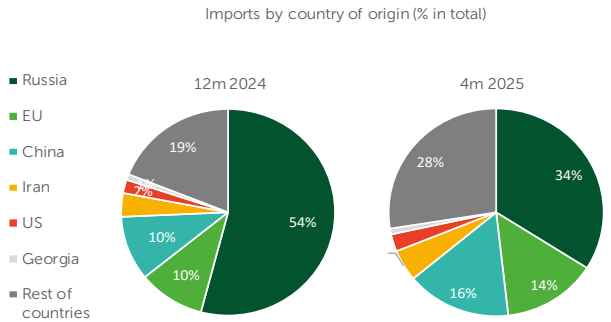
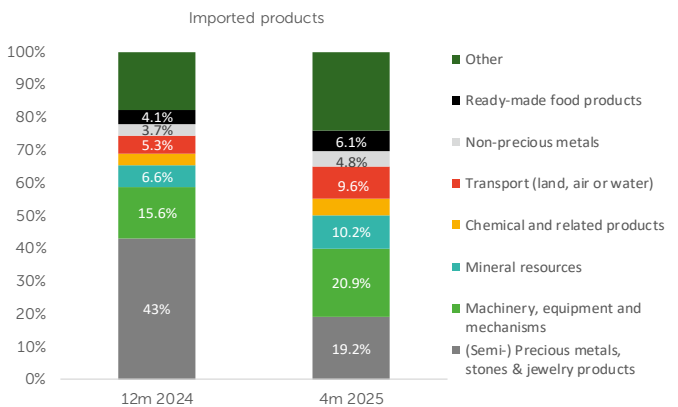
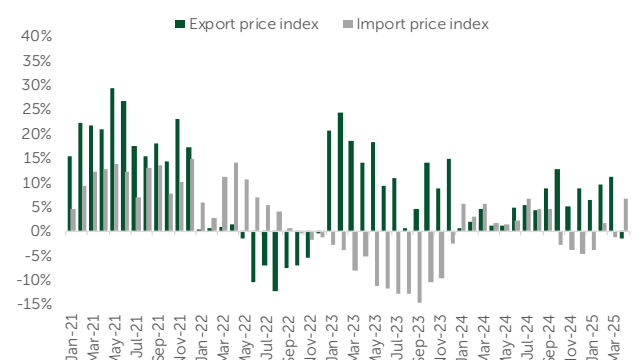
#### USD/AMD dynamics



Source: amx.am, Freedom Broker Armenia

**Chart 1: Currency rate dynamics**

**Chart 3: Armenian export breakdown by countries**

**Chart 5: Armenian export breakdown by products**

**Chart 6: Construction price index**


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

**Chart 2: CPY vs refinancing rates of RA**

**Chart 4: Armenian import breakdown by origin countries**

**Chart 5: Armenian import breakdown by products**

**Chart 7: Export and import price indices**


# Freedom Broker Armenia

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