

Enduring Strength in Real Estate and Currency

Market overview

During the span from October 7 to 21, 2024, Armenia's stock market exhibited a largely sideways trend. Shares of Telecom Armenia remained static, despite intermittent attempts at growth. In contrast, ACBA BANK's shares distinguished themselves, appreciating by 4.5% during this period and marking a notable 7.3% increase from the previous month. This uptick came in the wake of the bank releasing its third-quarter reports, which revealed a substantial 25.9% y/y and 3.9% q/q growth in net interest income, reaching nearly AMD14,045 million. Though the bank's net income saw a y/y increase of 19.4%, amounting to AMD8,498 million, it experienced a slight decline of 4.8% compared to the second quarter.

During the review period, the index of three-year corporate bonds maintained a stable posture, largely due to the scarcity of impactful macroeconomic developments. Simultaneously, the exchange rate of the Armenian dram against the US dollar fluctuated within a narrow band, effectively holding steady. This currency behavior is likely a result of the Central Bank's conservative approach and the relative stabilization in the nation's foreign trade transactions.

Economic news

Between October 7 and 21, 2024, the release of real estate market statistics revealed a sector that remains robust and continues to exert significant pressure on domestic investment demand / activity. This enduring strength underscores real estate as a vital and preferred avenue for channeling funds within the country.

- o In August, the real estate market in Armenia witnessed a subtle ebb, with the number of finalized transactions dipping by 4.6% from the previous month, totaling 20,178. Within this overall decline, sale and purchase transactions also experienced a modest decrease of 2.4%. Despite this slight downturn, these transactions maintained a robust presence, with 4,939 completed within the month.
- o In August, the construction sector flourished, sustaining strong activity levels with volumes reaching an impressive AMD 71,361.9 million. This marks a remarkable 16.5% increase compared to the same period in 2023. Throughout the first eight months of the year, construction activities witnessed a year-over-year growth of 16.2%. The sector is poised to sustain its strong momentum, as the intrinsic nature of this industry often sees a gradual deceleration unless disrupted by unforeseen events. Additionally, the anticipated surge in demand for residential real estate, particularly in Yerevan, may further bolster the construction industry in 2024. This is especially relevant considering the impending closure of the state mortgage support program set for start-2025, which could drive prospective homeowners to act swiftly.
- o The World Bank has modestly revised its projection for Armenia's economic growth in the years 2025-2026. The updated forecast maintains an anticipated growth of 5.5% for 2024, while adjusting the growth estimate for 2025 to 5.0%, compared to the previous 4.9%. For 2026, the growth expectation has been slightly elevated from 4.5% to 4.6%. Overall, this refined forecast from the World Bank offers a cautiously optimistic indicator for investment activity in the nation, suggesting a steady, albeit gradual, enhancement of economic prospects.

Company news

- o DeepSat, an emerging space technology startup, has been founded in Armenia. By pioneering VLEO (Very Low Earth Orbit) technology, the Company plays a pivotal role in shaping Armenia's strategic vision for space development.



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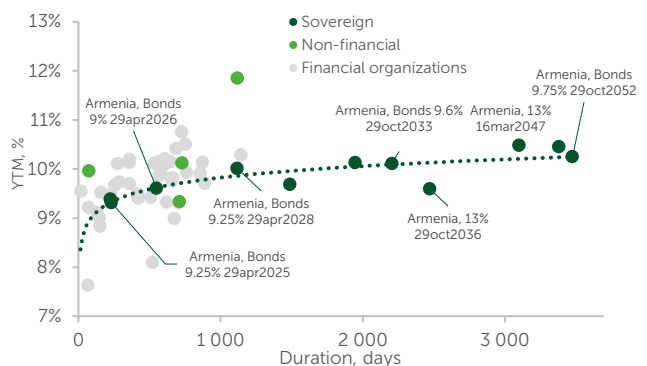
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Key economic indicators

	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%

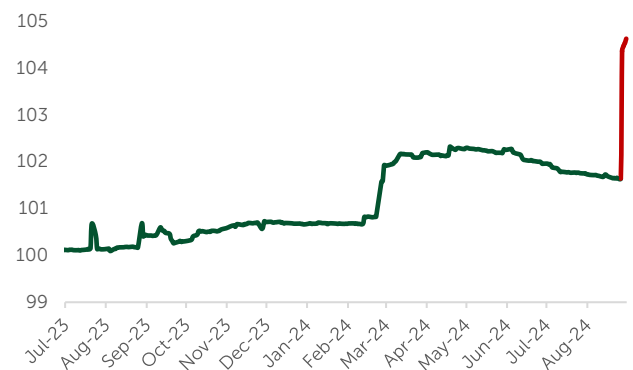
Source: armstat.am, Freedom Broker Armenia

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

Company news

- o Armenian Airlines has been granted an aircraft operator's certificate, valid for an impressive 16 years. This milestone heralds a promising chapter, providing a vital foundation for future operational growth and success. Additionally, the Company plans to introduce new flight routes originating from Yerevan, both this year and the next.

Bond market overview

In the global US Treasury market, following a sharp rise earlier this month, the nominal yield of 10-year UST continued to increase – by about 16 b.p. week-on-week. In the meantime, there has been a slight widening of the OAS spread in the US high-yield corporate bond market.

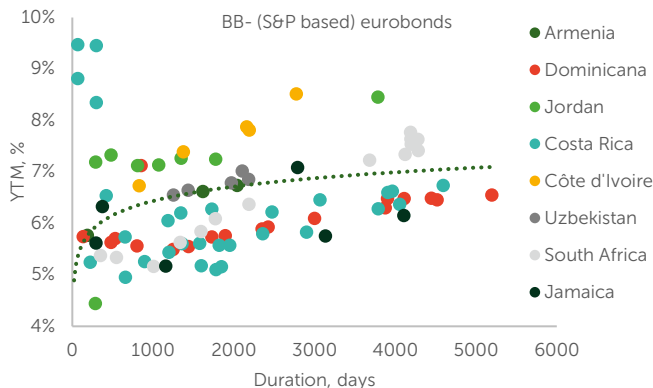
Yields in Armenian bond market didn't face significant changes over the past two weeks. Despite expectations of at least one more rate cut by the country's Central Bank to accelerate inflation to its target level, we do not foresee any major shifts in yields in the near future. This is due to low sensitivity of yields to changes in the refinancing rate of the regulator, along with the CB's relatively conservative approach in the rate cut decisions recently. In a longer-term perspective, i. e. by 2025, we expect some pressure on the country's bond yields, assuming no geopolitical shocks occur.

Outlook for the next two weeks

Between October 25 and November 4, 2024, a series of significant statistical reports on the Armenian economy is set to be released. During this period, some revised data on key economic indicators may also be unveiled.

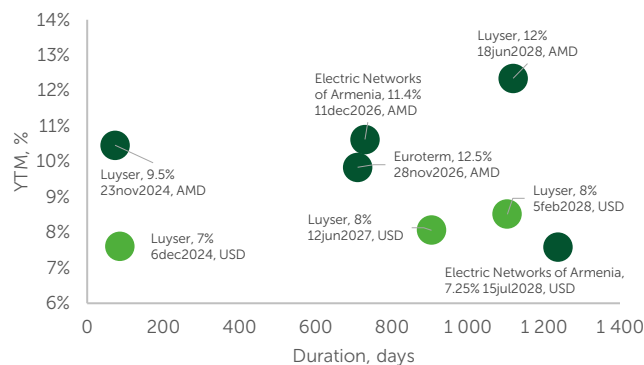
The forthcoming release of the country's economic activity index is anticipated to reveal a gentle deceleration in growth, projected to be +3.5% y/y in September compared to +5.6% the previous month. Alongside this, the Producer Price Index (PPI) is also expected to show a minor decline in momentum, easing to 3.4% y/y in September from 3.5% in August. These indicators could reinforce the Central Bank's contemplation of at least one more refinancing rate cut within the year. However, the awaited Consumer Price Index (CPI) figures, set to be disclosed later, may play a crucial role in shaping the regulator's decisions.

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



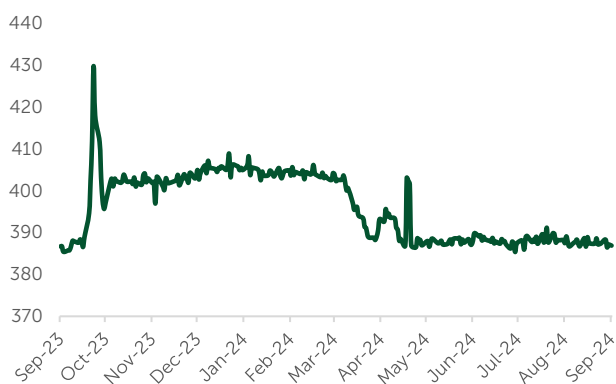
Source: amx.am, cbonds.com, Freedom Broker Armenia

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

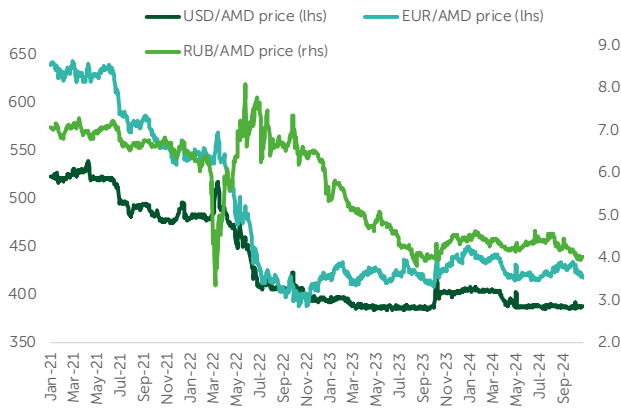


Chart 2: CPY vs refinancing rates of RA

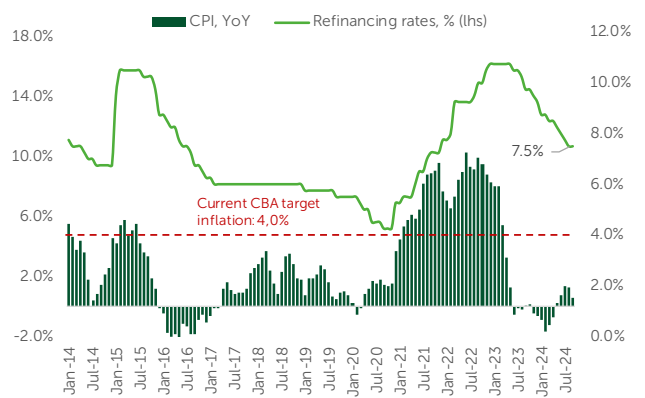


Chart 3: Armenian export breakdown by countries

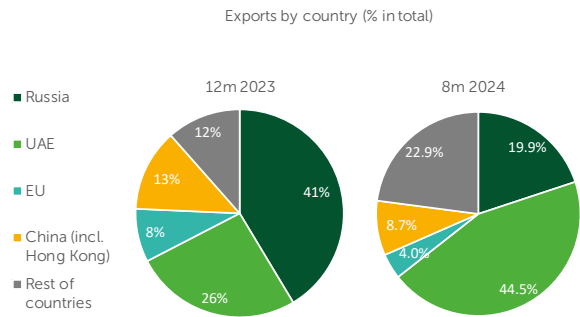


Chart 4: Armenian import breakdown by origin countries

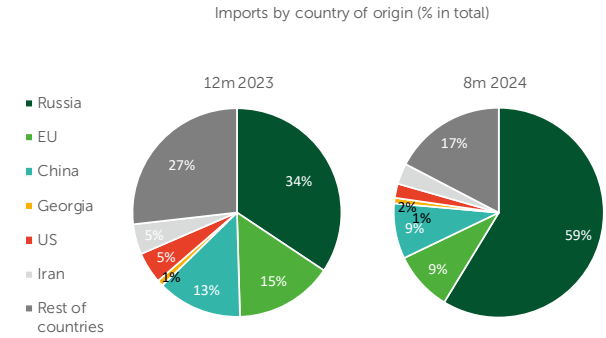


Chart 5: Armenian export breakdown by products

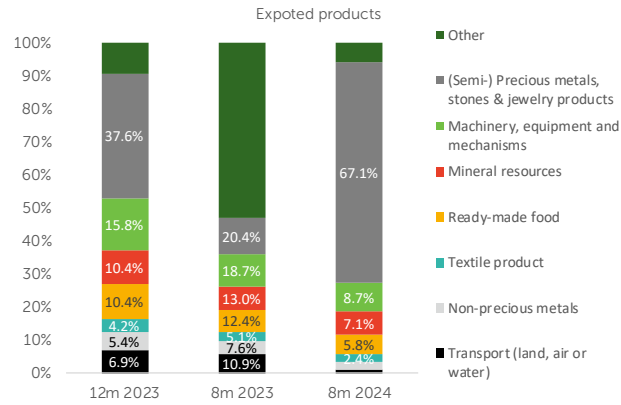


Chart 5: Armenian import breakdown by products

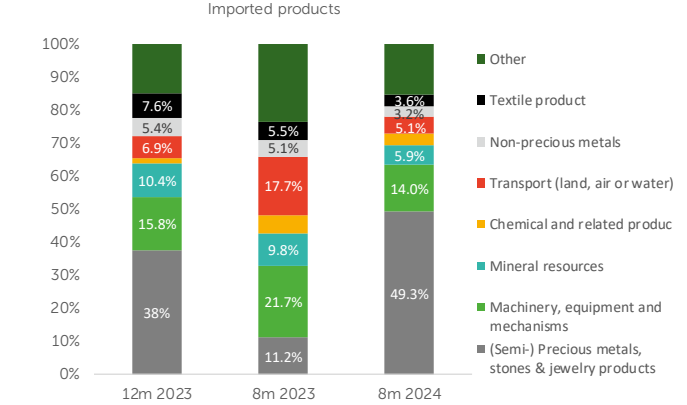


Chart 6: Construction price index

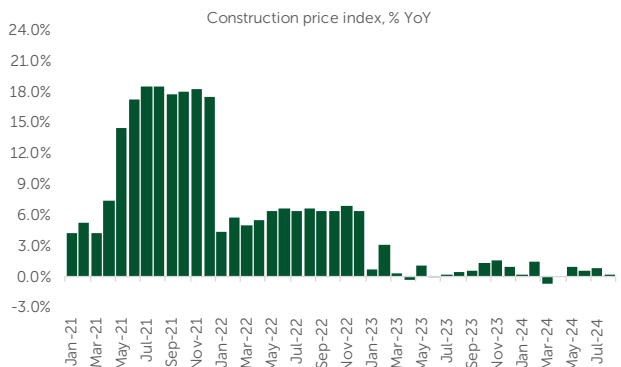
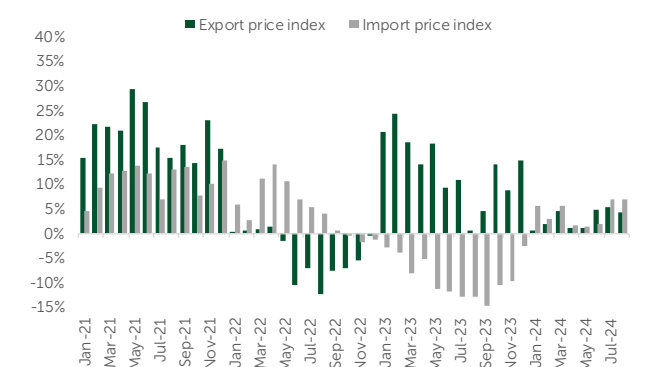


Chart 7: Export and import price indices



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

Freedom Broker Armenia

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