

Sideways Dynamics Despite Active News Background

Market overview

From September 23 to October 7, 2024, Armenia's stock market exhibited a sideways trend. Shares of ACBA BANK and Telecom Armenia traded differently, but ended the period at their previous levels. Telecom Armenia stock, however, continues trading at all-time lows. The recent presentation of the upgraded 1500 Mbps Wi-Fi 7 has not impacted the company's stock performance. The low activity in the market makes stocks less sensitive to current news releases.

The recently updated 3-year Corporate Bond Index has declined by 0.6%. The indicator probably reacted to the recent price drop in the U.S. Treasury bond market and some price corrections in the high-yield emerging markets bond sectors. However, the potential continuation of the rate cut cycle (with at least one more cut expected this year) to bring inflation closer to target could support the Corporate Bond Index going forward. A sustained high unemployment rate of 13.8% in the third quarter (compared to 15.5% in the second quarter) versus the expectations of 13.0% may also bolster the possibility of a rate cut in 2024. The AMD exchange rate remains stable within a narrow range (385-391 USD/AMD), implying relative stabilization in the country's foreign trade activities. Recent statistics suggest that export flows are growing faster than imports, a trend that should already be visible in present currency valuations.

Economic news

From September 23 to October 7, 2024, Armenia released statistics on inflation and economic activity. The data generally reflected stronger than expected economic growth in August, along with slight disinflation in September.

- o Armenia's economic activity index was 5.6% y/y in August, despite a forecast of 5.0% growth and a July figure of 6.2% y/y. On a monthly basis, the index rose by 7.2% from 5.6% in the previous month. While slightly surpassing expectations, these dynamics are unlikely to significantly influence market sentiment, suggesting a slight cooling in economic activity growth, as anticipated.
- o The September CPI indicated a stronger-than-forecast decline from 1.0% y/y to 0.6% y/y versus 1.3% in August. In monthly terms, inflation increased by 0.2%. The main driver of disinflation was the food segment, given its significant weight in the inflation basket. Food prices exhibited deflation at 1.0%, contrasted with a 1.0% rise in prices in August.
- o Notably, the Asian Development Bank has significantly reduced its inflation forecast for 2024 from 3.0% to 0.8% y/y, and for 2025 from 3.5% to 2.5% y/y. Simultaneously, the current forecast by the Eurasian Development Bank projects inflation to be 1.5% y/y in 2024. A revival of disinflation trends in the country may lead to further forecast downgrades for this year. Coupled with the expected rate cut, this could bolster demand for debt instruments and subsequently drive up bond prices.
- o Armenia's exports grew by 58.1% y/y and 15.6% m/m in August. In comparison, import growth in August was 18.7% y/y and 1.7% m/m. The country's foreign trade turnover increased by 33.3% y/y and 7.4% m/m compared to July. Export growth continues to outpace imports, resulting in trade deficit narrowing from \$372 million to \$264 million in August. These trends should already be reflected in the current currency levels.

Company news

- o Team Telecom Armenia has unveiled Wi-Fi 7 technology, offering internet speeds of up to 1500 Mbps. This announcement was made at the Digitec exhibition in Yerevan. Additionally, the company introduced Cosmo Box, an entertainment device that can turn a regular TV into a gaming console. Cosmo Box boasts a library of approximately 1,800 games, featuring titles like Cyberpunk 2077, Fortnite, Need for Speed, Call of Duty, Dota 2.



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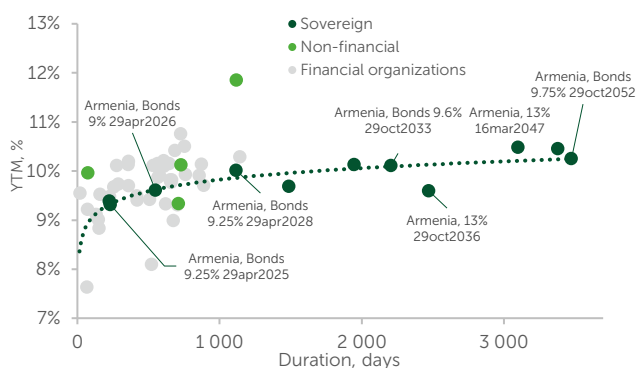
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Key economic indicators

	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%

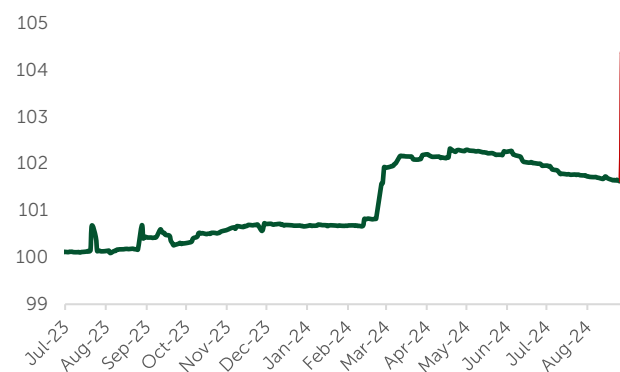
Source: armstat.am, Freedom Broker Armenia

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

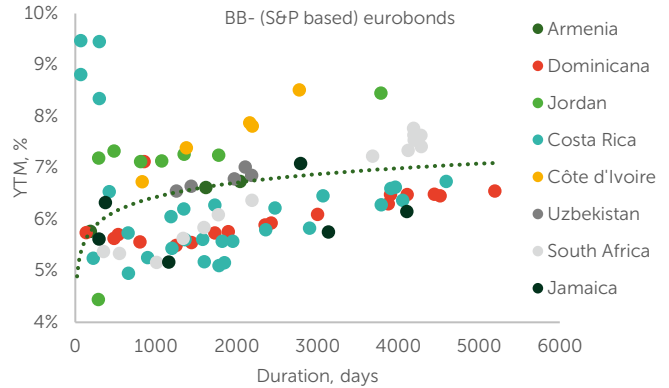
- o Triple S Ventures has announced an investment in StarsHunt AI, a company offering cutting-edge solutions to streamline recruitment within the technology sector. The StarsHunt AI platform, facilitates interactive video interviews 24/7, delivers personalized follow-up questions, and provides instant evaluation of candidate responses.

Outlook for the next two weeks

No significant statistics on the Armenian economy is expected to be published between October 11 and 21, 2024. In the meantime, updated (revised) data on some previously released indicators might become available.

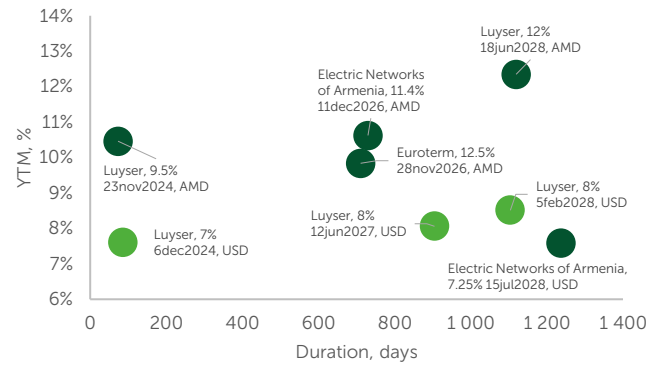
Later this month, the Central Bank is anticipated to hold a meeting, which could result in another interest rate cut by the regulator. However, considering the regulator’s relatively conservative approach to the refinancing rate, it may remain unchanged in October ahead of new macroeconomic statistics.

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



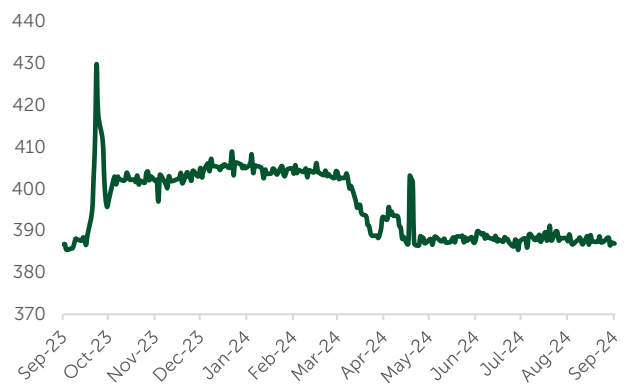
Source: amx.am, cbonds.com, Freedom Broker Armenia

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

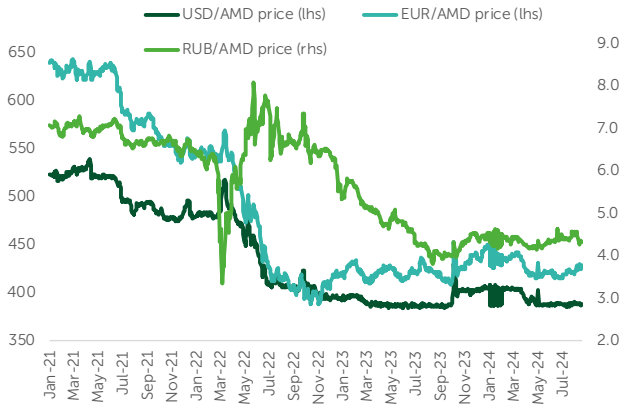


Chart 2: CPY vs refinancing rates of RA

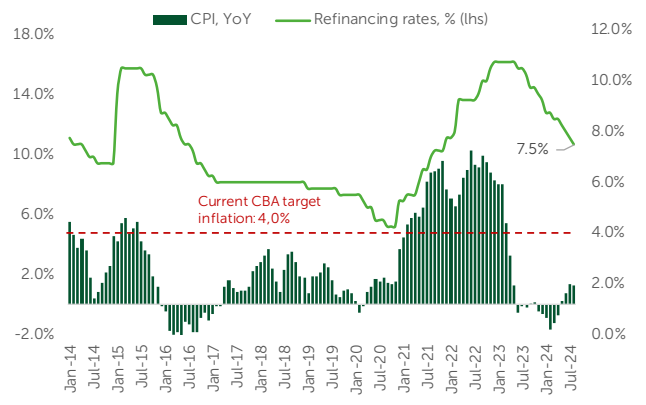


Chart 3: Armenian export breakdown by countries

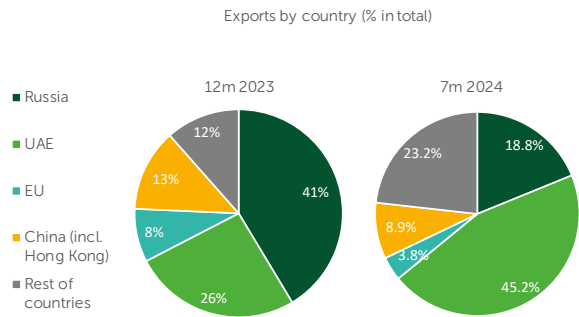


Chart 4: Armenian import breakdown by origin countries

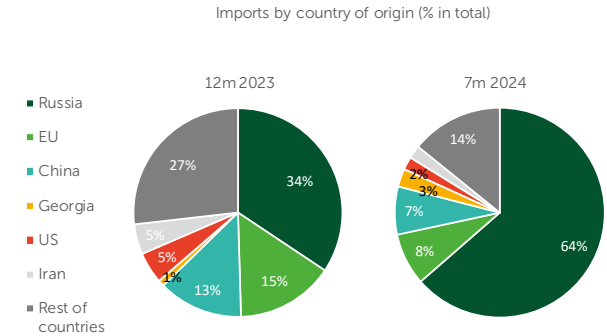


Chart 5: Armenian export breakdown by products

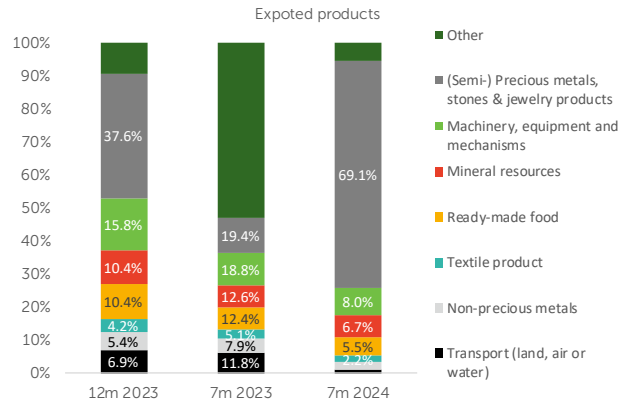


Chart 5: Armenian import breakdown by products

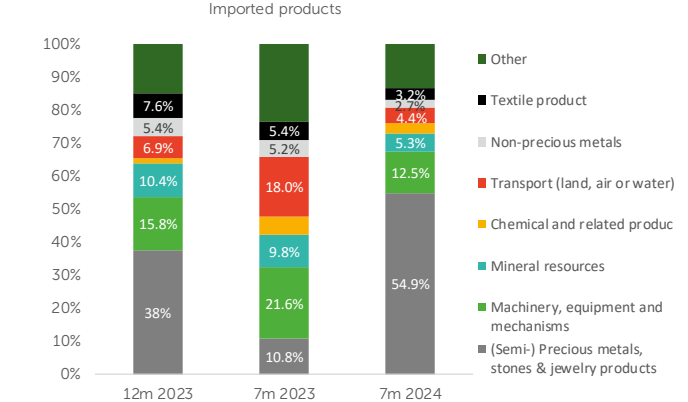


Chart 6: Construction price index

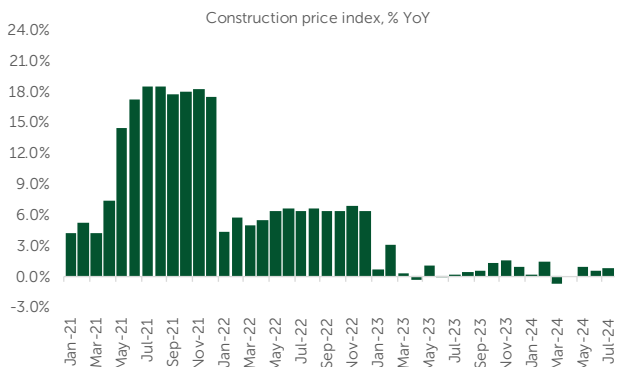
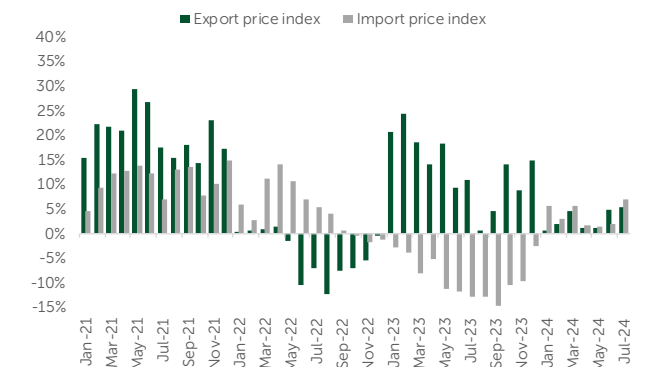


Chart 7: Export and import price indices



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

Freedom Broker Armenia

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