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Free Lunch in Yerevan: An Arbitrage Anomaly in the Armenian Bond Market

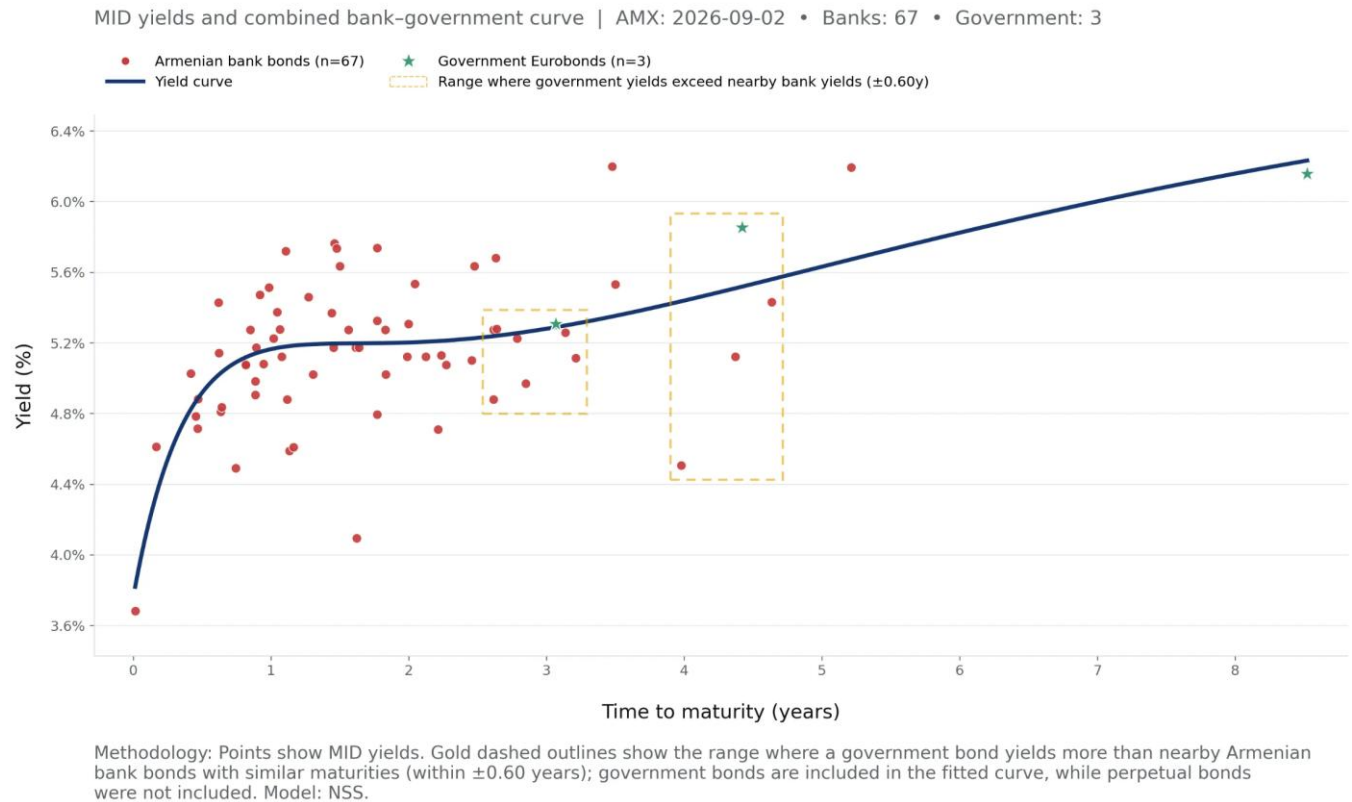
Summary

- A breach of the sovereign “safety threshold” is evident in the USD-denominated bond segment: several Armenian bank bonds are trading at lower yields than government bonds with similar maturities.
- In some cases, the negative spread to the sovereign bond reaches as much as 134 basis points.
- It is also notable that, across different maturities, several Armenian bank bonds lie below the yield curve of major U.S. banks. One of the clearest examples is ACBA Bank’s bond maturing in August 2030, with a yield of 4.51%.
- The contrast with global banks is also visible in euros: 1-2 year EUR bonds issued by BNP Paribas, Deutsche Bank, and Societe Generale offer yields of 2.90%–3.30%, while Armenian bank EUR bonds yield 2.05%–3.00%.
- This clearly shows that, without short-selling and derivative instruments, the market lacks a self-correcting mechanism. Such instruments are essential for fair pricing.

Breach of the Sovereign “Safety Threshold”

The yield on a sovereign bond is typically the primary benchmark for a country’s market. A bank bond should generally offer an additional risk premium over that benchmark. Yet in the USD segment of the Armenian Securities Exchange, we sometimes observe exactly the opposite.

USD Armenian Bank and Government Bond Yields



Source: Armenian Securities Exchange (AMX) | Analysis: KK Partners

The sovereign Eurobond with approximately 3.1 years to maturity (maturing in September 2029) trades at a midpoint yield of about 5.31%. Over the same maturity range (± 0.6 years), several local bank bonds trade at lower midpoint yields:

Issuer	Maturity Date	Midpoint Yield	Spread vs. Armenian Sovereign Eurobond
Ministry of Finance of the Republic of Armenia	2029-09-26	5.31%	
Inecobank	2029-04-14	4.88%	-43 bps
Armeconombank	2029-07-09	4.97%	-34 bps
Converse Bank	2029-11-18	5.11%	-20 bps
ACBA Bank	2029-10-21	5.26%	-5 bps

The sovereign Eurobond with approximately 4.4 years to maturity, maturing in February 2031, trades at a midpoint yield of about 5.85%. In this segment, the anomaly is even more pronounced: two separate ACBA Bank issues trade at midpoint yields of just 4.51% and 5.12%.

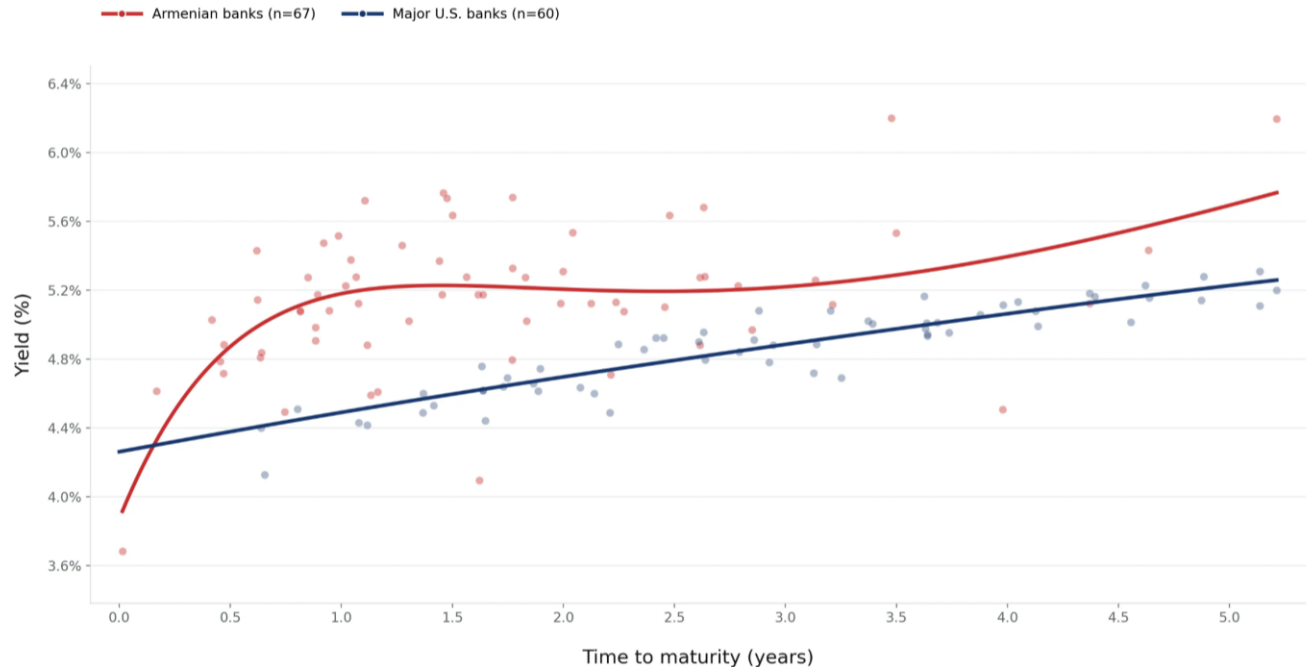
Issuer	Maturity Date	Midpoint Yield	Spread vs. Armenian Sovereign Eurobond
Ministry of Finance of the Republic of Armenia	2031-02-02	5.85%	
ACBA Bank	2030-08-25	4.51%	-134 bps
ACBA Bank	2031-01-15	5.12%	-73 bps
Ameriabank	2031-04-22	5.43%	-42 bps

The Yield Contradiction Between Global Giants and Armenian Banks

Across different maturities, several Armenian bank bonds lie below the yield curve of major U.S. banks.

USD Bank Bond Yield Curves

MID yields | Armenian banks vs Major U.S. banks | AMX: 2026-09-02 • IBKR: 2026-09-02



Methodology: Points show MID yields. IBKR comparison bonds are current/date-aligned, fixed-rate and non-structured, with valid two-sided yields and bid-ask spread ≤ 25 bp. Model: NSS.

Source: AMX, IBKR | Analysis: KK Partners

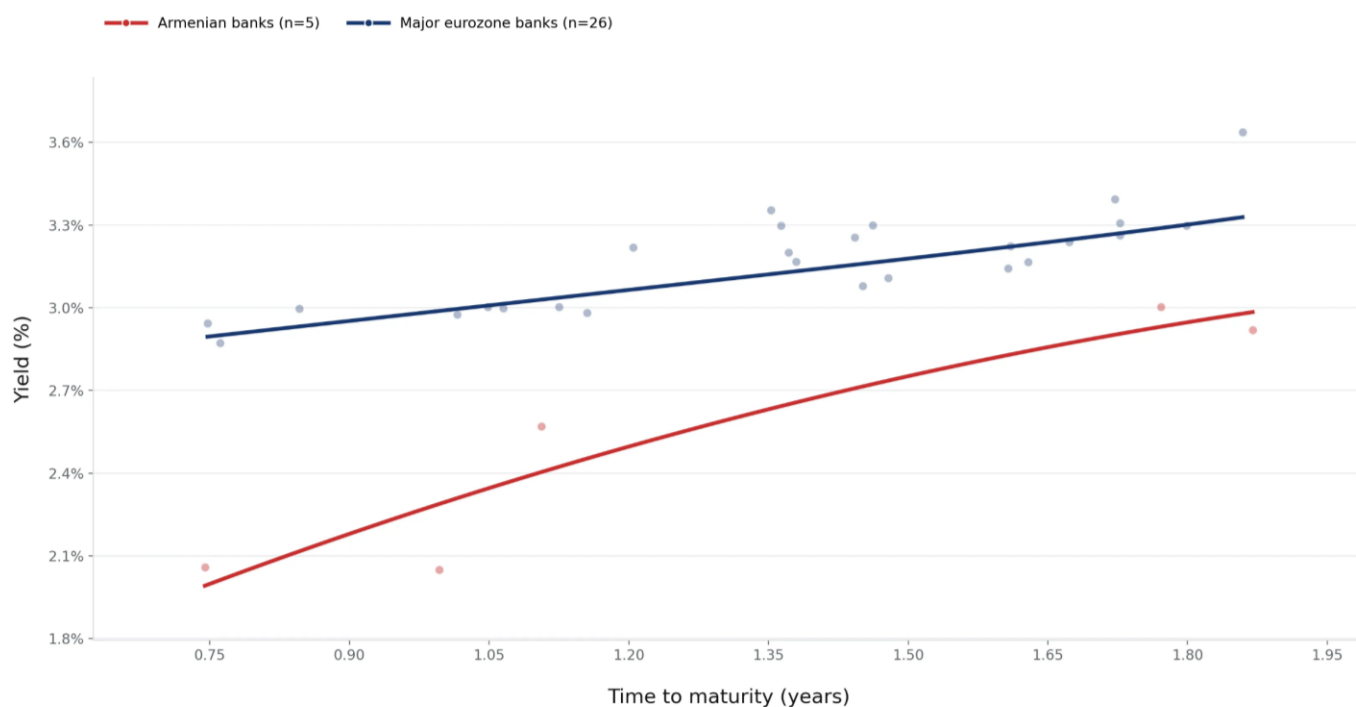
For example, in the approximately four-year maturity segment, bonds issued by JPMorgan, Bank of America, and Morgan Stanley have midpoint yields of about 4.95%-5.13%. By comparison, ACBA Bank's bond maturing in August 2030 has a midpoint yield of just 4.51%.

The chart also clearly shows that Armenian bank bond yields are much more dispersed around their curve, unlike U.S. bank bonds, which are positioned far more consistently around theirs. This suggests that the pricing of individual issues in the Armenian market does not always follow a uniform logic.

The contrast becomes even more pronounced when we compare the yields of Armenian banks' euro-denominated bonds with those of Eurozone banks.

EUR Bank Bond Yield Curves

MID yields | Armenian banks vs Major eurozone banks | AMX: 2026-09-02 • IBKR: 2026-09-02



Methodology: Points show MID yields. IBKR comparison bonds are current/date-aligned, fixed-rate with valid two-sided yields and bid-ask spread ≤ 25 bp. Model: NSS.

Source: AMX, IBKR | Analysis: KK Partners

Euro-denominated bonds issued by major Eurozone banks - including BNP Paribas, Deutsche Bank, and Societe Generale - with 1-2 years to maturity offer midpoint yields of 2.90%-3.30%. Over the same maturity range, euro-denominated bonds issued by Armenian banks, including Ameriabank, Armswissbank, and Inecobank, have midpoint yields of 2.05%-3.00%. In several cases, these yields are more than 80–90 basis points below those of the European financial giants.

Below are the banks whose bonds were used to construct the yield curves.

Armenian Banks (AMX)	U.S. Banks (IBKR)	European Banks (IBKR)
ACBA Bank, Ameriabank	Bank of America	BNP Paribas
AMIO Bank, AraratBank	Citigroup	Deutsche Bank
Armeconombank, Armswissbank	Goldman Sachs	ING
Converse Bank, Evocabank	JPMorgan	Santander
Fast Bank, IDBank	Morgan Stanley	Societe Generale
Inecobank, Unibank	Wells Fargo	UniCredit

The Absence of Arbitrage Mechanisms

From the perspective of the classical no-arbitrage principle, this is precisely the “free lunch” that, in theory, should not exist. In any developed capital market, such pricing discrepancies do not persist for long: arbitrageurs quickly “close” the spread by buying the undervalued asset while simultaneously short selling the overvalued one, causing prices to return toward fair value.

In the Armenian Securities Exchange, this mechanism is absent, and that is precisely what allows the described anomaly to persist for months without self-correcting. In this sense, the “free lunch in Yerevan” phenomenon is not merely an interesting observation; it is also a direct argument for further developing Armenia’s capital-market infrastructure through the introduction of short selling, derivatives, and broader arbitrage mechanisms. Ultimately, these are the tools that support fair and efficient price formation in the market.

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