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Iran's capital market could emerge as regional investment hotspot

By **Delaram Ahmadi**
Staff writer

INTERVIEW EXCLUSIVE

Iran's capital market has come under simultaneous pressure in recent years from sanctions, sharp economic volatility and persistent political uncertainty, limiting both its growth and its ability to support the broader economy. The recent war, which forced the stock market to remain closed for weeks, underscored just how vulnerable financial markets are to geopolitical and security shocks. Yet despite these setbacks, the Tehran stock market remains a vital source of financing for businesses and a key channel for directing investment into productive sectors. In this interview with Iran Daily, economic journalist M.A. Mokarrami examines the



M.A. Mokarrami

capital market's role in Iran's economy today and its prospects should international tensions ease. He argues that if an international agreement is accompanied by meaningful domestic reforms, Iran's capital market has the potential to become one of the region's most compelling emerging investment destinations.

IRAN DAILY: How would you assess the state of Iran's capital market in the current economic environment? How significant a role can it play in financing businesses, boosting production and supporting the country's broader economic growth?

MOKARRAMI: Looking at the past few months alone, Iran's capital market has turned in one of its most surprising performances. After trading was suspended for nearly 80 days following the recent war, many expected the market to reopen with a massive wave of selling. Instead, the opposite occurred. The market not only weathered the initial pressure but

also posted nearly 40% growth during the first quarter of the [Iranian] year (beginning March 21), recording the strongest return among Iran's financial markets. The market's dollar value also increased from roughly \$70 billion to nearly \$100 billion. Several key factors explain this performance. First, the Securities and Exchange Organization, together with market stabilization and development funds, played an effective role in maintaining market stability. Second, the stock market had lagged behind inflation and the appreciation of other asset classes for several years, leaving many listed companies trading at attractive valuations. Corporate price-to-earnings ratios also remain relatively low, which many analysts view as evidence that the market is undervalued. In addition, the recent memorandum of understanding signed by Iran and the United States to extend the ceasefire and continue negotiations has strengthened hopes for lower political tensions and an improved economic environment.

The capital market's role, however, extends far beyond rising stock indices. If Iran enters a more stable economic period, the capital market could become the country's primary source of financing for companies and large-scale projects. Expanding the debt market, issuing bonds and increasing corporate capital could reduce the economy's dependence on the banking sector while directing financial resources toward productive investment. In an economy that has faced years of underinvestment, the capital market has the potential to become one of the main engines of growth and development.

If Iran and the United States reach an agreement and sanctions are eased, what would that mean for Iran's capital market? How could it reshape the market's performance and its integration into the global economy?

In my opinion, a potential agreement would represent far more than a short-term catalyst for the stock market. It could mark

the beginning of a new chapter for Iran's economy. Today, a significant share of listed companies' profits stems from inflation and nominal price increases. However, if sanctions are eased and Iran's trade relations with the rest of the world become more normalized, companies would have the opportunity to achieve genuine growth through higher production, stronger exports and increased investment. Iran has substantial potential in major industries such as petrochemicals, metals, mining, banking and transportation. Yet much of this capacity has remained underutilized over the past several years because of external restrictions and domestic challenges. An agreement could reduce trading costs, make it easier for companies to access export markets and advanced technologies, and create a more predictable business environment. Under such circumstances, the value of listed companies could also rise.

At the same time, it would be unrealistic to assume that simply signing an agreement would

solve every problem. The experience of the JCPOA [2015 nuclear deal] demonstrated that domestic reforms are equally important. Exchange-rate reform, reducing administrative price controls, increasing transparency, improving financial reporting standards and ensuring greater consistency in economic policymaking are all essential to strengthening investor confidence. If these two tracks—an external agreement and domestic reforms—go hand in hand, Iran's capital market could become one of the region's most attractive emerging markets. The country's stock market capitalization still falls well short of the Iranian economy's true potential, and under improved conditions, sustained growth in both real and dollar terms would be well within reach.

How well positioned are Iran's financial markets to attract foreign investors and Iranians living abroad? What would it take to turn that potential into actual investment?

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