

# GLOBAL & REGIONAL DAILY

March 19, 2024

## Global markets

The Bank of Japan raised interest rates for the first time in 17 years earlier today, becoming the last major central bank to scrap its negative interest rate policy. The policy rate increased to a range of 0-0.1% from -0.1%, while the BoJ also announced it was scrapping the yield curve control policy, which had put an upper bound of 1% on the yield of 10yr JGBs, as well as stopping purchases of ETFs. However, the BoJ also said that it will continue buying JGBs, and its communication following the meeting was interpreted by investors as relatively dovish. That, combined with the fact that the end of NIRP had been widely anticipated, meant that the yen weakened following the announcement, with USD/JPY rising 0.8% to 150.36, and the yield on 10yr JGBs fell 3bps to 0.73%. Meanwhile, government bonds elsewhere weakened slightly on Monday on growing worries about the inflation's persistence. The yield on 10yr USTs closed 4bps higher at 4.34%, though it has recovered slightly to 4.32% in early trading today.

## Greece

Moody's has reaffirmed Greece's credit rating at "Ba1" with a stable outlook, keeping it just below investment grade. This decision leaves Moody's as the only major credit rating agency not to award Greece an investment-grade status. Previously, in Sep-23, Moody's upgraded Greece's rating by two notches from "Ba3", signaling positive momentum but still placing it one step shy of the investment threshold. According to the rating agency future upgrades could hinge on continued economic policies, fiscal consolidation, and successful reforms, especially in the judicial system. Downward pressures may arise from policy reversals or failures in reform implementation. According to the Ministry of Finance, in Feb-24, the State Budget execution exceeded expectations with a €1.46bn overall fiscal surplus and a primary fiscal surplus of €3.40bn, driven by higher-than-anticipated (net of refunds) tax and PIB revenue, and despite expenditure being above target.

## CESEE

Poland contributed to disinflation in the region, as CPI inflation weakened in February to 2.8%YoY – a three-year low – from 3.7%YoY in January. The monthly pace decelerated marginally, to 0.3% from 0.4%. The annual slowdown came from disinflation in food - non-alcoholic beverages, to 2.7%YoY from 4.9%YoY the month before, alcoholic beverages-tobacco (6.7%YoY from 8.7%YoY) and furnishings - appliances (4.0%YoY from 4.8%YoY). In Romania, the Treasury raised RON807mn with a bond maturing in April 2031. The borrowed amount exceeded the initial target (RON600mn), leading to a total borrowing of RON6.63bn so far in March, above the monthly target of RON6.52bn, with three more issuances scheduled for this month. The average bond yield was higher than that of two bonds with the same maturity in February and January, 6.58% vs. 6.42% and 6.37% respectively. This week's calendar is dominated by the Czech central bank meeting. Labour market data will be released in Croatia, Poland and Slovakia.

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