

# GLOBAL & REGIONAL DAILY

February 27, 2024

## Global markets

EGBs remained under pressure earlier today as investors continued to scale back their ECB rate easing expectations after hawkish comments from a number of ECB officials, including President Lagarde who cautioned in her speech at the European Parliament yesterday that the central bank “needs to be confident that (the disinflationary process) will lead us sustainably to our 2% target”. The 2-yr Bund yield was 2.2bps higher on the day, hovering around 2.94% in early European trade, within distance from last week’s three-month peak of 2.96%, while the 10-yr yield was trading close to 2.44%, not too far from yesterday’s 2.48% peak after briefly falling to 2.37% before Lagarde’s remarks. The implied probability of an ECB cut by the April meeting currently stands at just 29%, while the expected cumulative easing by year-end has declined to 87bps. Meanwhile, USTs were slightly firmer following modest losses in Wall Street overnight, with the 10-yr UST/Bund yield spread tightening to 184bps, supporting a rise in the EUR/USD to 1.0862 earlier today.

## Greece

According to the Jan-24 preliminary State Budget Execution data, on a modified cash basis, the overall fiscal deficit stood at €1.09bn, posting a significant improvement compared to the 1-month 2024 Budget target. The primary fiscal balance registered a surplus of €2.28bn, exceeding the 1-month target by €1.16bn, or 104.1%. State budget revenue stood at €6.72bn, 17.3% of the 1-month target. Tax revenue was at €5.56bn, a rise of €0.37bn at 7.11% of their 1-month target. Income and VAT tax on other goods and services improved compared to their 1-month targets by 0.26bn (15.61%) and 0.03bn (1.19%). State budget expenditure was at €5.63bn, 3.1% lower compared to its 1-month target. According to the PDMA estimates, the general government (GG) debt at the end of 2013 was at 356.60bn with a weighted average maturity of 19.3 years. The cost of GG debt was at 1.33%. According to Eurostat, 20.0% of enterprises in Greece in 2023 conducted online sales from 17.9% in 2022; the respective EU average was at 22.9% in 2023.

## CESEE

Fitch Ratings upgraded the rating outlook on the Czechia’s long-term foreign currency debt from negative to stable, while affirming the rating at AA-. Czechia now holds an AA- rating with a stable outlook by Standard & Poor’s, Moody’s and Fitch, which implies a return to its credit rating status before the Covid-19 pandemic. Improving fiscal indicators are mainly behind the rating outlook upgrade, as Fitch Ratings cites in its report expectations of budget deficit narrowing from the consolidation package for 2024-2025 and lower-than-budgeted spending on energy measures in 2023, which expired at the end of the year. Furthermore, general government debt is expected to remain within the 44-45% of GDP range in the medium term, which is below the AA median (48% of GDP). In Romania, the Treasury raised RON580mn with a July 2034 expiring bond, an amount higher than the RON400mn target. But, the average yield on yesterday’s issue was slightly higher than that of an auction for the same bond in January, 6.53% vs. 6.49%.

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