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Global markets

The US Treasury yield curve bull-flattened slightly on Tuesday ahead of today's FOMC policy rate announcement, as the yield on 10yr USTs fell 4bps to 4.03%, while on the 2yr securities it rose about 2bps to 4.33%. The yield for both tenors fell about 2bps in early trading today. While the Fed is not expected to change the Fed Funds rate at the conclusion of its meeting today, investor will look at changes in the central bank's communication for clues as to how soon cuts might start. In another sign of the strength of the US economy, BLS data yesterday showed that job openings in December unexpectedly increased to their highest level in three months. Derivatives markets currently imply 48% odds of a rate cut by the FOMC's March meeting. Meanwhile, European government bond yields are falling so far today, with the 10yr Bund down 7bps to 2.19% at the time of writing, on soft French CPI data. German CPI will be released later today.

Greece

The Public Debt Management Agency (PDMA) proceeded yesterday with the issuance of a 10-year syndicated Greek Government Bond (GGB) – its first this year – raising €4bn at a fixed coupon of 3.375%. Total offers amounted to €35bn, oversubscribing the initial offer more than eight times, with the reoffering yield closing at 3.478%, and the spread over the German Bund narrowing to 119bps from 220bps in a similar issuance in Jan-23. This brings PDMA already to 40% of its target of raising €10bn through GGBs in 2024, not accounting for a potential issuance of a green bond later this year. In other news, Greece's score in Transparency International's Corruption Perceptions Index declined to 49 in 2023 from 52 in 2022, significantly lower than the average score of 65 in EU27 and the other Western Euro-pean countries. Greece now ranks 59th out the 180 countries reviewed (from 51st in 2022), standing at the fourth lowest place in EU27 and the lowest among the IMF advanced economies.

CESEE

In Hungary, the national bank proceeded to a fourth consecutive policy rate cut, again by 75bps, reducing it to 10.0%. The new base rate cut was justified on the basis of sustained rapid improvement in the current account balance which backed the moderation of risk perceptions, stronger than expected disinflation and low external and domestic demand pressures. In Romania, the general government ran a deficit of RON89.9bn (5.68% of projected GDP) in 2023, which is marginally smaller than the 5.75% of GDP deficit in 2022. However, the initial deficit target for last year was 4.3% of GDP or RON68.3bn, so the gross financing needs were by nearly RON22bn higher than projected at the beginning of last year. General government revenue increased by 13.3%YoY in 2023, amounting to 32.9% of projected GDP and expenditure rose by a slightly milder 13%YoY, to 38.6% of GDP. The IMF projected a GDP growth of 1.2% in 2024 for Czechia in its Article IV report, below the 2.3% projection in the World Economic Outlook last October.

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