

# GLOBAL & REGIONAL DAILY

July 25, 2024

## Global markets

Short-dated USTs extended their recent gains on dovish Fed commentary and a drop in the US flash July S&P Global manufacturing PMI into contractionary territory at 49.5. Losses in US equity markets driven by disappointing earnings in the technology sector and the second consecutive 25bps rate cut from the BoC accompanied by a dovish policy statement, also supported the rally in front-end USTs. Conversely, the long end of the curve faced some pressure, likely due to corporate issuance jitters, leading to further bull-steepening of the curve, as reflected in the 2/10-yr yield spread which reached -12.3bps earlier today, the steepest level in two years. Front-end EGBs also outperformed long-dated paper amid increased ECB rate easing expectations, as the Eurozone composite PMI dropped by 0.8pts to 50.1 in July, barely above the 50 level, driven by slowing activity in both the manufacturing and services sectors. Risk-off sentiment continued in Asian bourses overnight, while in FX, range trading prevailed ahead of today's US Q2 GDP release.

## Greece

Following the Greek government's request in April, the Commission disbursed to Greece the fourth RRF payment of €2.3 billion in loans (net of pre-financing) on July 23, 2024. The Commission made a positive final decision because Greece showed further progress in the delivery of the Loan Facility as it achieved the target of contracting loans amounting to €4.52bn. 330 loans have already been contracted, with a total budget of €12bn. From this amount, €5.2bn is RRF loans, €4.0bn is bank loans, and the remaining €2.8bn is investors' equity capital participation. Half of the total number of contracted loans have been granted to small and medium-sized enterprises, with the total budget approaching €2.0bn. In June, the fourth payment request of €1.0bn regarding the grants part was submitted and the disbursement of the relevant funds is expected to take place in October. Greece's overall RRF plan amounts to €35.95bn, consisting of €18.2bn in grants and €17.7bn in loans.

## CESEE

The EC published yesterday its fifth rule of law report where it was highlighted, among others, that Hungary and Slovakia are backsliding when it comes to pillars such as justice systems, anti-corruption frameworks, and media landscapes. The report delved into each member state and candidate countries and concluded that member states have made positive progress on 68% of last year's recommendations but some peers have underperformed. The progress in Poland is noteworthy with the EC stressing out that this has been made by the new government in addressing previous worries mainly through the preparation of an 'Action Plan on the Rule of Law' aiming at strengthening judicial independence and complying with rule of law-related decisions of the Court of Justice of the EU (CJEU) and considering the Recovery and Resilience Facility (RRF). Yet, the EC still called on the new government to undertake reforms.

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