

1.4. International trends hold back the stock market

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1.4.1. Introduction

The fear that the global energy crisis may deteriorate, along with inflationary pressures and interest rate increases, create an uncertain investment climate, with the Athens Stock Exchange (ATHEX) ending the second quarter of 2022 with a negative sign for the majority of the stock indices. At the same time, the upward course of government bond yields continues, increasing the cost of borrowing for the Greek government.

In addition, the goal of returning to investment grade remains. In June 2022, the R&I rating agency upgraded the credit rating of the Greek economy to BB+ with a stable outlook, i.e., one step away from investment grade, in line with previous assessments by the international agencies Standard & Poor's, DBRS and SCOPE Ratings. Note that Moody's maintained the Ba3 rating for Greece with a stable outlook in the September 2022 review, and Fitch also maintained Greece's BB rating with a positive outlook in the July 2022 review.

This article presents the course of the Greek stock market during the eight months of 2022, with an emphasis on key stock market indices and data. In addition, the course of the bond market for the same period is presented. The last section of the article summarizes and concludes.

1.4.2. The course of the stock market during the eight months of 2022

The stock market continues to face multiple challenges, with the effects of the global energy crisis and inflationary pressures being reflected in the course of stock market indices.

According to ATHEX data for the eight months of 2022 (Table 1.4.1), the returns since the beginning of the year are negative for the majority of the stock indices. More specifically, the Athex Composite Share Price Index recorded losses of -4.14%, reaching 856.36 points on 31/8/2022 from 893.34 points at the end of December 2021. The course of the FTSE/Athex Large Cap

and Athex ESG Index was similar, recording losses of -4.11% and -4.37%, respectively. Mid- and small-caps recorded the biggest losses, with the Hellenic Mid & Small Cap Index, FTSE/Athex Mid Cap Index and FTSE/ATHEX Mid & Small Cap Factor-Weighted Index losing -7.60%, -9.00% and -10.50%, respectively, since the beginning of the year.

The majority of the sectoral indices also moved downwards for the same period, with the FTSE/Athex Utilities (-22.30%), FTSE/Athex Basic Resources (-22.55%), FTSE/Athex Food & Beverage (-23.15%), FTSE/Athex Personal Products (-28.35%) and FTSE/Athex Health Care (-33.61%) recording losses of more than 20%. Positive exceptions were the FTSE/Athex Insurance and FTSE/Athex Energy with significant positive returns of 53.26% and 27.95%, respectively.

According to ATHEX data (2022), the market capitalization of the ATHEX (assets under custody of domestic and foreign investors in total listed equities with the participation of the Financial Stability Fund) reached €56.06 billion at the end of August 2022, increased by 0.78% compared to the end of the previous month (€55.62 billion), reduced, however, compared to the end of December 2021, which was at €56.53 billion. The participation of foreign investors (with the participation of the Financial Stability Fund) was 63.90% at the end of August 2022, recording inflows of €93.63 million and 56.4% of total transactions in August 2022. The cash value of settled transactions reached €1,257.84 million in August 2022, increased by 16.61% compared to the previous month and by 25.23% compared to August 2021. In addition, the cash value of settled transactions of equities reached €1,238.50 million in August 2022, increased compared to the previous month, which was at €1,050.52 million, as well as compared to August 2021, which was at €972.39 million. Overall, the cash value of settled transactions of equities was increased for the eight months of 2022, €13,066.80 million from €12,087.49 million in the respective eight-month period of 2021.

Moreover, the uncertainty about the course of the stock market was also reflected in the levels of the KEPE GRIV implied volatility index, the so-called "fear" index, recording an increase since the beginning of 2022. The KEPE GRIV index reflects the uncertainty of the derivatives market participants about the expected short-term course of the Greek market and is calculated on the basis of the FTSE/ATHEX Large Cap options prices. More specifically, the KEPE GRIV index reached 31.62% on 31/8/2022 from 28.19% on 29/7/2022. The

TABLE 1.4.1 Prices and returns for selected indices of the ATHEX (31/8/2022)

	31/8/2022	Year min	Year max	Year change (%)
FTSE/Athex Large Cap	2,060.62	1,853.39	2,384.15	-4.11%
Athex Composite Share Price Index	856.36	778.84	973.27	-4.14%
Athex ESG Index	969.11	867.88	1,131.24	-4.37%
Athex All Share Index	216.28	198.92	248.43	-5.99%
Hellenic Mid & Small Cap Index	1,268.57	1,181.80	1,451.84	-7.60%
FTSE/Athex Mid Cap Index	1,357.61	1,250.58	1,615.19	-9.00%
FTSE/ATHEX Mid & Small Cap Factor-Weighted Index	4,178.33	3,920.25	5,109.62	-10.50%
FTSE/Athex Insurance	3,057.35	1,994.86	3,171.11	53.26%
FTSE/Athex Energy	4,405.88	3,339.51	4,463.27	27.95%
FTSE/Athex Consumer Goods & Services	8,142.97	7,260.09	8,861.27	12.16%
FTSE/Athex Travel & Leisure	2,191.95	1,858.00	2,327.38	11.66%
FTSE/Athex Construction & Materials	2,999.99	2,533.53	3,209.28	0.71%
FTSE/Athex Industrial Goods & Services	3,678.12	3,065.29	4,306.76	-1.44%
FTSE/Athex Telecommunications	4,431.83	4,377.01	5,170.21	-2.50%
FTSE/Athex Banks	555.98	443.16	752.66	-3.30%
FTSE/Athex Technology	1,937.11	1,679.98	2,347.72	-9.77%
FTSE/Athex Financial Services	673.21	619.08	831.60	-10.12%
FTSE/ATHEX Real Estate	4,113.23	3,592.38	5,179.83	-14.52%
FTSE/Athex Retail	833.86	746.44	1,150.20	-15.29%
FTSE/Athex Utilities	4,002.56	3,692.82	5,208.71	-22.30%
FTSE/Athex Basic Resources	5,729.76	5,412.75	8,197.29	-22.55%
FTSE/Athex Food & Beverage	8,709.56	6,627.16	12,058.75	-23.15%
FTSE/Athex Personal Products	6,251.21	6,251.21	8,868.58	-28.35%
FTSE/Athex Health Care	366.81	305.68	611.35	-33.61%

Source: Daily official list of trading activity of the ATHEX (31/8/2022).

average daily value of the index increased in August 2022, reaching 31.16% from 26.93% in July 2022, with the index remaining below its historical average level (since January 2004) for the Greek market, which stands at 32.61%. The index increased compared to the end of 2021, when it was 28.10% on 12/31/2021, recording significant fluctuations within the year. The average daily value of the index also increased, reaching 31.16% in August 2022 from 30.67% in December 2021. The evolution of the index during the eight months of 2022 reflects an increase in uncertainty for the expected short-term course of the Greek market compared to the end of 2021, given the war in Ukraine,

the global energy crisis and the resulting inflationary pressures.

1.4.3. Greek Government T-bills, Greek Government bonds and corporate bonds

The unfavorable international situation could not leave the global bond market unaffected, leading to higher interest rates and increased borrowing costs for the Greek government. Note that in September 2022, the ECB increased its three key interest rates by 75 basis points with the aim of a timely return of inflation to the

ECB's medium-term target of 2%, following the previous increase by 50 basis points in July 2022.¹

There have been successful issues of Greek Government T-bills since the beginning of 2022 (Table 1.4.2). We are now out of the negative yield territory for all 13-, 26- and 52-week T-bills issued from June 2022 onwards, with higher rates compared to the end of 2021.

The course of the interest rates of the Greek Government benchmark bonds was also upward, as shown in Figure 1.4.1. According to Bank of Greece data, the average monthly yield of the Greek government bonds increased in August 2022, both compared to August 2021 and compared to December 2021 for all maturities, with the seven-year bond having the largest

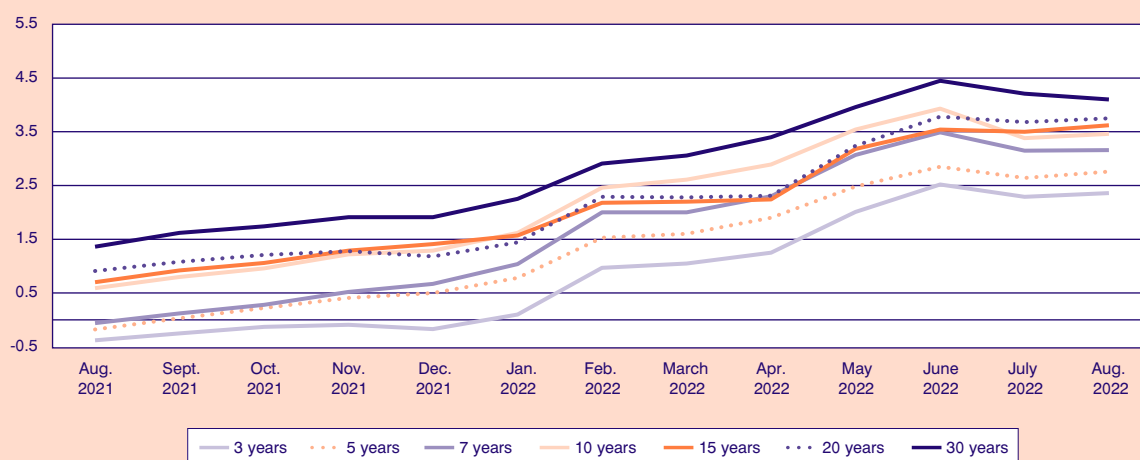
TABLE 1.4.2 Greek Government T-bills yields (issues from the end of 2021 to 7/9/2022)

Auction date	13 weeks	Auction date	26 weeks	Auction date	52 weeks
3/8/2022	0.45%	24/8/2022	1.05%	7/9/2022	1.97%
6/7/2022	0.20%	27/7/2022	0.80%	8/6/2022	0.83%
4/5/2022	-0.16%	29/6/2022	0.45%	9/3/2022	-0.23%
6/4/2022	-0.20%	1/6/2022	-0.03%	8/12/2021	-0.40%
2/2/2022	-0.42%	27/4/2022	-0.14%		
4/1/2022	-0.40%	30/3/2022	-0.20%		
3/11/2021	-0.43%	23/2/2022	-0.40%		
		26/1/2022	-0.43%		
		29/12/2021	-0.46%		

Source: Ministry of Finance.

FIGURE 1.4.1

Monthly average yield (%) of Greek Government benchmark bonds (Aug. 2021 – Aug. 2022) for maturities of 3, 5, 7, 10, 15, 20 and 30 years



Source: Bank of Greece.

1. See <ECB Press Release of the 8th September 2022> and <ECB Press Release of the 21st July 2022>.

increase compared to August 2021. Note that, given the conditions, the most recent Greek government bond issue took place in July 2022, where the Greek government raised €1 billion from the issuance of five-year Floating Rate Notes, with the interest rate at three-month Euribor plus 123 basis points.

The corporate bond indices of the ATHEX also moved downwards. According to ATHEX data, the Hellenic Corporate Bond Price Index² recorded losses of -8.78% and the Hellenic Corporate Bond Index³ lost -6.97% in the eight months of 2022.⁴ However, for the same period, the cash value of settled transactions of corporate bonds increased, reaching €168.89 million in the eight months of 2022 from €131.76 million in the eight months of 2021. Note that the corporate bond market is of particular interest, with successful issues in 2022 as well, after a year of increased issuing activity of corporate bonds in 2021. Twenty corporate bonds are now traded in the corporate bond market of the ATHEX, while, in the first half of 2022, €200 million was raised from the issuance of two corporate bonds, with successful issuances continuing in July 2022. Although funds raised through corporate bond issues are lower compared to the first half of 2021, they constitute approximately 74% of the raised capital of the regulated market in the first half of 2022.⁵

1.4.4. Conclusions

The deterioration of international financial conditions and the concern about the course of the global economy have affected the course of the stock market and the bond market, as expected. The uncertainty regarding the course of the global energy crisis, inflationary pressures and interest rate increases were reflected in the course of the ATHEX, which completed the eight months of 2022 with negative returns for the majority of stock indices, while the returns of Greek Government T-bills and bonds increased. The significant issuance activity of the corporate bond market in 2021, with successful issues in 2022 as well, provides an alternative source of financing for businesses. In the current unfavorable international situation, the Greek capital market should promote growth, while facing successive challenges and intense uncertainty. At the same time, the goal of returning to investment grade remains, with Greece being close to achieving it.

References

Athens Exchange Group, Monthly Statistics Bulletin AxiaNumbers, Securities Market, December 2021.

Athens Exchange Group, Monthly Statistics Bulletin AxiaNumbers, Securities Market, August 2022.

2. Based on the net price of each bond.

3. Based on the net price, accrued interest and the value of the payments of each bond.

4. Returns on 29/8/2022 according to the daily official list of trading activity of the ATHEX of 31/8/2022.

5. See ATHEX, Capital Raised, Securities Market 1st semester 2021 and 2022.