

1.4. Return to investment grade and high returns for the Greek stock market in 2023

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1.4.1. Introduction

The return to investment grade and the good performance of the Greek economy contributed significantly to the positive performance of the Greek stock market for 2023, recording high positive returns and increased capitalization and transactions value compared to the previous year. In the same period, the bond market was affected by the successive interest rate hikes by the European Central Bank (ECB), increasing the cost of borrowing for the Greek government as well. Nevertheless, in the last months of 2023, bond yields saw a deceleration given the cessation of continuous interest rate hikes by the ECB and the recovery of investment grade for Greece. At the same time, the year 2023 ended with an excellent performance for the Greek institutional management sector, recording positive returns and increased assets and capital inflows.

After Greece’s return to investment grade in 2023 by Rating and Investment Information (R&I), Scope Ratings, DBRS Morningstar, Standard & Poor’s and, more recently, by Fitch (Table 1.4.1), the goal is to also achieve investment grade by the American rating agency

Moody’s. Note that the recovery of the investment grade has multiple benefits as it leads to reduced borrowing costs for the public and businesses, makes Greek stocks and bonds eligible for a much larger investor audience, and can positively contribute to the return of the Greek stock market in developed markets.

This article presents a brief overview of the course of the Greek stock market during the year 2023, focusing on key stock market indices and data. Additionally, the course of the bond market and the institutional management sector are presented for the year 2023. The final section of the article summarizes and concludes.

1.4.2. The course of the stock market in 2023

The year 2023 ended with impressive returns for the Greek stock market, with the Athex Composite Share Price Index achieving one of the highest returns internationally. More specifically, according to ATHEX data for 2023 (Table 1.4.2), the Athex Composite Share Price Index recorded a high positive return of 39.08%, reaching 1,293.14 points on 29/12/2023, from 929.79 points on 30/12/2022. The returns of the mid-cap and small-cap indices were also impressively high, with the FTSE/Athex Mid Cap Index and the Hellenic Mid & Small Cap Index outperforming the Athex Composite Share Price Index, registering an increase of 59.47% and 41.30%, respectively, while the Athex ESG Index and the FTSE/Athex Large Cap also moved close to the performance of the Athex Composite Share Price Index, at 39.15% and 38.70%, respectively.

TABLE 1.4.1 Greece’s credit rating

Rating Agency	Rating	Outlook	Date of last review
Moody’s	Ba1	Stable	September 2023
Fitch	BBB-	Stable	December 2023
Standard & Poor’s	BBB-	Stable	October 2023
Rating and Investment (R&I)	BBB-	Stable	July 2023
DBRS Morningstar	BBB(Low)	Stable	September 2023
Scope Ratings	BBB-	Stable	August 2023

Source: Public Debt Management Agency (PDMA)-January 2024.

Impressively high returns were also recorded for the ATHEX sectoral indices, with the FTSE/ATHEX INDUSTRIALS index reaching 68.92% and the FTSE/ATHEX FINANCIAL SERVICES index and FTSE/Athex Banks index following, with returns of 66.29% and 65.73%, respectively. The only case of negative performance was the FTSE/ATHEX REAL ESTATE index, recording losses of -0.42%. It is worth noting the impressive course of the banking sector, the improved resilience of which is also confirmed by the upgrades of the systemic banks.¹

According to ATHEX (2023) data, 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 €80.77 billion at the end of December 2023, recording a significant increase of 35% compared to the end of December 2022, which was €59.82 billion. The partic-

ipation of foreign investors (with the participation of the Financial Stability Fund) remains high, reaching 64.37% at the end of December 2023, with foreign investors recording outflows of €17.63 million and 55.1% of total transactions in December 2023. The cash value of settled transactions of December 2023 reached €1,899.19 million, recording an increase of 64.7% compared to December 2022, which was at €1,152.80 million. Furthermore, the cash value of settled transactions of equities was increased in December 2023, reaching €1,865.44 million from €1,130.74 million in December 2022, also recording an increase for the whole year 2023, reaching €27,265.77 million from €17,975.38 million in 2022. Moreover, note that according to ATHEX data for the regulated market,² €896.5 million were raised in 2023 via share capital increases and €237.7 million via new listings in the main market, from €494.2 million and €114.2 million, respectively, in 2022.

TABLE 1.4.2 Prices and returns for selected indices of the ATHEX (29/12/2023)

	29/12/2023	Year min	Year max	Year change (%)
FTSE/Athex Mid Cap Index	2,250.81	1,411.43	2,253.56	59.47%
Hellenic Mid & Small Cap Index	1,929.00	1,365.14	2,011.62	41.30%
Athex ESG Index	1,471.77	1,057.52	1,541.00	39.15%
Athex Composite Share Price Index	1,293.14	929.79	1,351.68	39.08%
FTSE/Athex Large Cap	3,122.79	2,250.77	3,280.71	38.70%
Athex All Share Index	302.00	231.11	314.56	31.17%
FTSE/ATHEX INDUSTRIALS	5,081.43	4,480.19	14,456.49	68.92%
FTSE/ATHEX FINANCIAL SERVICES	5,014.23	4,054.88	13,100.99	66.29%
FTSE/Athex Banks	1,061.62	640.09	1,117.78	65.73%
FTSE/ATHEX CONSUMER DISCRETIONARY	5,015.77	4,812.63	11,591.73	41.71%
FTSE/ATHEX TECHNOLOGY & TELECOMMUNICATIONS	5,072.46	4,512.52	15,048.71	27.48%
FTSE/ATHEX CONSUMER STAPLES	5,088.44	4,557.73	5,642.34	25.28%
FTSE/ATHEX BASIC MATERIALS	4,869.63	4,131.69	17,078.41	24.24%
FTSE/ATHEX ENERGY & UTILITIES	4,987.63	4,162.64	9,803.86	20.31%
FTSE/ATHEX REAL ESTATE	4,960.50	4,558.45	8,268.86	-0.42%

Source: Daily official list of trading activity of the ATHEX 29/12/2023.

1. See S&P, December 14, 2023.

2. ATHEX Annual Publications 2023 and 2022, Capital Raised.

Examining the uncertainty about the short-term course of the market with the help of the KEPE GRIV Implied Volatility Index, the so-called “fear” index, a decrease in uncertainty was observed at the end of 2023 compared to the end of the previous year. 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. The KEPE GRIV index decreased in December 2023, reaching 23.86% on 29/12/2023, from 26.68% on 30/11/2023. The index remained below its historical average level (since January 2004) for the Greek market, which stands at 32.34%. Moreover, the average daily value of the index decreased, reaching 25.34% in December 2023, from 30.22% in November 2023. The index decreased at the end of December 2023 compared to the end of December 2022, which was at 28.48%, reflecting the positive course of the Greek stock market, with fluctuations within the year.

1.4.3. Greek Government T-bills, Greek Government bonds and corporate bonds in 2023

During the year 2023, the bond market continued to come under pressure from the consecutive interest rate hikes by Central Banks, with the European Central Bank (ECB) carrying out its sixth consecutive increase in key interest rates for 2023 on 14 September 2023 (the tenth in a row since July 2022), with the aim of the timely return of inflation to the ECB’s medium-term target of 2%.³ In the subsequent two ECB meetings,⁴ interest rates remained unchanged (main refinancing operations 4.50%, marginal lending facility 4.75% and deposit facility 4.00%), with inflation easing and the ECB considering that “the past interest rate increases continue to be transmitted forcefully to the economy”. Note that during the last months of 2023, a de-escalation of bond yields was also observed, given the cessation of continuous interest rate increases by the ECB and the recovery of investment grade.

TABLE 1.4.3 Greek Government T-bill yields (issues from the end of 2022 to the end of 2023)

Auction date	13 weeks	Auction date	26 weeks	Auction date	52 weeks
1/11/2023	3.88%	27/12/2023	3.87%	6/12/2023	3.70%
4/10/2023	3.90%	29/11/2023	3.84%	6/9/2023	3.81%
2/8/2023	3.72%	25/10/2023	3.92%	7/6/2023	3.84%
5/7/2023	3.59%	27/9/2023	3.90%	8/3/2023	3.75%
3/5/2023	3.20%	23/8/2023	3.83%	7/12/2022	2.73%
5/4/2023	3.04%	26/7/2023	3.80%		
1/2/2023	2.47%	28/6/2023	3.65%		
4/1/2023	2.18%	31/5/2023	3.50%		
2/11/2022	1.79%	26/4/2023	3.50%		
		29/3/2023	3.15%		
		22/2/2023	3.07%		
		25/1/2023	2.40%		
		28/12/2022	2.50%		

Source: Ministry of Economy and Finance.

3. See ECB Press Release of the 14th September 2023.

4. See ECB Press Release of the 14th December 2023 and ECB Press Release of the 26th October 2023.

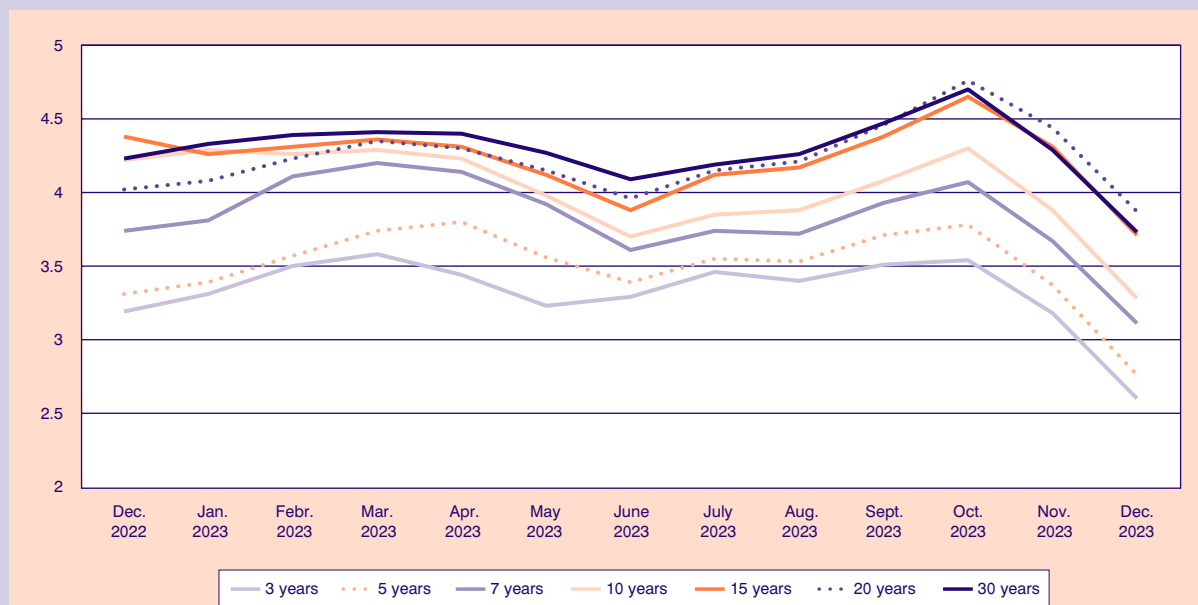
A direct consequence of the increased interest rates during 2023 was the increase in borrowing costs for the Greek Government, as this is also reflected in the yields of the new issues of the Greek Government. More specifically, by examining the issues of Greek Government T-bills in 2023 (Table 1.4.3), it is observed that their yields increased compared to the end of 2022 for all 13-, 26- and 52-week T-bills, with the largest increase recorded for the 13-week T-bills. Furthermore, looking at the interest rates of the Greek Government benchmark bonds, according to Bank of Greece data for 2023 (Figure 1.4.1), we notice that even though the average monthly yield of the Greek government bonds was increased in October 2023 compared to December 2022 for all maturities, during the last months of 2023 a de-escalation of bond yields was observed with the result that the average monthly yield of the Greek government bonds was reduced at the end of the year compared to December 2022 for all maturities. The 10-year bond presented the largest decrease.

Finally, the ATHEX corporate bond indices completed the year 2023 with positive returns. According to ATHEX data, the Hellenic Corporate Bond Price Index⁵ recorded a return of 5.09% and the Hellenic Corporate Bond Index⁶ a return of 8.90% in 2023.⁷ However, the cash value of settled transactions of corporate bonds decreased, reaching €221.11 million from €242.33 million in 2022. Note that, according to ATHEX data for the regulated market⁸, €600 million was raised in 2023 through the issuance of two corporate bonds, compared to €430 million in 2022 through three corporate bond issues.

1.4.4. The course of the institutional management sector in 2023

According to the Hellenic Fund and Asset Management Association (HFAMA) data (2024), the year 2023 can be characterized as a year of excellent performance for

FIGURE 1.4.1
Monthly average yield (%) of Greek Government benchmark bonds (Dec. 2022 – Dec. 2023)
for maturities of 3, 5, 7, 10, 15, 20 and 30 years



Source: Bank of Greece.

5. Based on the net price of each bond.

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

7. Returns on 27/12/2023 according to the daily official list of trading activity of the ATHEX of 29/12/2023.

8. ATHEX Annual Publications 2023 and 2022, Capital Raised.

the Greek institutional management sector. According to HFAMA (2024) data, the total amount of funds under management amounted to €29.51 billion at the end of 2023, recording a remarkable increase of 29.21% compared to the end of 2022. The composition of these funds on 31/12/2023 concerned 53.5% in Undertakings for Collective Investment in Transferable Securities (UCITS), 30.2% in the Asset Management sector, 15.6% in Real Estate Investment Companies (REICs)⁹ and 0.7% in Alternative Investment Funds (AIFs).

Focusing on UCITS, there was a significant increase in the total assets of UCITS managed by Greek Mutual Fund Management Companies by 44% since the beginning of 2023, reaching €15.8 billion on 31/12/2023 (€12.87 billion in UCITS Law 4099/12 and €2.92 billion in EU UCITS). Forty-one percent of these assets are bond funds, 20% balanced, 15% Funds of Funds, 15% equity, 5% money market and 4% specialist. Moreover, there were €3.2 billion in total inflows of funds to UCITS in 2023.

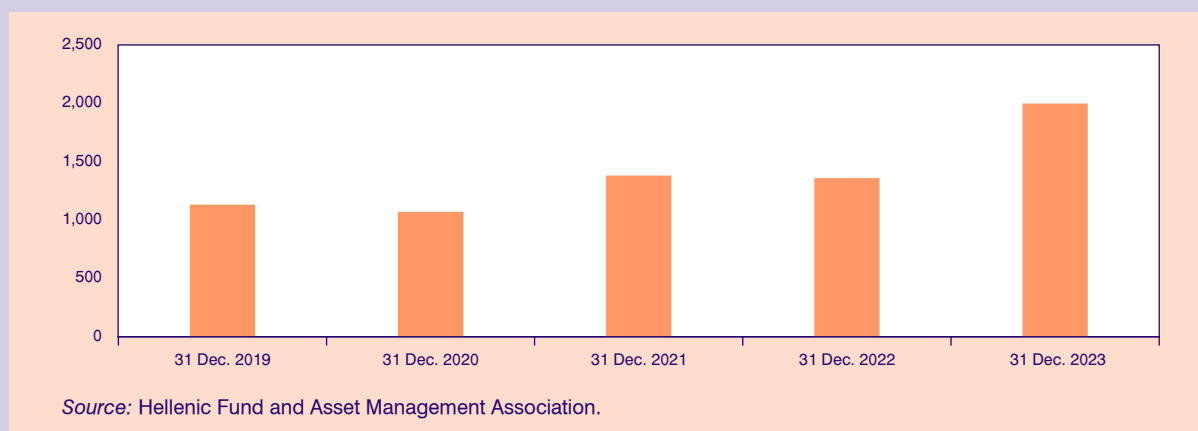
Taking a closer look at the returns of 2023, all UCITS categories recorded positive returns, with equity UCITS standing out. According to HFAMA (2024) data, the highest returns were recorded for the categories of Equity Funds - Greece (40.34%), Index Equity Funds (39.33%), Equity Funds – North America (23.13%), Equity Funds - Global (20.80%) and Balanced Funds (16.58%).¹⁰ Moreover, the Equity Funds - Greece assets, which had the highest return in 2023, increased by 47% compared to the end of the previous year (Figure 1.4.2).

1.4.5. Conclusions

The positive developments in the Greek economy, combined with the recovery of the investment grade, contributed significantly to the impressive positive performance of the Greek stock market for 2023, with the indices of medium and small capitalization as well as the ATHEX sectoral indices of industries, financial services and banks standing out. At the same time, the year 2023 ended with increased capitalization and transactions value compared to the previous year. In the same period, the bond market was affected by successive interest rate hikes by the ECB with borrowing costs increasing for the Greek government. Nevertheless, bond yields ended the year at levels lower than in December 2022, following the observed de-escalation of yields in the last months of 2023, given the pause in continuous rate hikes by the ECB and the recovery of investment grade for Greece. Moreover, the year 2023 ended with an excellent performance by the Greek institutional management sector, recording positive returns, increased assets and capital inflows, with Equity Funds standing out in terms of returns.

The course of the markets in 2023 sets high expectations for 2024. However, challenges remain with regard to geopolitical developments, the de-escalation of interest rates and inflation easing. The recovery of the investment grade was a milestone for the Greek economy and markets in 2023 and is expected to be a catalyst to achieve the goal of the reclassification of the ATHEX as a developed market.

FIGURE 1.4.2
Equity Funds - Greece assets, million € (31/12/2019-31/12/2023)



9. On 30/6/2023 (latest published data), see Hellenic Fund and Asset Management Association (2024).

10. Annual average return of the UCITs category excluding UCITs activated within the year 2023.

References

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