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**Markit Commentary**

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# Greece receives more aid; coco issuance picks up

In this week's credit wrap, creditors grant Greece more aid, while elsewhere in the markets coco issuance picks up and diverging monetary policy could see risk in Europe and the US widen.

- Greece's 2% coupon 10-yr government bond saw its yield fall to 7.04%, a six month low
- Coco issuance has resurged as confidence in the asset class returns
- The risk between European and US corporate credit widened the last time monetary policy expectations diverged

## Greece bailout

Credit investors reacted positively to Greece's latest round of debt relief this week. Greece was given €10.3bn in aid after months of tense negotiations with its creditors, particularly the IMF.

**GREECE 2.0 02/24/26**


Source: Markit

Greece's 2% coupon 10-yr government bond saw its yield fall to 7.04%, a six month low according to [Markit's bond pricing service](). Yields were twice as high during the heights of the Greece debt saga last summer. While default has been avoided, for now, Greece still boasts a debt to GDP ratio of 180% - meaning concerns over long term sustainability remain.

## Coco issuance reignites

After being embroiled in market turmoil at beginning of the year, contingent convertible bonds (cocos) have made a return to the primary market.

**Markit iBoxx EUR Contingent Convertible Index total return year to date**

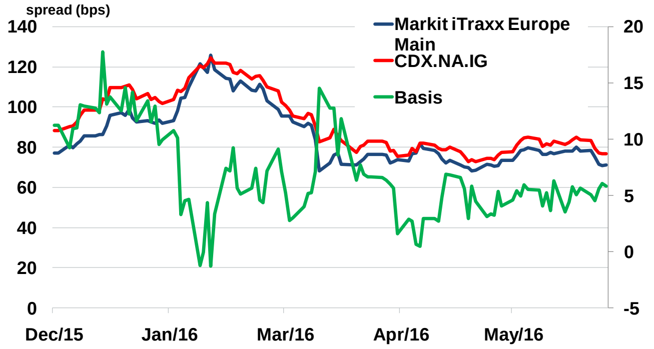

Source: Markit

The bonds, which convert to equity should the issuer fall into trouble, saw returns tumble at the start of the year. The Markit iBoxx EUR Contingent Convertible Index saw a near 14% drop on a total return basis in a matter of weeks. The index has since recovered, albeit unsteadily, and the year to date return stands at -2.1% as of May 26th. The recovery has meant issuers have felt positive testing the primary market once again, with HSBC and Erste Group issuing new bonds.

## Hawkish Fed

Confident rhetoric from influential Fed members over the past week has seen a surge in the probability of another interest rate hike as early as June or July. With the ECB bolstering stimulus in Europe in March, diverging monetary policies look set to impact credit risk premia in the region.

European and US credit indices




Source: Markit

The basis (spread differential) between the Markit iTraxx Main Europe index and the CDX IG index has been relatively flat over the past month, with US corporate credit holding a 6bps risk premium. The last time the Fed raised rates, last December, the basis spiked to 15bps as investors foresaw diverging policies. Given the past trend, and if the US and global markets remain stable over the next few months, buying protection on US credits might be the better option for investors.

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