Fixed-Income Market

Annual Report 2022

Summary

Economic growth is slowing down and inflation soars around the world. **Monetary policies are strongly restrictive. Spain is one of the fastest growing economies.**

Interest rates see hikes in debt markets with sharp price falls. High yields attract investors at the end of the year and the beginning of 2023.

380 billion in issues on the Spanish debt markets. 252 billion in public debt and 128 billion in corporate debt.

MARF reached 136 issuers with an outstanding amount of EUR 8.2 billion.

Following the difficulties in primary markets, **ESG debt issuance fell by 24% worldwide and in Spain**. Spain remains among the top 10 countries in the world in terms of volume of green bonds issued by both public and private domestic entities.

The start of 2023 has been positive for fixed-income investors in terms of returns, although economic and geopolitical uncertainties remain.

Contents

Economic, Monetary and Debt Market Framework

World Economy, Eurozone and Spain

In February 2022, war broke out in Ukraine. Its terrible **humanitarian, economic and social consequences** were combined with the scars of COVID-19 and led to further acceleration of inflation, especially in commodities and energy. The situation generated an increase in debt, mainly public, and disruption of supply chains due to geopolitical tensions and obstacles to global mobility.

As a consequence, **central banks** around the world were forced to act firmly to curb inflation **by raising interest rates with a speed and intensity unprecedented in recent times**. In this context, economic growth also slowed down, as did the forecasts for 2023.

According to the IMF, **global GDP would have grown by 3.4% in 2022, decelerating by 2.8 percentage points from the previous year**.

Eurozone GDP also decelerated sharply, from 5.2% growth in 2021 to 3.5% in 2022. **Inflation** was a major source of tension in 2022, accelerating **from 3% in January to levels close to 10% in December**.

Spain was one of the Eurozone economies that made a notable contribution to the area's advance, with **GDP growth of 5.5% in 2022,** driven by the **reopening of the economy, a strong recovery in tourism, the strength of domestic demand** and the increase in investment generated by the gradual arrival of **funds** from the European recovery plan, **NextGenerationEU**.

Monetary Policy

The **central banks** of the main countries and economic regions **were the main financial protagonists of the year, radically changing their strategy and clearly opting for very aggressive monetary tightening policies** in an attempt to curb the rise in prices.

The US Federal Reserve (Fed) raised intervention rates in March for the first time since 2018 by 0.25 percentage points to the range of 0.25%–0.50%. Two months later, on 4 May, it raised the rate by a further 0.50 percentage points and, under strong pressure from inflation, which was close to 10% in the US, it raised the rate four times in a row, by 0.75 percentage points each in June, July, September and November, and by a further 0.50 percentage points in December, bringing the **year-end intervention rate to 4.25%–4.5%, a level that had not been reached since 2007**.

In the eurozone, **the ECB** opted for greater caution at the beginning of the year as the economy continued to deteriorate. However, runaway inflation, which was gradually approaching 10% year-on-year, led to the announcement of the end of asset purchases programmes in March. At its meeting on 21 July, the ECB raised intervention interest rates by 0.50 percentage points for the first time in 11 years, ending the zero interest-rate phase. In September and October, the ECB made two further rate hikes of 75 basis points, followed by a further 50 basis points increase in December, bringing the **intervention rate to 2.5%, the highest level since 2008**.

Debt Markets

Global government and corporate debt markets experienced one of the worst years in their history with **sharp price falls and rising interest rates** as central banks tightened their monetary policies at an accelerating pace to combat runaway and persistent inflation.

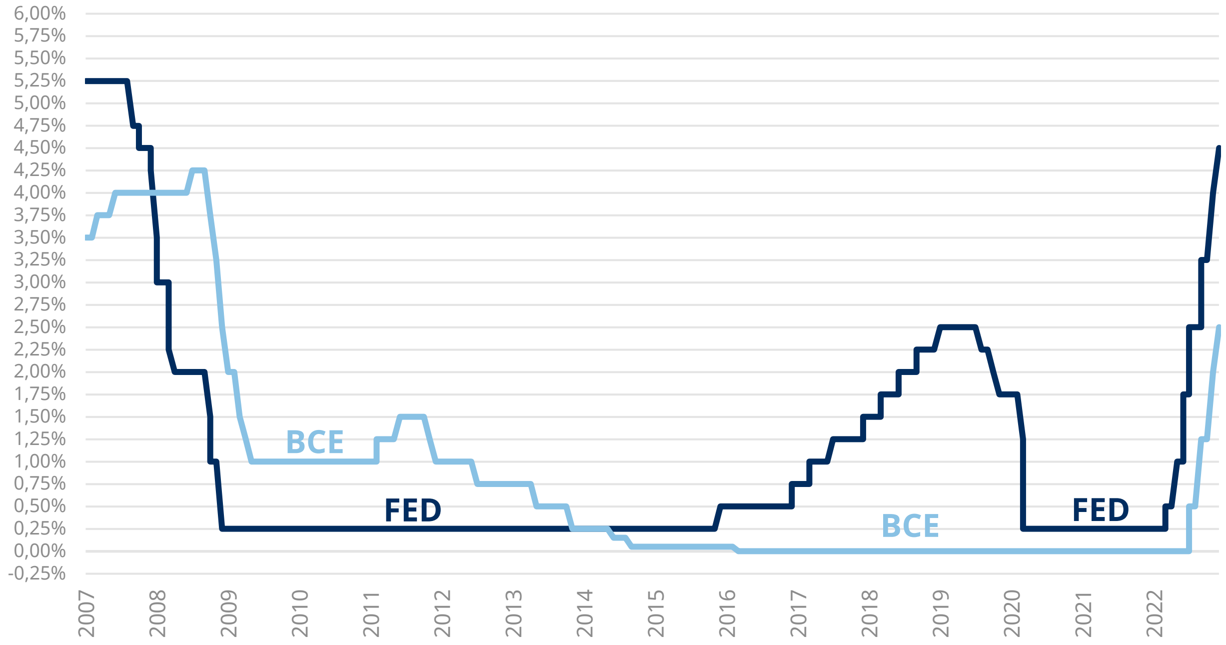
In the last quarter, high yields became a powerful attraction for investors and signs of contention in inflation helped to limit losses.

Despite the difficult context, **the Spanish debt markets maintained their capacity to finance both the public and private sectors, with issuance volumes exceeding EUR 380 billion**.

Economic Environment Indicators

ECB and FED Benchmark Interest Rates

From the Financial Crisis to COVID-19 (2007-2022)



The change in the central bank discourse that began in the second half of last year.

The US Federal Reserve (Fed) has raised rates 7 times in 2022 to 4.25–4.50%.

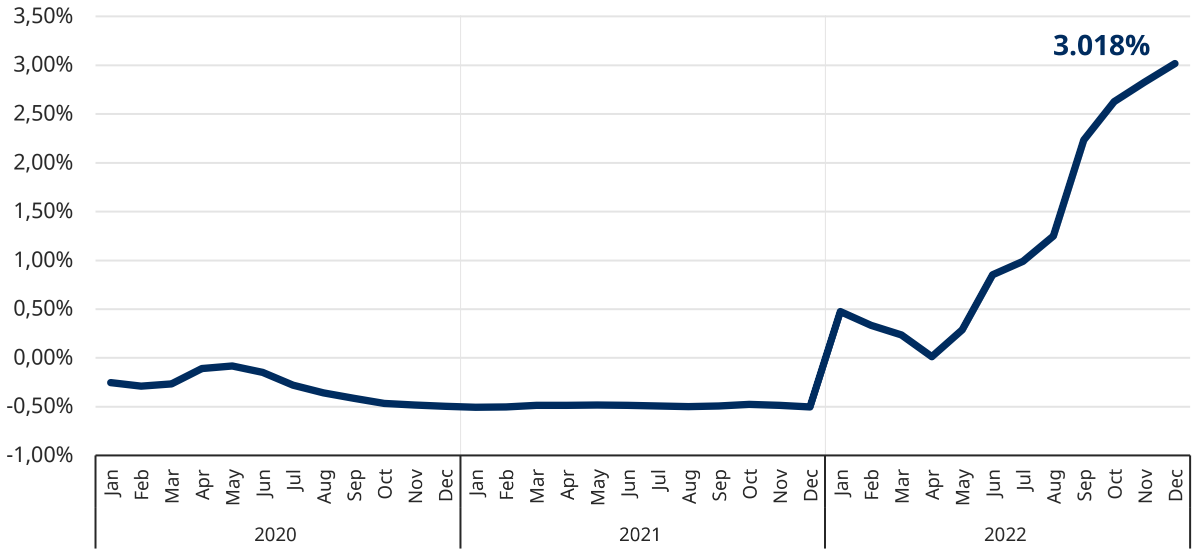
In the eurozone, the **ECB raised rates 4 times from 0% to 2.5%.**

Source: Central Banks

Euribor

1 Year Euribor (2020-2022)

Monthly averages of daily data.



Euribor left negative rates in January 2022 and climbed steadily to levels above 3%, reflecting the tightening of the monetary policy by the European Central Bank (ECB).

Source: Banco de España

Exchange Rate

EUR vs. USD (2019-2022)

USD per EUR.

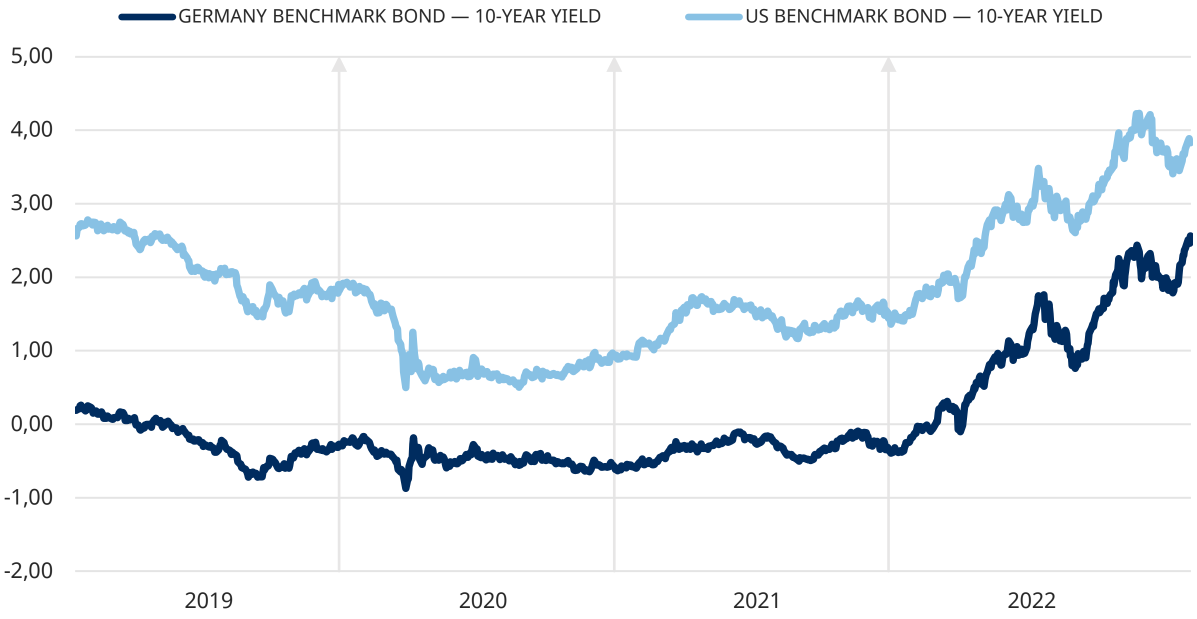
The euro continued to weaken against the dollar from the beginning of the year, reaching parity by mid-year as the Federal Reserve raised its benchmark interest rates more aggressively. The start of interest rate hikes by the ECB and the improvement in US inflation reversed the trend and **the euro strengthened its position in the latter part of the year.**

Source: Refinitiv

Public Debt in the US and Germany

Interest Rates (%) on US and German 10-Year Bonds (2019-2022)

Daily data.



The US 10-year bond started 2022 at 1.63%, the lowest level of the year, and maintained the upward trend in yields for the most of 2022, until it reached a high of 4.23% in October, driven by the Fed's rate hikes and very high inflation. It closed the year at 3.8%.

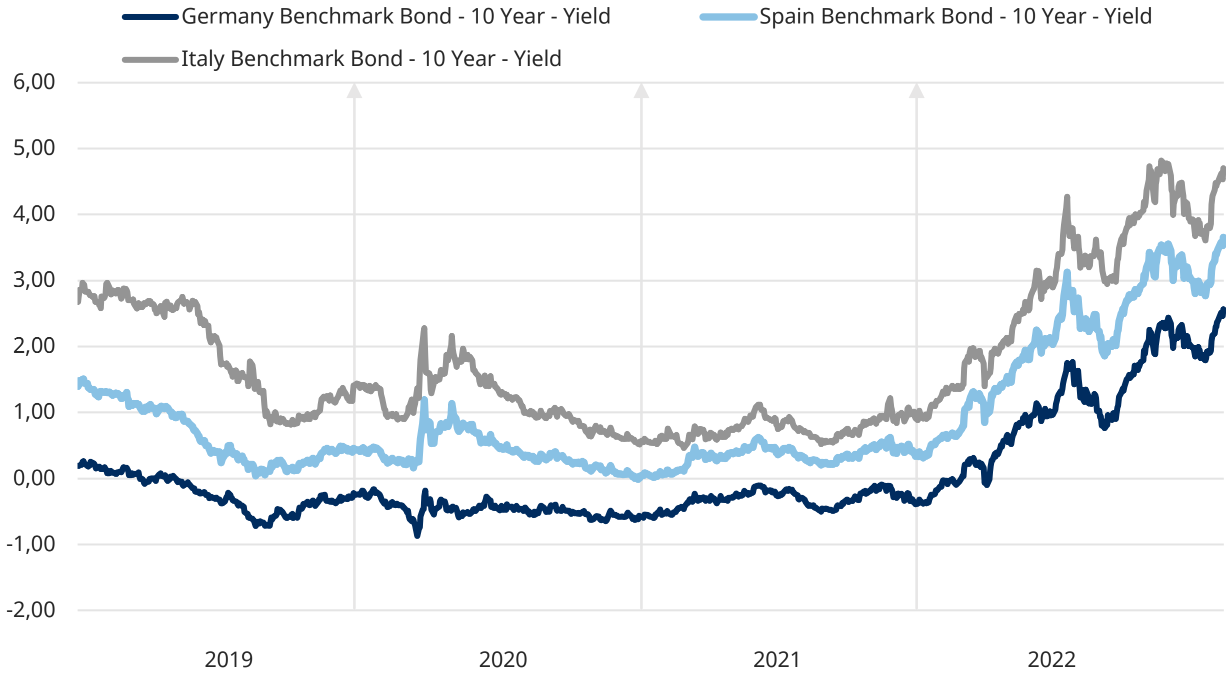
In Europe**, the German 10-year bond started the year with a negative yield (-0.12%), negative rates which it left at the end of January, rising** to 2.6% at the end of the year.

Source: Refinitiv

Public Debt - Eurozone

Interest Rates (%) on 10-Year Bond in Germany, Italy and Spain (2019-2022)

Dayli data



The Spanish 10-year bond started 2022 at 0.61% and climbed to a high of 3.55% in October, before correcting below 3% in November and recovering in December to end the year at 3.7%. For the first time in eight years, the Spanish benchmark bond rose above the 3.5% mark.

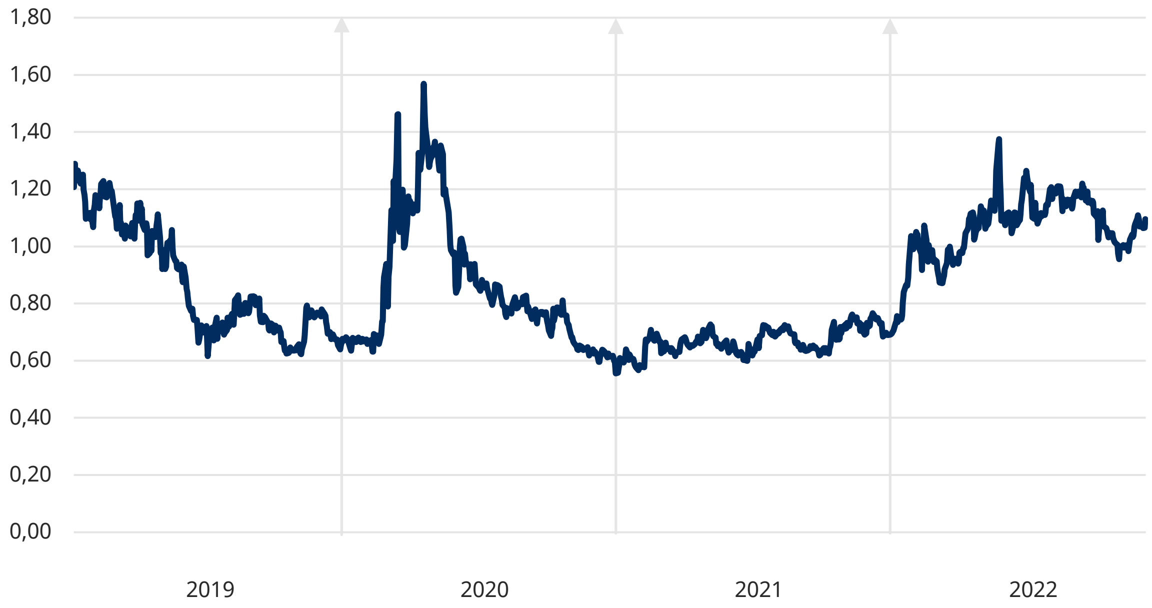
The Italian 10-year bond also benefited from the ECB's protection. The Italian risk premium was above 2% from June onwards, although it never exceeded 2.5%. The gap between Italian and Spanish 10-year bonds widened in October to 125 basis points. By November and December it was back to around 1% (104 basis points at the end of the year).

Source: Refinitiv

Spanish Risk Premium

Spanish 10-Year Bond Against the German Bond in 2022. Differential

Daily data in percentual points (+p.p.).



The risk premium of Spanish bonds over the benchmark 10-year German Bund, which started the year at 0.73 percentage point, reached 1.38 percentage points at sometimes during the year, but the measures taken by the ECB under the Transmission Protection Instrument (TPI) moderated the increase **and the premium fell in November and December to 110 basis points.**

Source: Refinitiv

Equity – World Stock Exchanges

MSCI World Index (2019-2022)

Daily data.

The war in Ukraine, unusually prolonged and very high inflation, rising interest rates across all maturities and the slowdown in major economies hit global equity markets in 2022. The global equity index ended the year with a loss of 19.5%, following strong gains (+20%) in the previous year. Losses moderated in October and November.

The MSCI World Index is one of the leading global indicators of stock market performance. It includes companies listed on the main world stock exchanges.

Source: Refinitiv

Oil

Oil Price 2019-2022 (Brent Price in USD per Barrel)

Daily data.

Crude oil prices slowed their rise in 2022 (+10%), after increases of more than 50% in the previous year.

The gradual slowdown in the world economy and the zero Covid policy of China, a major consumer, have dampened demand and kept prices in check.

Source: Refinitiv

Gold

USD per Ounce (2019-2022)

Gold London AM Fixing. Daily data.

Gold ended 2022 at almost the same level as it ended 2021, around EUR 1,820 per ounce.

During the year, it reached EUR 2,000 amid the uncertainty caused by the outbreak of the war, only to correct later in the year as yields on debt issues became more attractive as safe haven.

Source: Refinitiv

Activity and Performance of the Fixed-Income Markets Managed by BME

Spanish Deficit and Public Debt

Basic 2022 Data

The public deficit of the Public Administrations as a whole stood slightly above 4% in 2022, below the 5% of the previous year and already far from the 11.3% of the year 2020, as a consequence of the pandemic caused by Covid-19. Economic growth and high inflation have helped correcting the deficit.

The total public debt closed year 2022 at 1.50 trillion euros, which represents 113.1% of GDP, below the 118.3% closing of the previous year. The reduction of the deficit, growth and inflation have helped to correct the debt ratio of the Public Sector.

Gross issuance for 2022 stood at 232,507 million, 12% less than the previous year. **The net issuance of public debt at all maturities reached 70,000 million euros in 2022**, an amount 5,000 million less than that of the previous year and again considerably far from the 110,000 million net of 2020 as a result of the pandemic.

The general rate hikes in the international debt markets caused the **average cost of new issues in the year to rise to 1.27%,** leaving behind placements seen at negative rates in 2021 (-0.04% average cost).

The average cost of all outstanding public debt has remained at historically low levels (1.73%), a level slightly above the minimum of 1.64% reached the previous year.

The **average life of all Spanish public debt stands at 7.89 years.**

Primary Spanish Public Debt Market

Admissions

The volume of Spanish public debt issued and admitted to trading on the BME regulated fixed-income market in 2022 reached EUR 252,227 million, 10% less than in the previous year. The high pace of public sector issuance in previous years, marked by the effects of the COVID-19 pandemic, eased slightly.

In 2022, the asset purchase programmes launched by the European Central Bank, which had facilitated the issuance and placement of public debt and kept interest rates at historically low levels, came to an end.

The volume of issues and admissions decreased both for treasury bills, to 89,391 (-4.8%), **and for medium and long-term debt** (-6%), for a total of EUR 151,195 million for the year. Debt issued by the autonomous communities was lower. The volume of issues fell by 63% compared with the previous year.

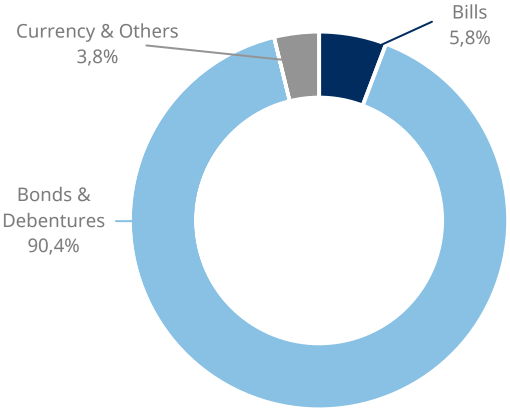
Primary Public Debt Market

Treasury Issuing Activity

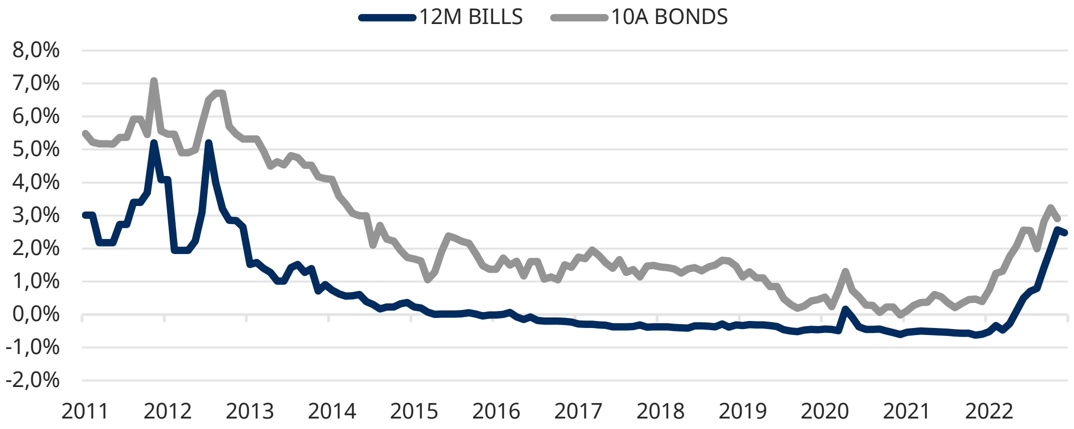
Spanish Public Debt Rating (2022)

Fitch:	A- / stable
Moody's:	Baa1 / stable
S&P:	A / negative

Debt Composition 2022



Spanish Public Debt Issuance Rates (2011-2022)



Source: Public Treasury

Primary Public Debt Market

Treasury Issuing Activity

Figures in EUR Million.

Government Debt Issuance in 2022

	MATURITIES	AUCTIONS	NET FINANCING
January	31,301	29,635	**-1,666**
February	8,142	27,172	**19,030**
March	8,976	20,536	**11,560**
April	29,556	18,587	**-10,969**
May	8,791	17,703	**8,912**
June	8,172	24,796	**16,624**
July	7,548	19,089	**11,541**
August	7,811	13,187	**5,376**
September	7,119	21,262	**14,143**
October	25,950	16,745	**-9,205**
November	7,383	14,986	**7,603**
Dicember	11,760	8,870	**-2,890**
TOTAL	**162,509**	**232,568**	**70,059**

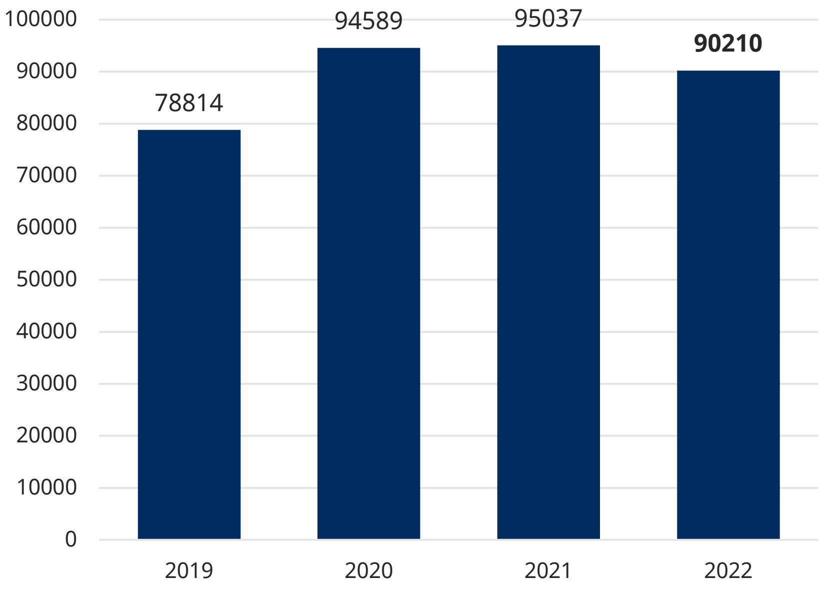
Source: Public Treasury

Primary Spanish Public Debt Market

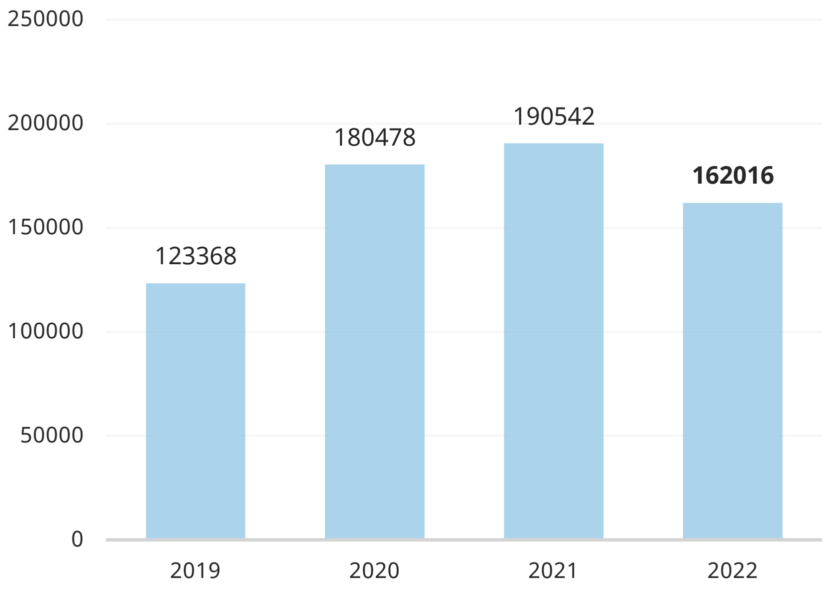
AIAF Market. Admissions to Trading

Data in EUR million.

Short-Term Public Debt



Medium- and Long-Term Public Debt



Source: BME

Primary Spanish Private Debt Market

Basic 2022 Data

The volume of Spanish private debt issued and admitted to trading on the regulated market between January and December 2022 reached EUR 114,038 million, up 0.7% year-on-year. The end of the ECB's corporate debt purchase programmes from mid-year adds even more value to the volumes of short-, medium- and long-term debt that companies were able to issue throughout 2022.

In contrast to 2021, when longer-term issuance almost doubled, **in 2022 companies concentrated their issuance in the short term in view of the uncertainty prevailing in the medium term. The growth in commercial paper issues was particularly noteworthy and amounted to EUR 39,334 million, which constitutes an increase of 95%.**

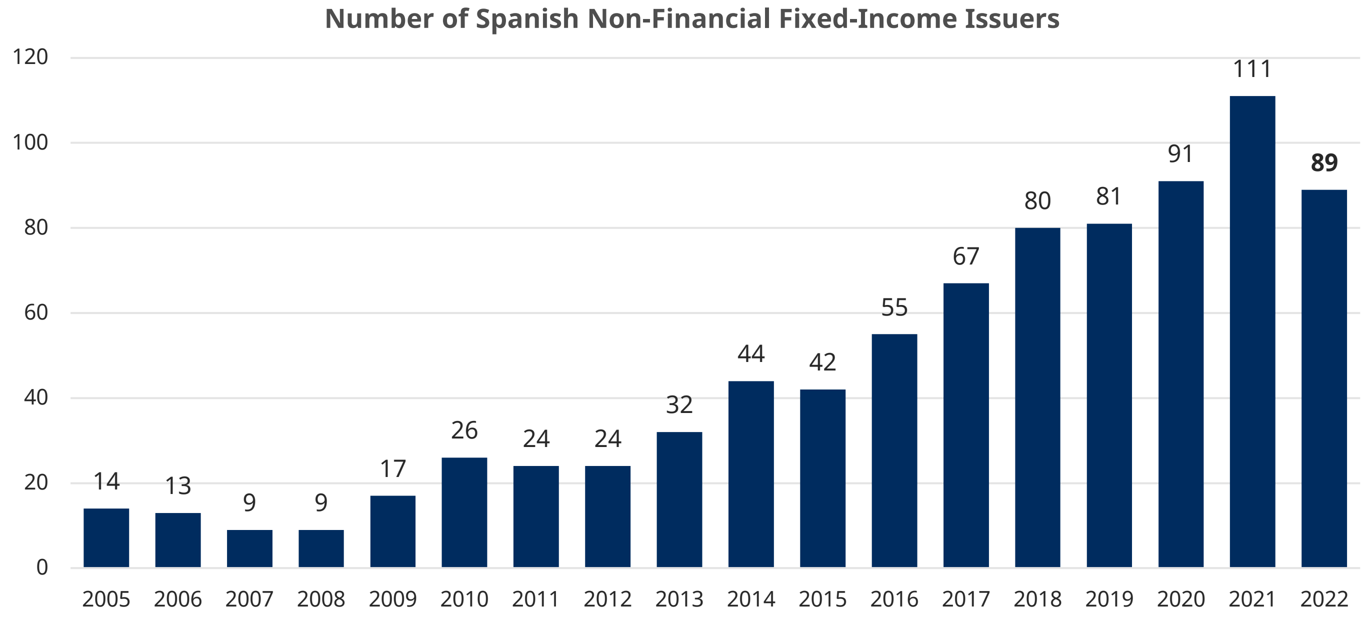
By contrast, **issues of medium and long-term bonds fell by almost 50% to 19,169 million.** Securitisation issues continued to consolidate, increasing their volume by 12% to 20,645 million.

Issues of covered bonds remained stable close to 35,000 million euro. Since July, covered bonds are under a European Directive that reduces the risk of illiquidity in the event of the bank's insolvency. This is expected to provide a major boost to the market in the coming years.

Primary Spanish Private Debt Market

Issuers (2005-2022)

Including both short- and long-term issues.

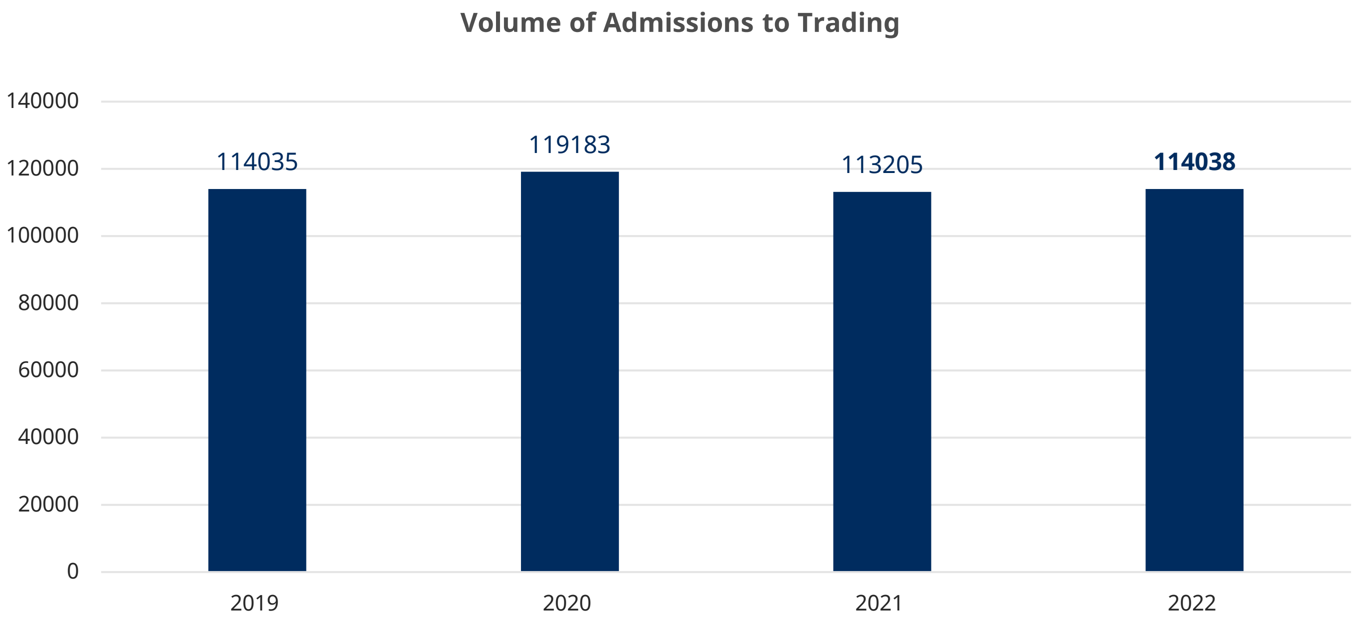


Source: Banco de España

Primary Spanish Private Debt Market

AIAF Market. Admissions (2019-2022)

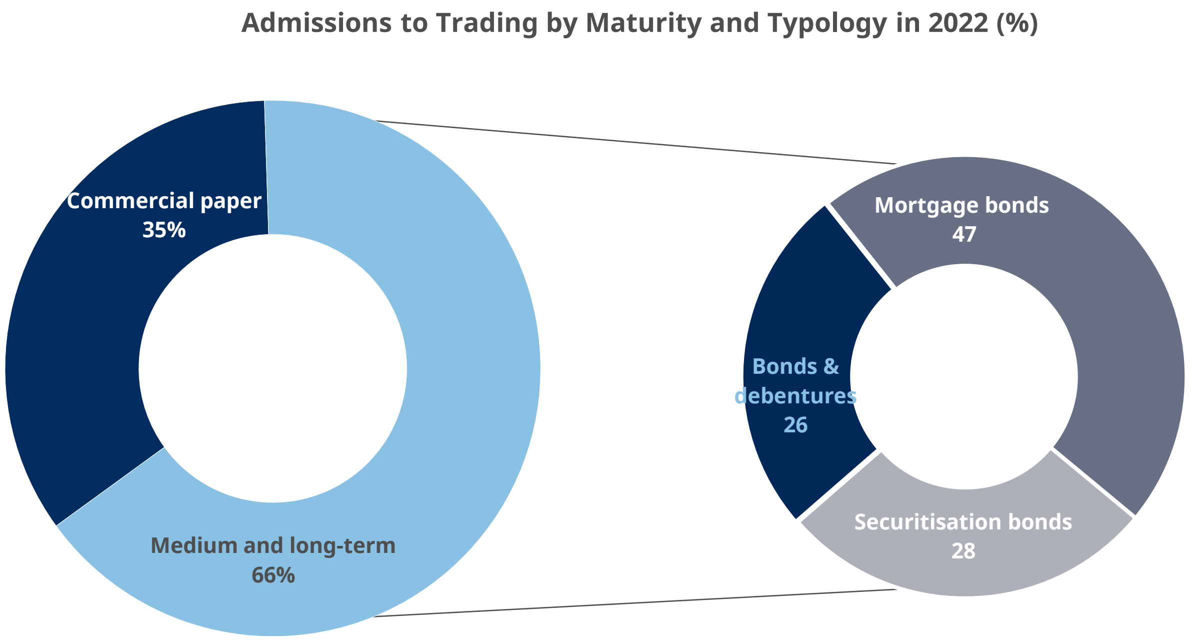
Figures in EUR million.



Source: BME

Primary Spanish Private Debt Market

AIAF Market. Tipology of Admissions

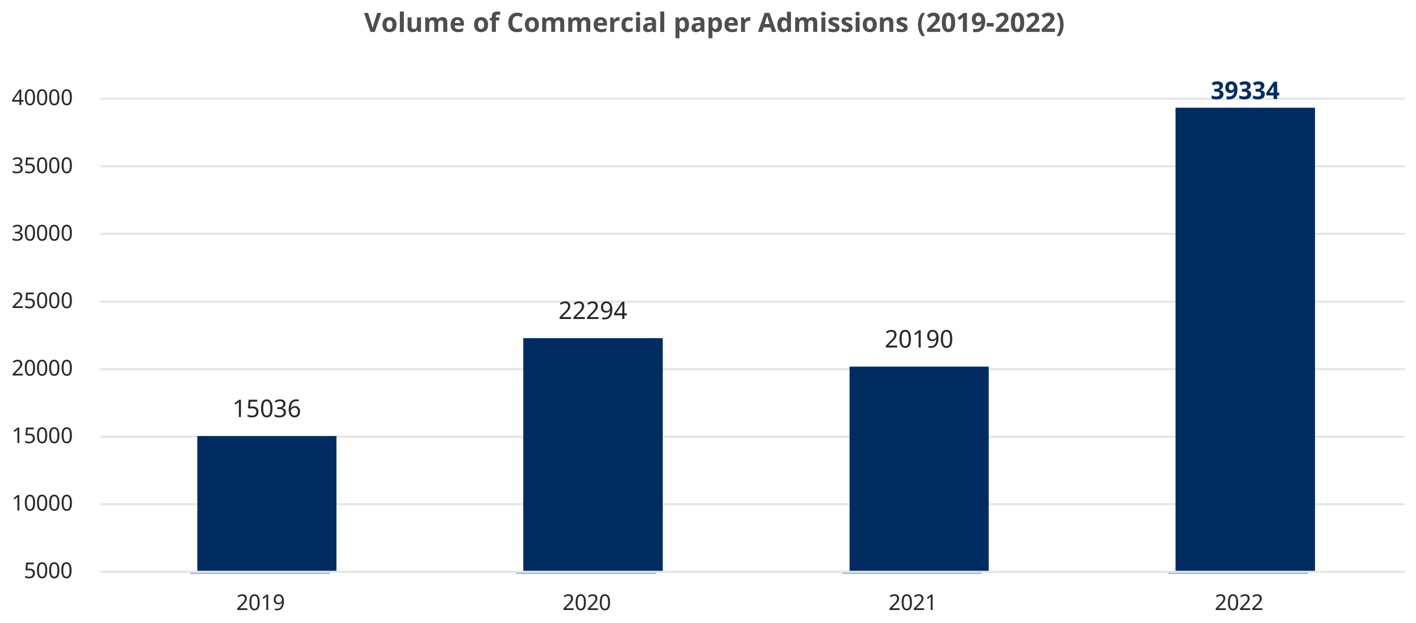


Source: BME

Primary Spanish Private Debt Market

AIAF Market. Commercial paper

Figures in EUR million.



Source: BME

AIAF Market

Total Outstanding Amount

The total outstanding amount of Spanish public debt in the regulated fixed-income market stood at EUR 1.33 trillion at the end of 2022, 6.8% higher than at the end of the previous year.

Medium- and long-term public debt is the most significant asset class at EUR 1.16 trillion (+8.3%), followed by Treasury Bills at EUR 74,881 million (-5.7%). The debt of the autonomous communities stood at EUR 34,943 million (-2.3%).

The outstanding amount of foreign public debt listed at the market at the end of 2022 decreased by 5.6% to EUR 4.34 trillion. Since 2017, BME's Fixed-Income Market has been incorporating issues from the governments of Germany, France, the Netherlands, Belgium, Italy, Austria, Portugal, Ireland, Greece and the European Stability Mechanism (ESM) and the European Union.

In the regulated private fixed-income market, the total outstanding amount of Spanish issues was EUR 394,130 million, 14.7% less than at the end of the previous year.

AIAF Market. Secondary Market

Outstanding Amounts: Public and Private Debt

Data at the end of 2022 in EUR billion and units.

Balance Outstanding (EUR Billion)

	SHORT TERM	MEDIUM & LONG TERM
Private Fixed Income	8.7	385.4
Public Fixed Income	75.0	1,335.0
Foreign Public Fixed Income	-	4,339.9
TOTAL	**83.8**	**6,060.3**

Number of Issues (nº)

	SHORT TERM	MEDIUM & LONG TERM
Private Fixed Income	517	1380
Spanish Public Fixed Income	20	441
Foreign Public Fixed Income	83	560
TOTAL	**620**	**2381**

Source: BME

AIAF Market

Secondary Market

With the application of MiFID II rules to fixed income stricter market and transparency rules similar to those already in place in other markets such as equities apply, **the trend towards increased fixed income trading via electronic platforms** continues to intensify.

Financial entities that obtain the status of a member of the fixed-income market also use the fixed-income markets and electronic trading systems managed by BME to comply with transparency, information dissemination and reporting obligations arising from the application of the rules.

In response to demand from member entities, **issues from the treasuries of Germany, France, the Netherlands, Belgium, Italy, Austria, Portugal, Ireland, Greece and the ESM and the EU were added to the platform as of 2017**.

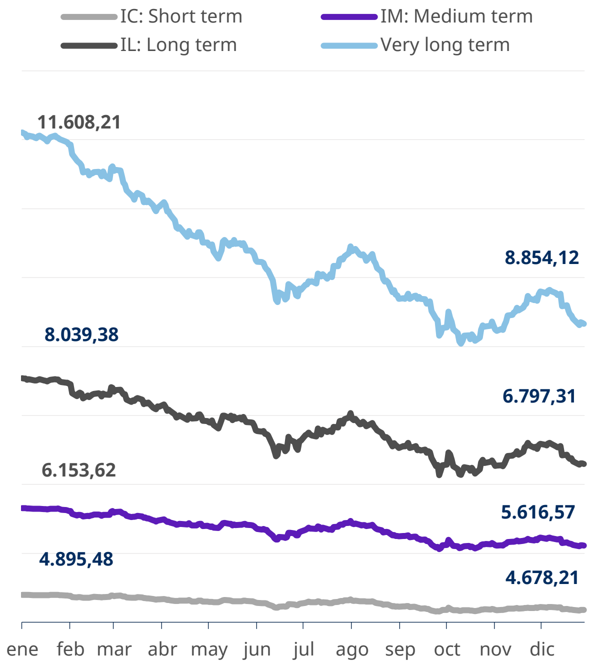
The exceptional nature of the year in terms of price falls and swings had a negative impact on the volumes traded in the market. Thus, between January and December, **total public debt trading on the SENAF platform reserved for specialised wholesale financial entities and on the SEND platform open to all types of investors amounted to EUR 114,705 million, representing a decrease of 51%.** The number of cross trades was also reduced by a similar percentage.

AIAF Indices in 2022

EVOLUTION OF THE AIAF INDICES 2000					INDEX DURATIONS			
INDEX		MAXIMUM	MINIMUM	LAST	MODERATE	MAXIMUM	MINIMUM	LAST
IG	GENERAL	6,498.89	5,822.56	4,679.22	4.19	4.46	3.83	3.87
IC	SHORT	4,896.60	4,655.52	4,676.68	2.17	2.32	1.80	2.03
IM	MEDIUM	6,153.75	5,562.26	5,616.33	3.74	3.98	3.33	3.65
IL	LONG	8,039.38	6,635.69	6,805.21	6.95	7.69	5.88	7.17
IX	VERY LONG	11,608.21	8,542.29	8,843.55	11.41	11.78	10.98	10.98

AIAF 2000 General Index

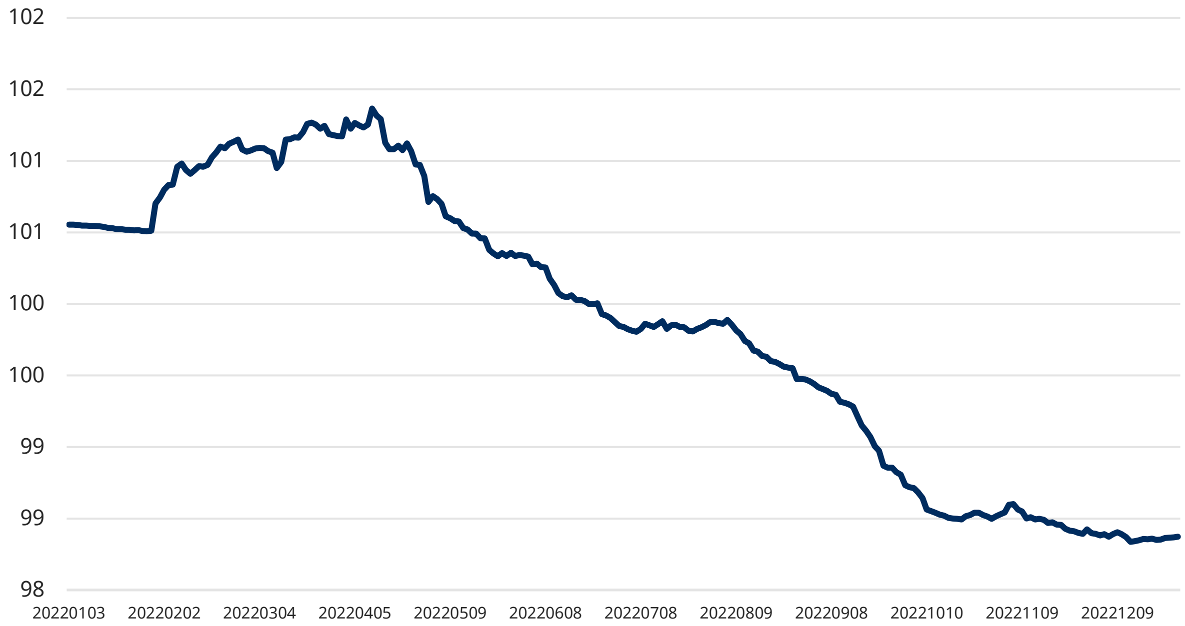
AIAF 2000 Indices



Government Debt Yield Indices (RODE)

Daily RODE Index of Spanish Public Debt between 6 and 12 Month

Year 2022. Daily Data.



The Spanish fixed-income market has a new family of government debt yield indices (Rendimiento de la Deuda del Estado, RODE) launched in May 2021, designed to represent the evolution of the Spanish public debt market across its different maturities.

The index series consists of nine daily and nine monthly indicators reflecting the rate of domestic yields in the public debt market.

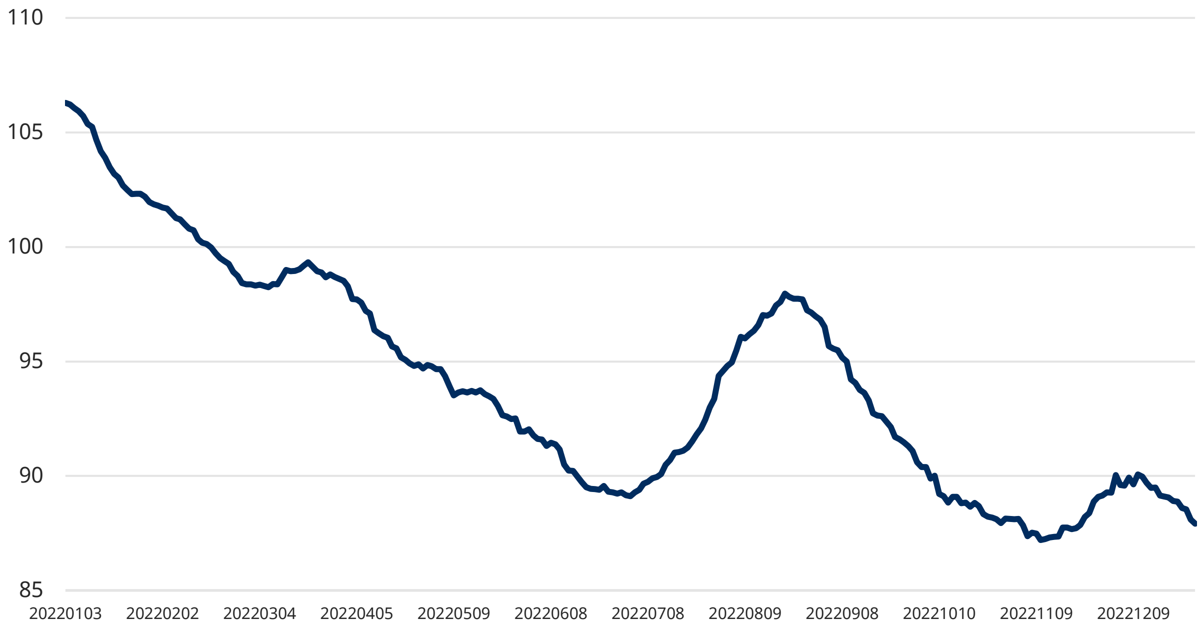
The RODE indices represent a nominal volume-weighted average of rates and prices of completed operations.

Source: BME

Government Debt Yield Indices (RODE)

Daily RODE Index of Spanish Public Debt between 8 and 12 Years

Year 2022. Daily Data.



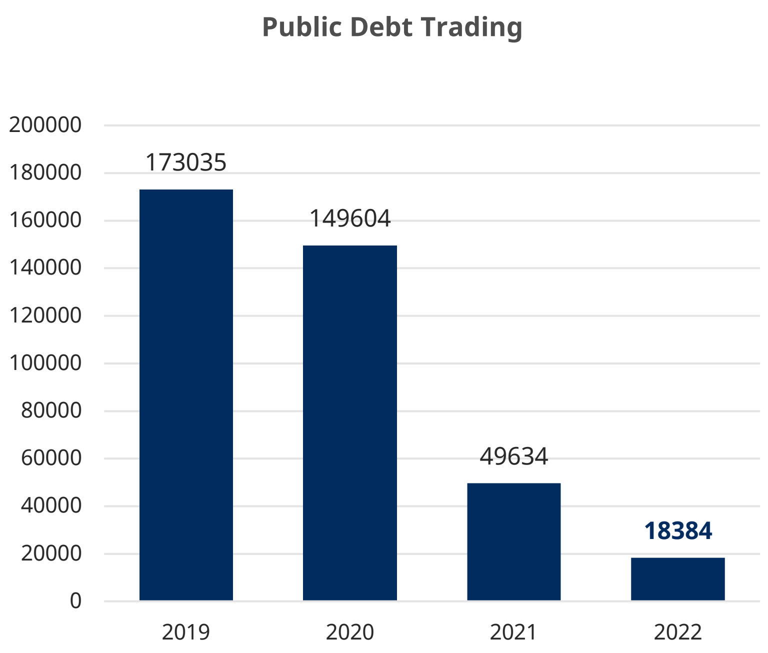
The daily RODE indices are intended to represent a nominal volume-weighted average of rates and prices of completed operations.

Source: BME

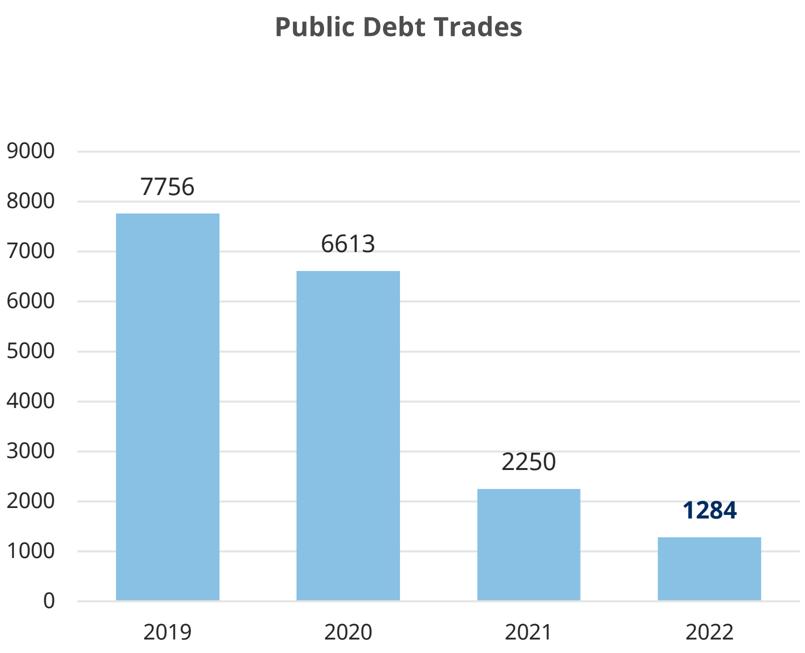
AIAF Market. SEND Plataform

Secondary Market. Public Debt Trading Volume

Data in EUR million and units.



Number of Trades.

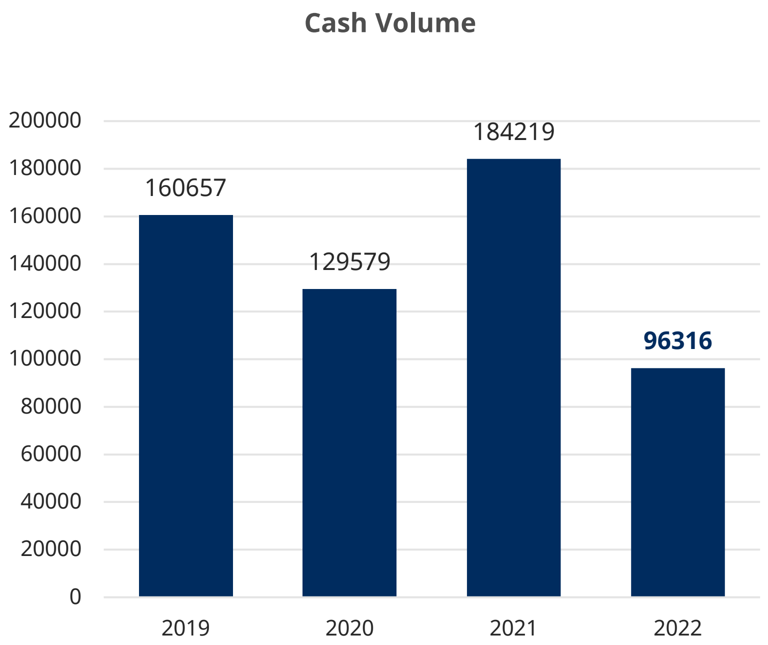


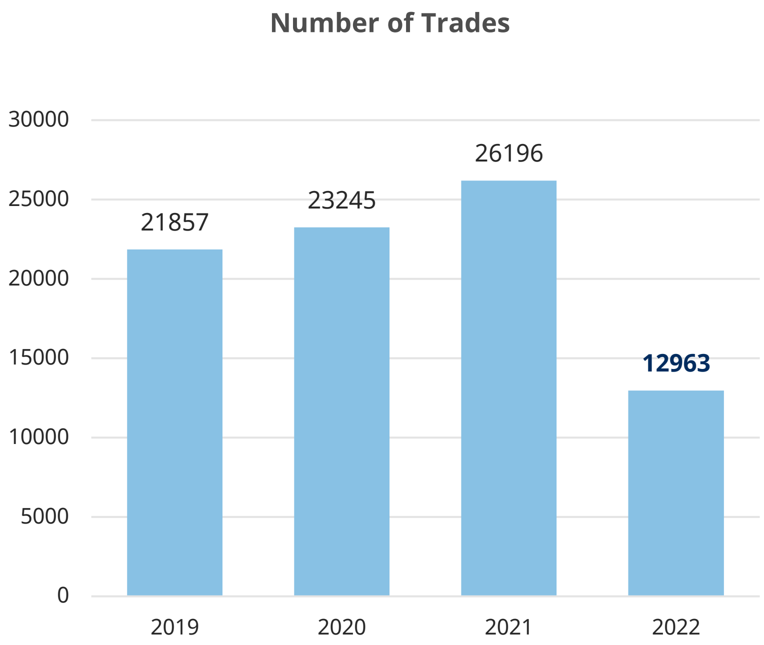
Source: BME

SENAF Plataform

Public Debt Volume and Operations

Data in EUR million and units.





Source: BME

MARF

The Alternative Fixed-Income Market (MARF) was created in the wake of the financial and sovereign debt crisis as a multilateral trading facility **to enable fixed-income issuance by companies of all sizes, many of which had no presence in the capital markets prior to issuing on MARF**.

Since its launch in 2013, 136 companies have obtained funding via this market, 10 of them foreign of which 7 are Portuguese. **With sustained growth in its 9 years of operation, this market has become a major player among the alternatives that help to boost the diversification of business financing sources in Spain.**

For the companies present, in addition to the diversification of funding sources mentioned above, **MARF facilitates access to more flexible financing structures and terms than traditional banking financing**. In recent years, it has also enabled many companies to access sustainable financing frameworks that catalyse commitments to environmental and social sustainability and link the funds raised to the achievement of specific objectives.

MARF

Key Figures

As happened in 2020 as a result of the outbreak of the COVID-19 pandemic, the uncertainty generated by the invasion and escalation of the war in Ukraine slowed the pace of issuance and the growth of the outstanding volume balance on BME's Alternative Fixed-Income Market (MARF).

The volume of issues and admissions reached EUR 13,756 million, representing a slight decrease of 1.5% year-on-year.

Of note was the increase in short-term commercial paper (+23.8%), which offset the decline in both synthetic and "green" securitisation issuance, boosted in the previous year by the entry of large institutions into this market. Complex bond market conditions throughout 2022, characterised by sharp interest rate hikes, held back new issuance in these areas.

MARF closed 2022 with an outstanding balance of EUR 8,160 million, 15.4% less than at the end of the previous year, with a balance between outstanding bond issues of EUR 3,553 million spread over 71 issues, and EUR 4,608 million in more than 300 tranches issued under the existing commercial paper programmes.

The great diversity of companies that MARF has attracted since its inception was again evident in 2022. A total of 19 companies came to MARF for the first time to meet their funding needs through fixed-income issuance, bringing the total number of companies on this market since its launching to 136.

This year's newcomers include the Castellón-based tile manufacturer Pamesa, the 100% green energy marketer Fenie Energía, the manufacturer of aluminium laminate products Aludium, the driverless car rental company Record Go, the vehicle leasing company for companies and self-employed Alquiber, the certification company AENOR, the audiovisual company Agile Content, the Portuguese credit institution UNICRE and, in the last few months of the year, Urbas, the energy company Holaluz, the human resources consultancy Eurofirms and the Navarrese poultry company Agotzaina.

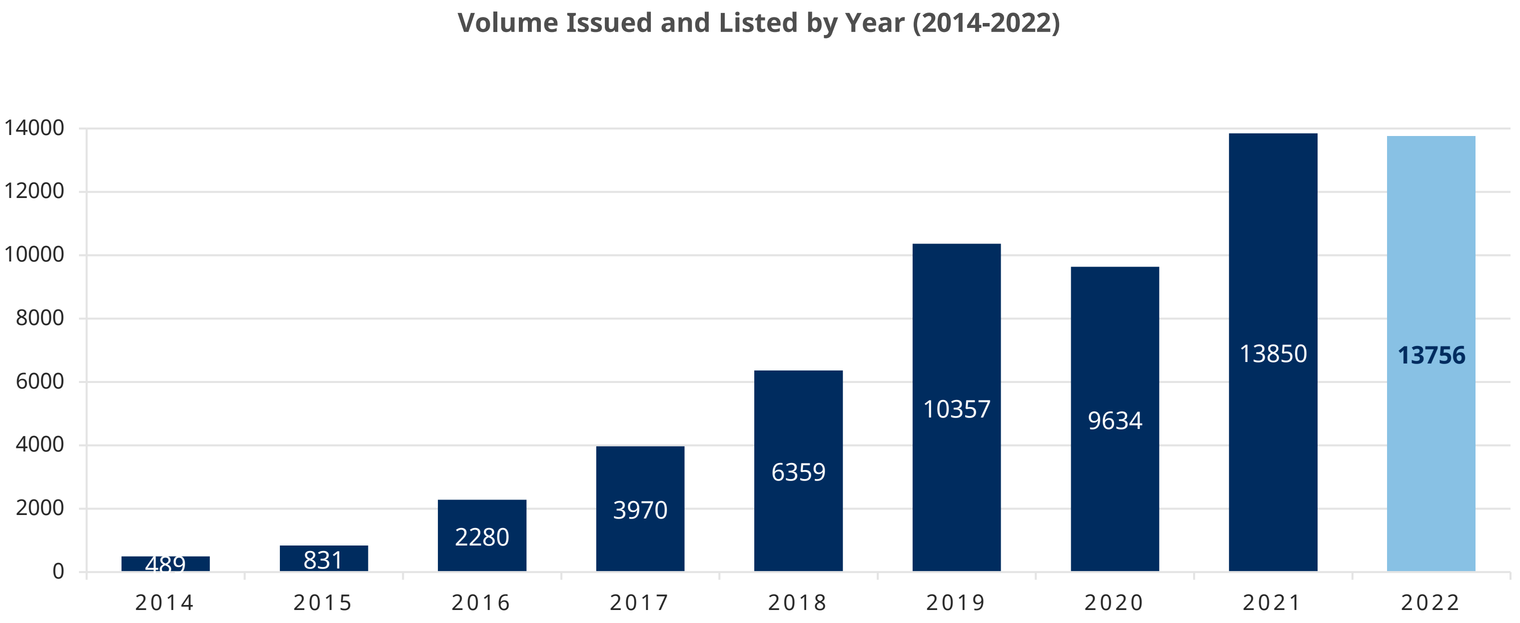
Also of note during the year was a bond issuance programme of up to EUR 10 billion run by the Irish financial institution Traianus DAC, for which BlackRock Investment Management (UK) Limited acts as portfolio manager. The BlackRock Group is a leading global asset manager.

Securitisation issues during the year included the securitisation of the AQUA 2020 securitisation fund, which pools credit rights of Crealsa, a Spanish neobank specialising in companies and self-employed people. Also the issuances of commercial paper of the Factor One securitisation fund and the bonds of the Aquisgran securitisation fund promoted by the initiative of the Mutual Guarantee Societies (Sociedades de Garantía Recíproca, SGR), which offer financial resources to Spanish SMEs and self-employed to diversify their funding sources.

MARF

Volume Issued

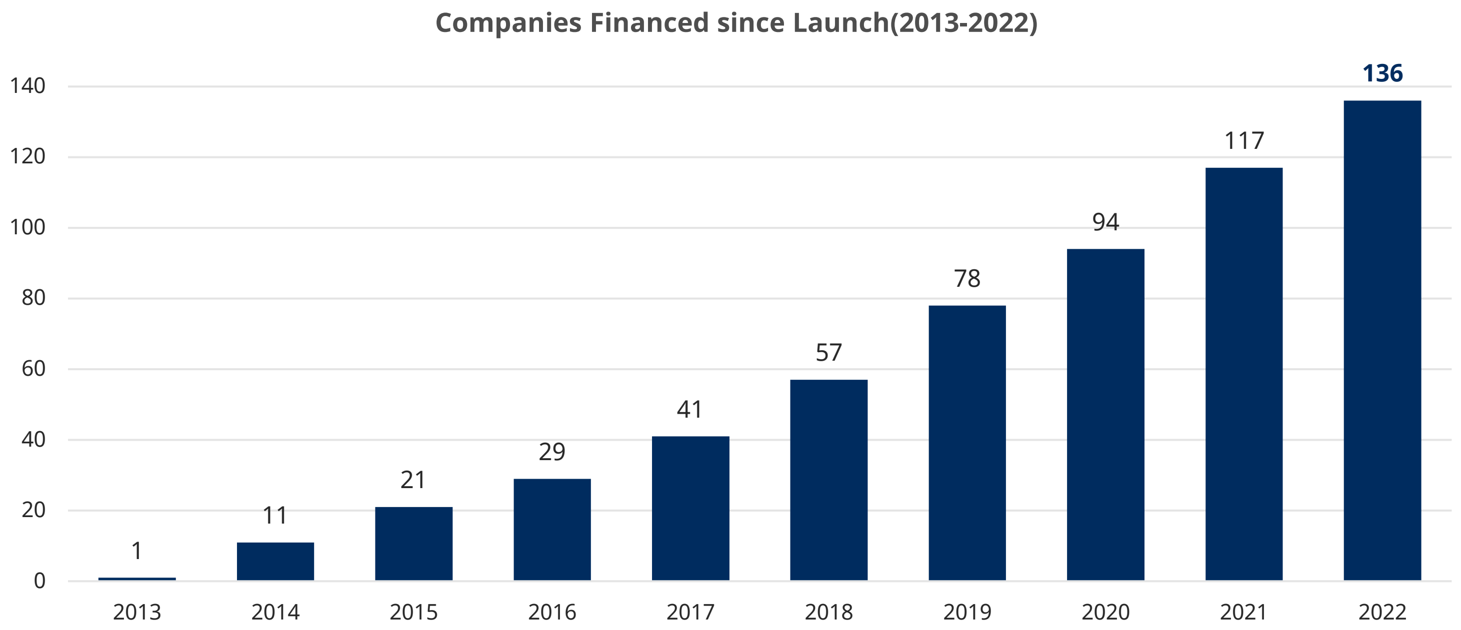
Figures in EUR million.



Source: BME

MARF

Cumulative data from 2013 to year-end.

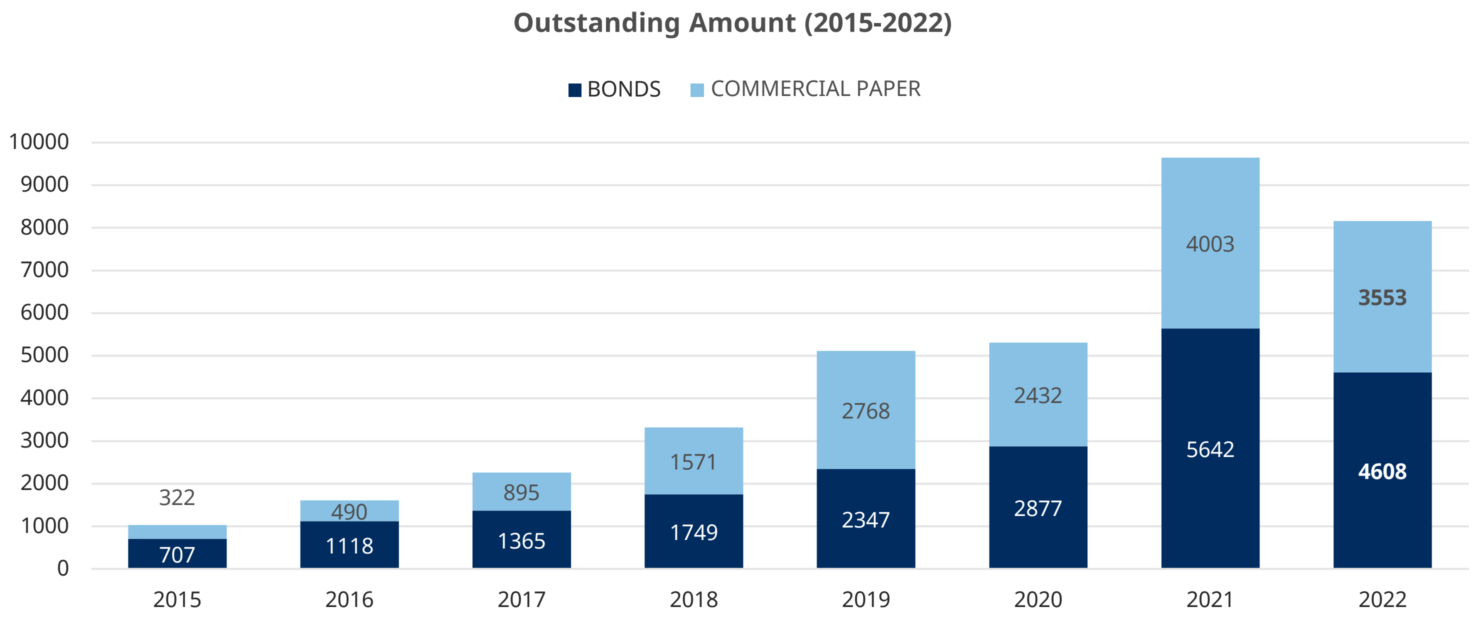


Source: BME

MARF

Outstanding Amount

Data in EUR million at the end of each year.



Source: BME

Global Sustainable Financing

Bond issues aimed at promoting environmentally and socially sustainable development of the planet **came to a halt in 2022**. After a big boost in 2021, when the total fixed-income issuance linked to green or social objectives exceeded USD 1 trillion for the first time, **the war in Ukraine and the general change in monetary policy conditions of major central banks affected all debt markets.**

Total issuances reached USD 862 billion, 23% less than the previous year, according to figures from the Spanish Observatory for Sustainable Financing (OFISO) CBI's figures. Converted into EUR, it amounts to just over 800 billion. **ESG issues, such as social bonds, sustainable bonds and bonds with conditions linked to the fulfilment of certain sustainability objectives (sustainability linked bonds or SLBs) all fell by 22 to 24%.**

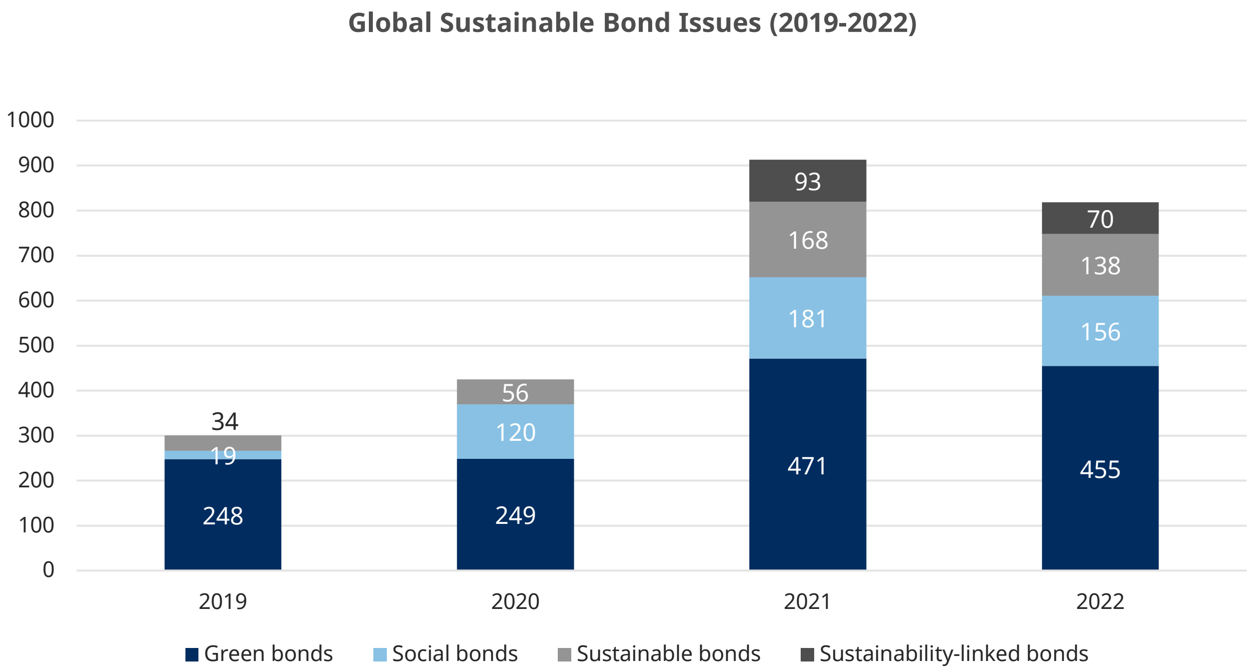
2022 was **the first full year when the Sustainable Finance Disclosure Regulation (SFDR) was in force in the European Union**, requiring securities market participants to comply with sustainability requirements (ESG). It applies to investment institutions, pension funds, asset managers, insurers, banks, private equity funds, credit institutions providing portfolio management and financial advisors. In 2022, progress was made in the publication of technical standards.

At the end of February 2023, the Council and the European Parliament have reached a provisional agreement on a Regulation that establishes the requirements to use the denomination of European green bond standard (EuGB). A very important step in terms of the harmonized taxonomy to be taken into account by issuers and investors of these financial products.

Global Sustainable Financing

Issues

Data by type of issue in EUR billion.



Source: OFISO

Sustainable Financing in Spain

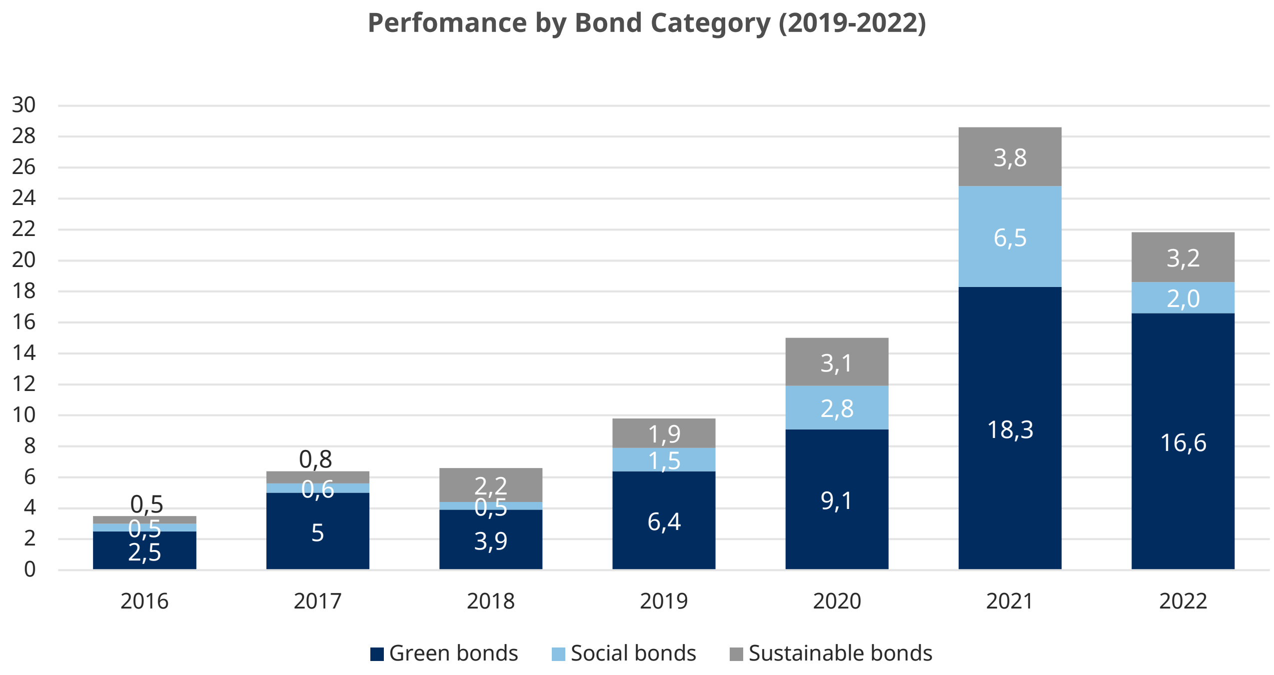
Spain maintains its position as one of the global leading markets for green bond issues by public and private entities. In 2022, it was again among the top 10 countries in terms of volume issued, improving to 7th place according to data from the Climate Bonds Initiative, the global benchmarking organisation in this field.

However, **in line with international markets, the issuance of green, social and sustainable bonds in Spain suffered a decrease of 24% compared to the previous year to EUR 21,777 million,** according to data from OFISO. A large improvement in the health situation caused by the pandemic explains some of the trends in figures related to sustainable issuances.

On the other hand, according to data from INVERCO, an association of Spanish fund managers, the assets of Spanish funds managed in line with environmental, social and sustainable criteria (ESG) reached EUR 71,603 million in June 2022, 11% more than at the end of 2021.

Sustainable Financing in Spain

Data by type of issue in EUR billion.



Source: OFISO

Sustainable Issuances in BME's Markets

In the fixed-income markets and platforms managed by BME, up to 28 green, social and sustainable fixed-income issues were admitted to trading in 2022 for a total amount of more than EUR 52.5 billion from both Spanish and foreign issuers. At the end of the year, there were already 96 live issues related to the environment and sustainability, well above the 63 at the end of 2021, with companies such as the railway operator ADIF, banks such as ICO, CaixaBank, BBVA, or Abanca, or the Autonomous Communities of Madrid, Andalusia and Euskadi.

One of the outstanding issuers of the year was once again the Treasury which extended the placement and admission to the market of the Kingdom of Spain's sovereign green bond issued last year. The change in market conditions is reflected in interest rates change: from 1% in September 2021 to 3.6% in November 2022. The total placement volume already exceeds EUR 8,000 million.

In the MARF, social and sustainable green issues also accelerated. At the end of 2022, there were 12 live issues on the market.

Outlook: Market Environment

Economy: Slowdown Will Ease, but Global Risks and Inflationary Pressures Will Persist

While global economic growth forecasts for 2023 (+2.9%) indicate a slowdown compared to 2022 (3.4%), the IMF revised them slightly upwards at the end of January (+0.2%) compared to the previous estimates made in October.

The global economy continues to be affected by the war in Ukraine, by inflationary pressures shifting towards food and services, and by tight monetary policies in the vast majority of countries and economic areas.

However, **China's abandonment of its zero-COVID policy and the signs of moderation already seen in inflation in the US and other regions and countries**, including most of the EU, point to an **improvement in expectations**. There is another factor that has also contributed to greater optimism — the reduction in the pace of rate hikes by the US Federal Reserve.

According to the IMF**, the European Union will grow by 0.7% in 2023 compared to 3.5% in 2022. In the case of Spain, growth in 2022 (+5.5%) was ultimately higher than expected and for 2023 the IMF is forecasting an increase of 1.1% which is likely to be exceeded based on estimates by other bodies**. Growth estimates point to +2.4% for 2024. Inflation is also expected to continue to decline throughout 2023.

Monetary and Fiscal Policy

Interest Rates

Monetary policy pursued by central banks remains tight in response to inflation which, although easing, **is still elevated** and well above the 2% annual target set by the major economic areas**.**

On 1 February 2023, the US Federal Reserve raised its policy rate by 0.5 percentage point to 4.50–4.75%. This was the eighth consecutive increase; this time, however, it was lower than the previous four increases of 0.75 percentage point. The Fed also announced that the hikes would continue.

On 2 February, the ECB raised interest rates for the fifth time in a row by 0.50 percentage point to 3%. It also announced that at its next meeting in March it would raise rates by a further 50 basis points.

Moreover, fiscal policy remains broadly expansionary, still influenced by the scars of the COVID-19 pandemic. It is aimed at countering the impact that inflation is having on household incomes, especially for the most disadvantaged.

European Fixed-Income Markets and BME Markets

The start of 2023 was more positive than expected in terms of returns for investors in public and private fixed-income markets around the world.

The Spanish Treasury plans a net issuance of public debt of EUR 70 billion in 2023, the same as in 2022. Total gross issuance will reach EUR 257,846 million, slightly higher than that of the previous year. The cost of issuance and the cost of outstanding debt, which in 2022 stood at 1.4% and 1.73% respectively, are expected to increase.

The volume traded in January 2023 on BME's fixed-income markets amounted to EUR 16,193.8 million, which was 10.6% more than in the same month of the previous year.

Admissions to trading on BME's regulated markets, including Spanish and foreign public debt and private fixed-income issues**, increased to EUR 126,384 million, up by 4% in January** compared to the previous year. Private fixed-income admissions grew by 129% to EUR 30,534 million.

In MARF, admissions rose by 43.5% in January to EUR 1,323.7 million.

The total outstanding amount in the regulated market and in MARF at end January was EUR 6.1 trillion.

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