

# Instant Comment Slovakia

## EUR 1bn sold in a new government bond issue

**Slovakia marked a successful return to the international capital markets and sold EUR 1bn in a new 11-year bond issue.** The fixed annual coupon stands at 0.75% and the transaction was priced 1bp inside the country's fair value curve. Given the favourable market conditions, the issue could be priced at MS+21 bps. Bid-to-cover ratio exceeded 5, as the final order books stood above EUR 5bn.

**Overall, the debt agency sees this year's gross funding needs at EUR 4.3bn,** using the government's projections for a balanced budget. Our estimate for gross funding needs is higher as we view the expected fiscal situation somewhat more conservatively.

Yields on Slovak government bonds could increase somewhat, reflecting domestic inflation and stable stock of QE. However, more uncertain pace of monetary policy tightening in the US and the first ECB hike being postponed to 2020 (together with further easing in the Euro Area via another round of TLTRO) have led us to revise our forecast downward. **We expect the 10-year Slovak government bond yield at 0.75% at the end of 2Q19 before rising to 0.85% towards the end of the year.**

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