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Greek Sovereign Yield Sensitivity to Global Uncertainty Shocks: Evidence from Daily Data, 2016–2026

Alexandros Kontonikas*, John Tsoukalas†‡

July 20, 2026

Abstract

This research note examines the sensitivity of Greek sovereign bond yields to global uncertainty shocks over the period 2016–2026, drawing on daily data for ten euro area countries. We document a structural shift in the pricing of Greek sovereign debt: while Greece exhibited the most pronounced yield reactions to uncertainty shocks during the COVID-19 pandemic period – functioning as an “ECB-proxy” asset – this sensitivity declined markedly with Greece moving from the most reactive sovereign in the sample to the middle of the high-spread group (Italy, Portugal, France). We interpret this as a *fiscal credibility effect*: sustained primary surpluses and a declining debt-to-GDP ratio have compressed the uncertainty premium demanded by investors, reducing the sensitivity of Greek yields to global shocks regardless of the market’s structural features. The results are robust to alternative uncertainty indicators (CISS, VIX, EPU). These findings have important implications for fiscal policy: the compression of the uncertainty premium is conditional rather than structural — it would not have occurred without sustained fiscal consolidation, and current market stability remains contingent on continued adherence to the fiscal framework that anchored investor confidence in the first place.

Keywords: EMU-10; Greece; Sovereign Bond Markets; Fiscal Fundamentals; Uncertainty Shocks; Daily Data

JEL Classification: E44; G12; H63

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1 Introduction

Greek sovereign bond yields have undergone a remarkable transformation over the past decade. From levels above 7% in 2016 – the highest among euro area sovereigns and a legacy of the sovereign debt crisis – yields fell to levels broadly comparable to Italy and Portugal by 2024, reflecting an unprecedented episode of fiscal consolidation. This convergence raises a natural question: has the improvement in Greece’s fiscal fundamentals altered the way in which global uncertainty shocks are transmitted to its sovereign bond market?

In sovereign bond markets, heightened uncertainty can translate into an additional risk premium: investors require compensation not only for expected fiscal and macroeconomic risks but also for the uncertainty surrounding the distribution of future outcomes – doubts about the future path of fiscal policy, debt sustainability, political stability, or inflation. We address this question using daily bond-yield data for ten euro area countries over 2016–2026, adopting a deliberately simple and transparent event-study approach: we identify high-uncertainty days using three established indicators — the VIX (market volatility), CISS (systemic financial stress), and EPU (US economic policy uncertainty) — and compare the average yield reaction of each country across sub-periods.

The most striking finding is a sharp decline in the sensitivity of Greek sovereign yields to global uncertainty shocks in the post-pandemic period. In other words, Greece’s sovereign bonds have experienced a compression in the uncertainty premium. During the COVID-19 episode (2019Q3–2022Q1), Greece recorded by far the largest yield reactions among euro area countries on high-uncertainty days, consistent with its status as the most fragile sovereign and its acute dependence on the ECB backstop – in effect, trading as a proxy for ECB support. In the post-pandemic period (2022Q2–2026Q2), this sensitivity declined markedly, with Greece moving from the most reactive sovereign in the sample to the middle of the high-spread group — in the CISS and VIX sell-offs, below Italy.

Our approach relates to a body of work that models the reaction of sovereign yields or spreads on uncertainty indicators. The VIX has been the most commonly used measure, with prior studies documenting a positive relationship between VIX levels and euro area sovereign bond yields, particularly during stress episodes (Arghyrou and Kontonikas, 2012; Afonso et al., 2018). A smaller literature has examined EPU-based measures: Leippold and Matthys (2022) show in a general equilibrium setting that higher EPU compresses yield levels via flight-to-quality while simultaneously raising bond yield volatilities, and Ioannidis and Ka (2021) document that EPU forecasts bond risk premia across maturities. Our contribution is to examine how these relationships have evolved over time, exploiting the structural shift in Greece’s fiscal position as a quasi-experimental before-and-after. We argue that this structural shift reflects a *fiscal credibility effect*. Sustained primary surpluses and a steadily declining debt-to-GDP ratio have reduced the uncertainty premium demanded by investors, operating on top of – rather than because of – the structural features of Greece’s debt market, including its heavily official-creditor investor base and the consequent illiquidity of the freely tradeable float (Kontonikas and Tsoukalas, 2025). Because those structural features were present throughout our sample, they cannot account for the change in sensitivity; we therefore read the improvement in fundamentals as a necessary condition for the compression of the premium, a claim we develop in Section 5.

The remainder of this note is structured as follows. Section 2 describes the data and methodology. Section 3 presents stylised facts on the distribution and volatility of sovereign yield changes. Section 4 reports the event-study results. Section 5 discusses the fiscal fundamentals and the interpretation of the structural shift. Section 6 concludes with policy implications.

2 Data and Methodology

We analyse daily 10-year sovereign bond yields for ten euro area countries: Belgium, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Portugal, and Spain. The sample covers all trading days from 2016 to 2026 ($N = 2,634$). Data are sourced from Refinitiv.

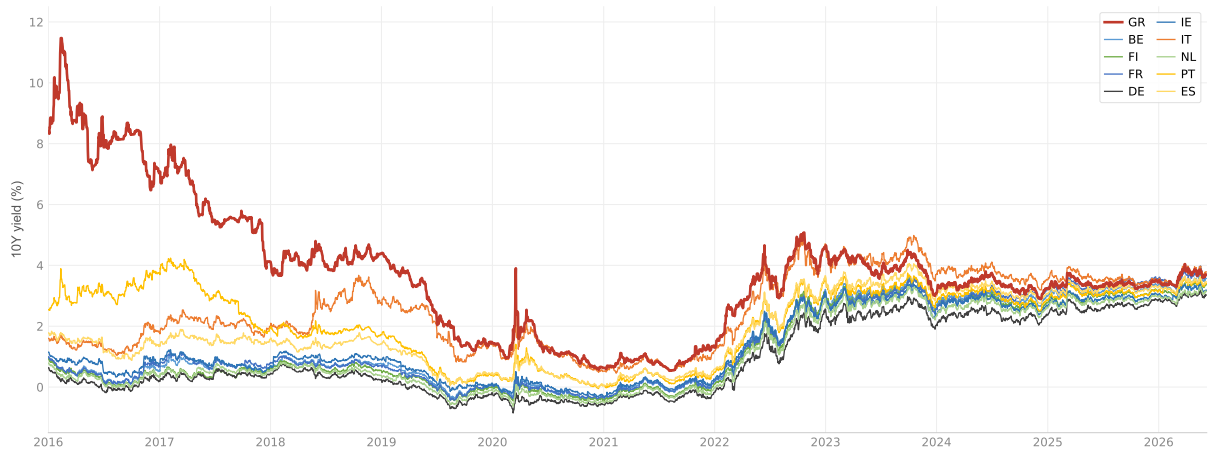
High-uncertainty days are identified as days falling in the top 5% of the distribution of three uncertainty indicators. The CBOE Volatility Index (VIX) measures the risk-neutral expected stock market variance for the US S&P500 contract, computed from a panel of options prices, and is widely used as a “fear index” for financial markets (Whaley, 2000; Bekaert and Hoerova, 2014); it has been extensively employed to gauge global risk conditions in sovereign bond markets (Beber et al., 2009; Afonso et al., 2015). The Composite Indicator of Systemic Stress (CISS) captures systemic stress within the euro area financial system ((Hollo, Daniel and Kremer, Manfred and Lo Duca, Marco, 2012)). The US Economic Policy Uncertainty index (EPU, Baker et al. 2016) measures uncertainty about government economic policy.

The main analysis divides the sample into two sub-periods: the COVID period (2019Q3–2022Q1, covering 91 high-VIX days) and the post-COVID period (2022Q2–2026Q2, covering 38 high-VIX days). For each sub-period and each country, we compute the average daily yield change on high-uncertainty days separately for positive (sell-off) and negative (rally) observations.

3 Stylised Facts: Yield Distributions and Volatility

Figure 1 plots the full time series of 10-year sovereign bond yields for all ten countries. The convergence of Greek yields toward the rest of the sample is the defining trend of the period and provides the motivating backdrop for our analysis.

Figure 1: Ten-year sovereign bond yields, euro area, 2016–2026

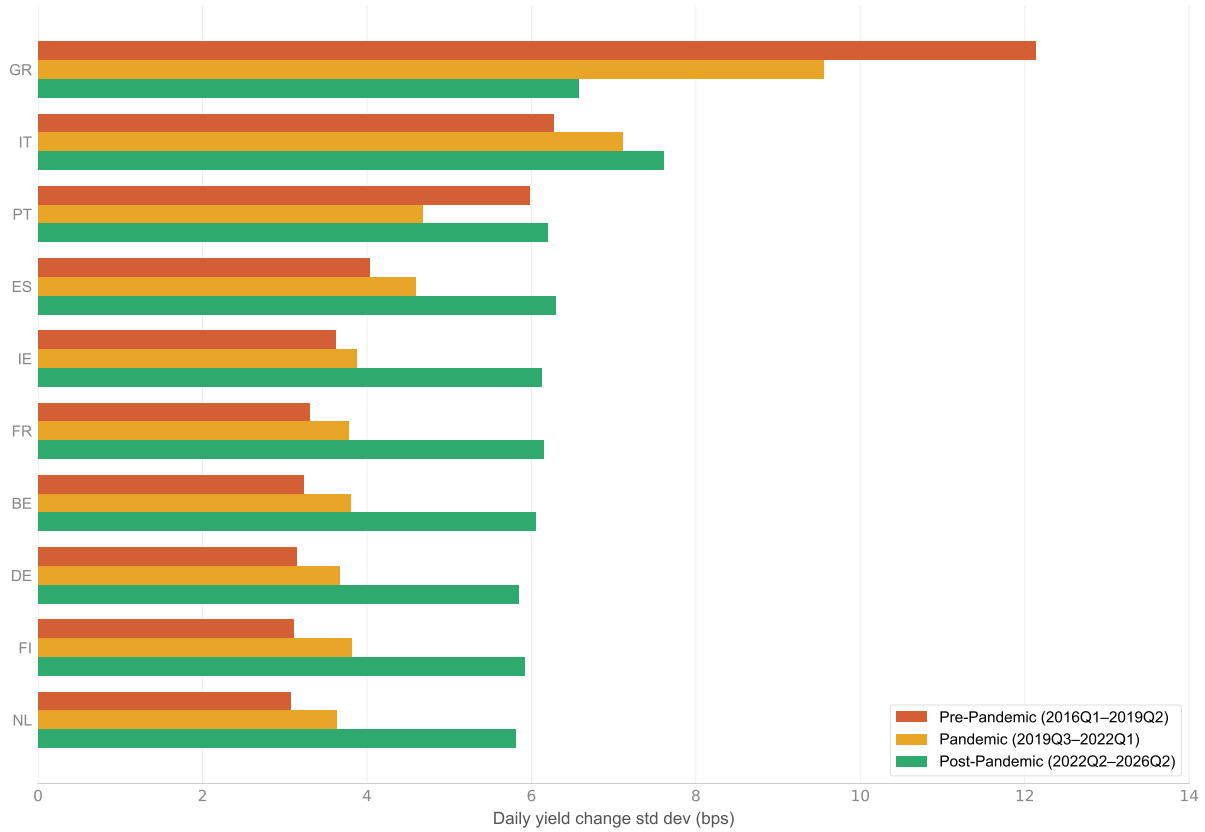


Notes. Daily 10-year sovereign bond yields for ten euro area countries. The most striking feature is the dramatic decline in Greek yields, from above 7% in 2016 – far exceeding all other euro area sovereigns – to levels broadly comparable to Italy and Portugal by 2024, reflecting the unprecedented fiscal consolidation achieved over this period.

Figure 2 documents the evolution of daily yield change volatility (standard deviation of daily changes) across sub-periods. The most striking feature is the sharp decline in Greece’s yield volatility between the

pandemic and post-pandemic periods, falling from by far the highest among all countries to levels broadly comparable to other high-spread sovereigns.

Figure 2: Daily yield change volatility by country and sub-period



Notes. Standard deviation of daily sovereign yield changes for each of the ten euro area countries across sub-periods. The dramatic decline in Greece’s yield volatility between the pandemic and post-pandemic periods suggests a structural shift in how Greek bonds are priced under uncertainty.

Table 1 provides a more granular view by reporting the full distribution of daily yield changes in basis point bins. Greece stands out with the widest tails: 3.3% of its trading days record moves exceeding ± 20 bps, compared with 0.3–0.5% for low-spread sovereigns such as Germany and the Netherlands. Even for Greece, such moves are rare, underscoring the exceptional nature of the events captured by the event-study analysis.

Figure 3 identifies the timing of high-uncertainty days across the three indicators. While VIX and EPU identify elevated uncertainty throughout the sample – including the post-2022 period and episodes particularly relevant for Greek sovereign risk such as the 2025 tariff shock – CISS high days are concentrated in 2020 and the second half of 2022, with no observations thereafter, reflecting the indicator’s sensitivity to European systemic stress episodes rather than broader global uncertainty.

Bin (bps)	GR	IT	PT	ES	IE	FR	BE	DE	FI	NL
< -20	1.8	0.6	0.5	0.3	0.1	0.3	0.2	0.2	0.2	0.2
-20 to -10	5.1	5.0	2.6	2.1	2.3	1.8	1.6	1.9	1.9	1.7
-10 to -5	10.9	11.8	10.3	9.6	8.0	7.2	7.7	7.6	6.9	7.3
-5 to 0	35.4	33.0	38.0	39.6	41.3	42.1	42.5	40.6	43.5	42.3
0 to +5	30.1	31.2	35.0	35.2	36.4	36.7	36.4	38.7	36.5	38.0
+5 to +10	10.4	12.6	10.0	10.0	9.2	9.4	9.0	9.1	8.8	8.2
+10 to +20	4.9	5.0	3.0	2.8	2.5	2.4	2.4	1.8	2.1	2.2
> +20	1.5	0.7	0.6	0.2	0.2	0.1	0.1	0.2	0.2	0.1
Narrow band (± 5 bps)	65.5	64.2	73.0	74.8	77.7	78.8	78.9	79.3	80.0	80.3
Tails ($> \pm 20$ bps)	3.3	1.3	1.1	0.5	0.3	0.4	0.3	0.4	0.4	0.3

Notes: Each cell reports the percentage of all trading days on which the 10-year sovereign yield change fell within the indicated bin. Sample covers all trading days 2016–2026 ($N = 2,634$). Narrow band = share of days within ± 5 bps. Tails = share of days with moves exceeding ± 20 bps.

Table 1: Distribution of daily sovereign yield changes by country, 2016–2026

4 Event-Study Results

4.1 Largest yield movements across the full sample

Table 2 reports the ten largest daily yield movements for Greece in each direction across the full sample, together with a brief description of the associated market event and indicators for whether the day falls in the top 5% of the VIX, EPU, and CISS distributions.

The 2016 vintage dominates both panels, accounting for six of the ten largest sell-offs and five of the ten largest rallies, with the VIX ranging between 11 and 28 on those days, well below the high-uncertainty threshold of 30.5. These moves were driven by idiosyncratic Greek risk factors: bailout programme reviews, the first positive sovereign rating action since the crisis (S&P upgrade to B−, 22 January 2016), and sensitivity to ECB quantitative easing signals at a time when yields remained structurally elevated and investor confidence in Greece’s fiscal trajectory was still fragile. Notably, with the exception of the 29 June 2016 post-Brexit reversal, the 2016 extreme movements do not coincide with high-CISS days, confirming that these episodes reflected idiosyncratic Greek stress rather than broad European systemic stress.

The COVID-19 episode accounts for most of the remaining extreme observations. By contrast, extreme movements are almost absent in the post-pandemic sub-period, with a single exception discussed below. Greece’s fiscal fundamentals improved markedly, the frequency and magnitude of extreme daily yield movements declined sharply, consistent with the structural shift documented in the event-study results below.

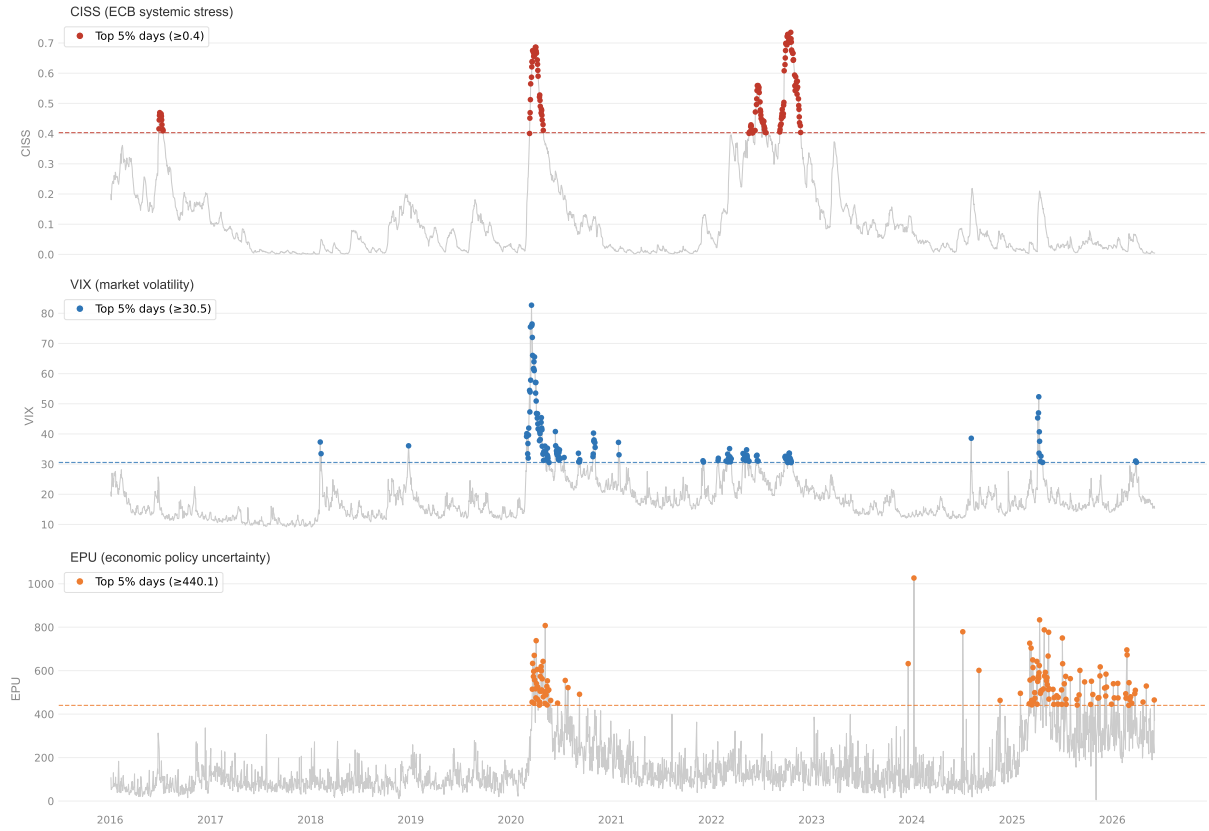
These COVID-19 entries expose the mechanism behind Greece’s pandemic-era fragility. Every extreme movement in 2020 is an ECB-backstop event. The single largest move in the table, in either direction, is the −152.4 bps rally of 19 March 2020 on the announcement of the Pandemic Emergency Purchase Programme (PEPP); the four largest sell-offs all fall within the preceding two weeks, when the scale of the backstop was still in doubt — 16 March is recorded as a day of “ECB emergency measures awaited.” The 18 March sell-off and the 19 March rally are consecutive trading days bracketing the after-market PEPP announcement, a near-textbook repricing of backstop expectations, and all six 2020 entries coincide with high-CISS days. During the pandemic, in short, Greek bonds traded as a levered claim on ECB support: their pricing was governed less by domestic fundamentals than by the perceived probability and scale of the backstop — precisely the “ECB-proxy” behaviour to which we refer in the introduction. Consistent with this reading, the only extreme observation to survive into the post-pandemic sub-period, the −43.1 bps rally of 15 June 2022, is likewise an ECB event: the emergency meeting at which the Transmission Protection Instrument

Date	Δ yield (bps)	High-VIX	High-EPU	High-CISS	Event
<i>Panel A: Ten largest yield increases (bond sell-off)</i>					
17 Mar 2020	+94.7	Yes	No	Yes	COVID-19 lockdowns cascade across Europe; single-day record for GR yields
24 Jun 2016	+92.9	No	No	No	Brexit referendum result; broad European risk-off selloff
20 Jan 2016	+88.5	No	No	No	Global risk-off liquidation; oil price collapse below \$30/barrel
08 Feb 2016	+74.7	No	No	No	Deutsche Bank credit fears; sharp European risk-off episode
16 Mar 2020	+56.2	Yes	No	Yes	COVID-19 lockdowns cascade; ECB emergency measures awaited
09 Feb 2016	+55.7	No	No	No	Deutsche Bank capital concerns peak; European sovereign stress
09 Mar 2020	+44.2	Yes	No	Yes	Oil price crash (OPEC+ breakdown) and COVID-19 shock; dash-for-cash episode
14 Dec 2016	+42.1	No	No	No	Hawkish Fed rate hike shock; Italian banking sector recapitalisation distress
18 Jan 2016	+41.1	No	No	No	China equity/currency volatility and global growth slowdown fears
18 Mar 2020	+39.1	Yes	Yes	Yes	COVID-19 panic peak; ECB PEPP (€750bn) announced after market close
<i>Panel B: Ten largest yield decreases (bond rally)</i>					
19 Mar 2020	−152.4	Yes	Yes	Yes	ECB PEPP (€750bn) announcement triggers massive periphery rally
26 Mar 2020	−80.9	Yes	Yes	Yes	EU recovery fund signals and G20 emergency fiscal stimulus package
10 May 2016	−66.1	No	No	No	Greece completes bailout review; IMF debt relief agreement reached
22 Jan 2016	−65.9	No	No	No	S&P upgrades Greece to B−; first positive rating action since crisis triggers sharp yield compression
05 Dec 2017	−57.4	No	No	No	Greece bailout review progress; debt relief talks advance
21 Apr 2016	−49.4	No	No	No	Greece bailout review progress; broad market stabilisation ahead of Eurogroup discussions
20 Feb 2017	−44.3	No	No	No	Positive signals on Greek bailout review; fiscal targets met
26 Feb 2016	−44.1	No	No	No	ECB pre-commitment to further easing; yield rally ahead of March meeting
15 Jun 2022	−43.1	No	No	Yes	ECB emergency meeting announced; Transmission Protection Instrument signalled
29 Jun 2016	−42.1	No	No	Yes	Post-Brexit market stabilisation; partial reversal of 24 June selloff

Notes: High-VIX (High-EPU, High-CISS) indicates the day falls in the top 5% of the respective distribution over the full sample (VIX threshold: 30.5; CISS threshold: 0.40). Sample covers all trading days 2016–2026 ($N = 2,634$). Δ yield denotes the daily change in the 10-year sovereign bond yield in basis points.

Table 2: Greece: ten largest daily yield changes in each direction, 2016–2026

Figure 3: High-uncertainty days by indicator, 2016–2026



Notes. High-uncertainty days are defined as days in the top 5% of the respective distribution for three indicators: CISS (systemic financial stress), VIX (market volatility), EPU (US economic policy uncertainty). Each panel plots the full time series with high-uncertainty days highlighted.

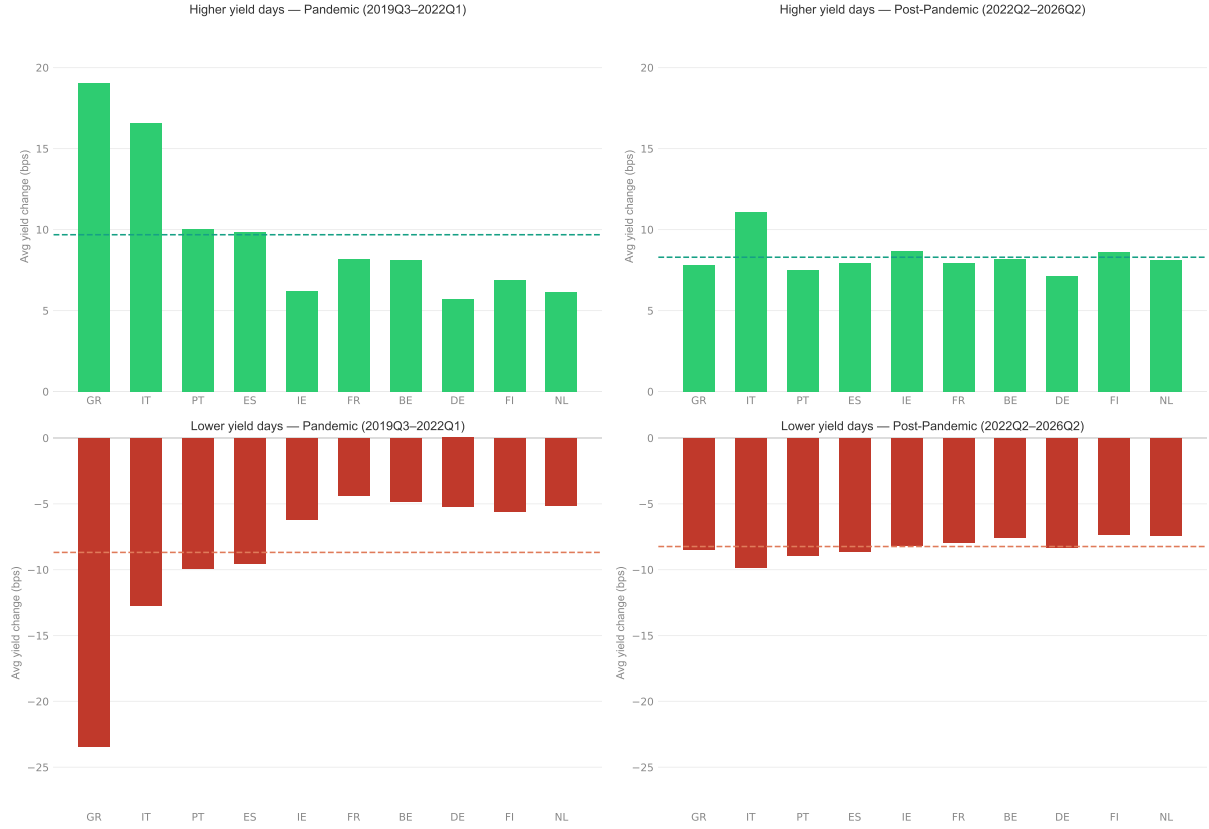
was signalled. Thereafter, extreme daily movements disappear from the sample entirely.

4.2 Average yield reactions: CISS

Figure 4 presents the core event-study results using the Composite Indicator of Systemic Stress (CISS) as the uncertainty indicator. For each country, bars show the average daily yield change on high-CISS days, separately for sell-off and rally days, across the two sub-periods. The CISS is particularly well-suited to this analysis as it captures systemic financial stress within the euro area, making it the most direct measure of the uncertainty environment relevant to European sovereign bond pricing.

The results are striking. During the COVID period, Greece recorded average yield increases of +19.0 bps on high-CISS sell-off days and average declines of −23.4 bps on rally days, by far the largest reactions among all ten countries. In the post-pandemic period, these reactions declined sharply to +7.8 bps and −8.5 bps. The shift is substantial: during the pandemic Greece recorded the largest reaction of any sovereign in the sample — more than double Italy’s in both directions — whereas post-2022 it is no longer the most reactive market, with Italy’s average sell-off reaction now exceeding Greece’s. The Greek premium that dominated the pandemic panels has effectively disappeared rather than merely narrowed, leaving Greece within, and by

Figure 4: Average yield changes on high-CISS days by subsample



Notes. For each of the ten euro area countries, bars show the average daily yield change (in basis points) on high-CISS days (top 5% threshold, $CISS \geq 0.40$), separately for days on which yields rose (bond sell-off, upper panels) and days on which yields fell (bond rally, lower panels). Results are shown for the COVID period (2019Q3–2022Q1) and the post-COVID period (2022Q2–2026Q2). During the pandemic, Greece records by far the largest yield reactions among all countries — more than double those of Italy in both directions — consistent with its acute dependence on the ECB backstop during this period. The steep pandemic gradient — Greece far above every other sovereign — collapses post-2022: cross-country dispersion narrows sharply and Greece is no longer the peak, with Italy’s sell-off reaction now the largest in the group.

some measures below, the high-spread group. This structural shift — the compression of Greece’s uncertainty premium — is the central finding of this paper.¹

4.3 Average yield reactions: VIX

Figure 5 replicates the analysis using the VIX as the uncertainty indicator. The VIX captures global equity market volatility and serves as a robustness check on the CISS-based findings, confirming that the structural shift documented above is not specific to the choice of a European systemic stress indicator.

The VIX-based results closely mirror those obtained using CISS. Greece recorded average yield reactions of +10.3 bps and −10.6 bps on high-VIX days during the pandemic, declining to +8.2 bps and −8.3 bps in the post-pandemic period. The reduction in sensitivity is somewhat less pronounced than under CISS,

¹We replicate the analysis using a top 10% threshold for the definition of high-uncertainty days. Results are qualitatively similar and available upon request.

Figure 5: Average yield changes on high-VIX days by subsample



Notes. For each of the ten euro area countries, bars show the average daily yield change (in basis points) on high-VIX days (top 5% threshold, $VIX \geq 30.5$), separately for days on which yields rose (bond sell-off, upper panels) and days on which yields fell (bond rally, lower panels). Results are shown for the COVID period (2019Q3–2022Q1) and the post-COVID period (2022Q2–2026Q2). The cross-country pattern and its post-pandemic flattening are qualitatively consistent with the CISS-based results in Figure 4, confirming the robustness of the main finding.

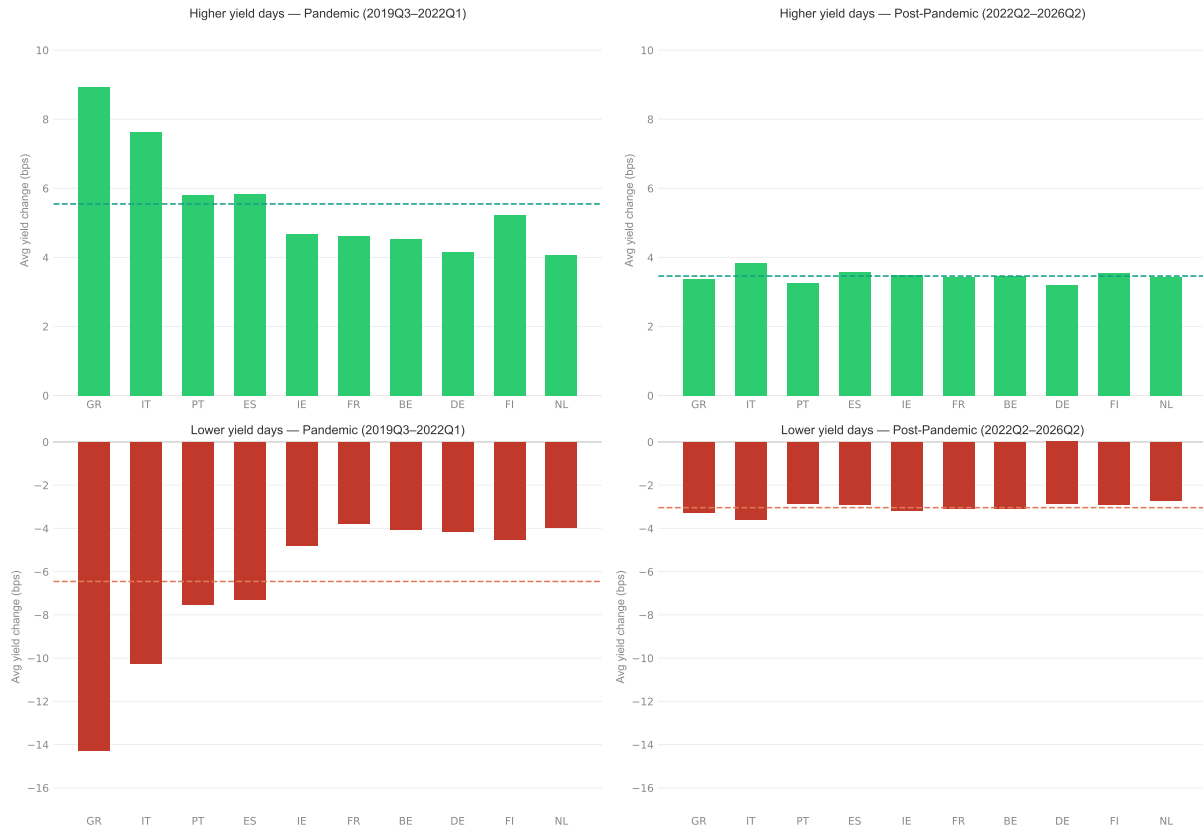
reflecting the broader global scope of the VIX relative to the euro-area focus of CISS, but the directional shift is unambiguous. The positive response of sovereign yields to VIX shocks is consistent with prior evidence from the euro area sovereign debt crisis (Arghyrou and Kontonikas, 2012; Afonso et al., 2018).

4.4 Average yield reactions: EPU

Figure 6 presents the event-study results using the US Economic Policy Uncertainty index (EPU) as the uncertainty indicator. The EPU captures uncertainty about US economic policy and complements CISS by providing a measure of policy-driven uncertainty with global reach, offering a further robustness check on the main findings.

The EPU-based results confirm the pattern. Greece recorded average reactions of +8.9 bps and –14.3 bps on high-EPU sell-off and rally days during the pandemic, falling to +3.4 bps and –3.3 bps in the post-pandemic period. Notably, the asymmetry between sell-off and rally magnitudes during the pandemic — with declines exceeding increases — is consistent with the flight-to-quality channel documented by Leippold and

Figure 6: Average yield changes on high-EPU days by subsample



Notes. For each of the ten euro area countries, bars show the average daily yield change (in basis points) on high-EPU days (top 5% threshold, $EPU \geq 440.1$), separately for days on which yields rose (bond sell-off, upper panels) and days on which yields fell (bond rally, lower panels). Results are shown for the COVID period (2019Q3–2022Q1) and the post-COVID period (2022Q2–2026Q2). Results are qualitatively consistent with the CISS and VIX-based findings, with Greece recording the largest yield reactions during the pandemic and a marked decline in sensitivity post-2022.

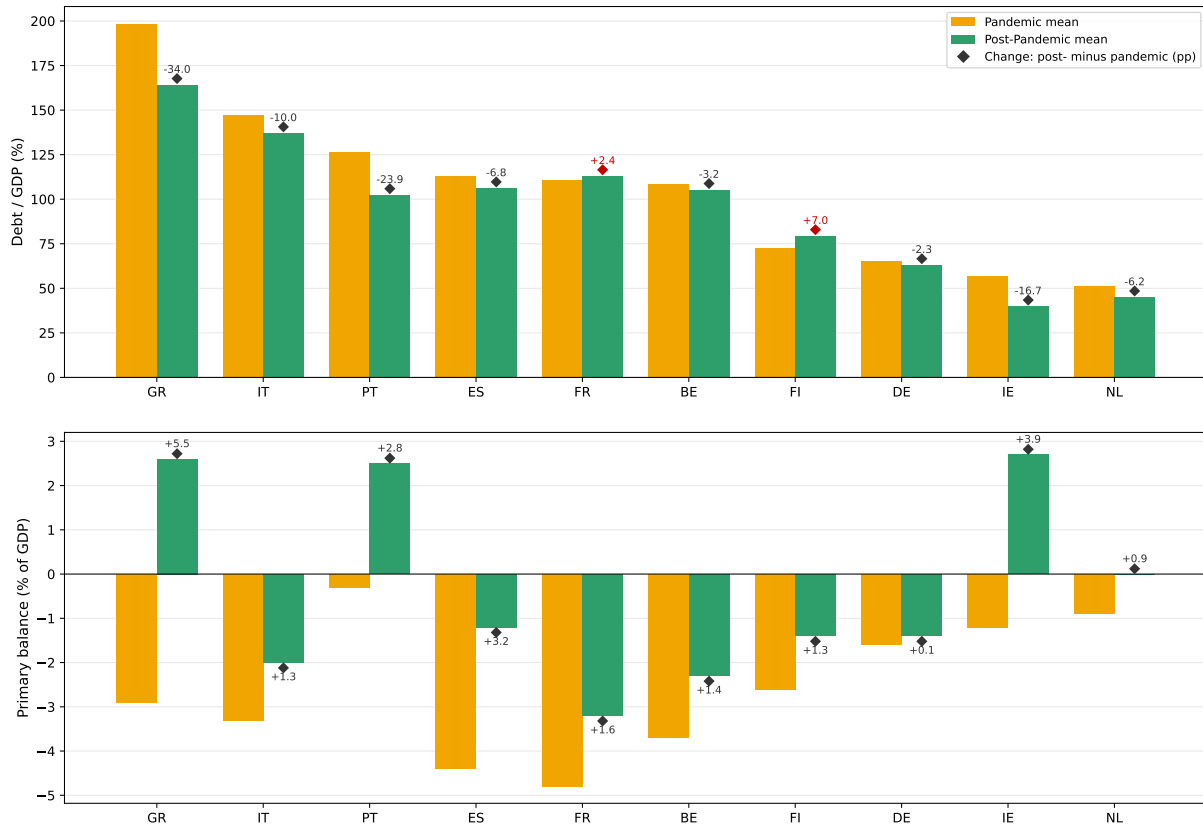
Matthys (2022) and the countercyclical bond risk premia found by Ioannidis and Ka (2021). The consistency across all three uncertainty indicators — CISS, VIX, and EPU — strongly supports the interpretation that the observed structural shift reflects a genuine change in the pricing of Greek sovereign risk rather than an artefact of any particular uncertainty measure.

5 Fiscal Fundamentals and the Credibility Effect

Figure 7 documents the evolution of the primary balance and the gross debt-to-GDP ratio across the ten euro area countries. Greece’s trajectory is the most pronounced: from persistent primary deficits and the highest debt-to-GDP ratio in the sample to sustained primary surpluses and a declining debt burden, reflecting the most significant fiscal consolidation among all euro area sovereigns over the period.

The structural shift documented in the preceding figures warrants further interpretation in light of two features that distinguish Greece’s sovereign debt market (Kontonikas and Tsoukalas, 2025). First, the highly favourable composition of Greece’s investor base, akin to the presence of “buy-and-hold” investors with a

Figure 7: Fiscal fundamentals by country



Notes. Evolution of the primary balance as a share of GDP and the gross debt-to-GDP ratio across the ten euro area countries. Greece's trajectory is the most pronounced: from persistent primary deficits and the highest debt-to-GDP ratio in the sample to sustained primary surpluses and a declining debt burden, reflecting the most significant fiscal consolidation among all euro area sovereigns over the period. Source: ECB.

long-term outlook. In particular, official creditors – who became the largest holders of Greek government debt following the sovereign debt crisis – provide a structural buffer against forced selling: unlike private investors, official creditors do not liquidate positions in response to global uncertainty shocks, which mechanically reduces the supply of bonds hitting the secondary market during stress episodes.²

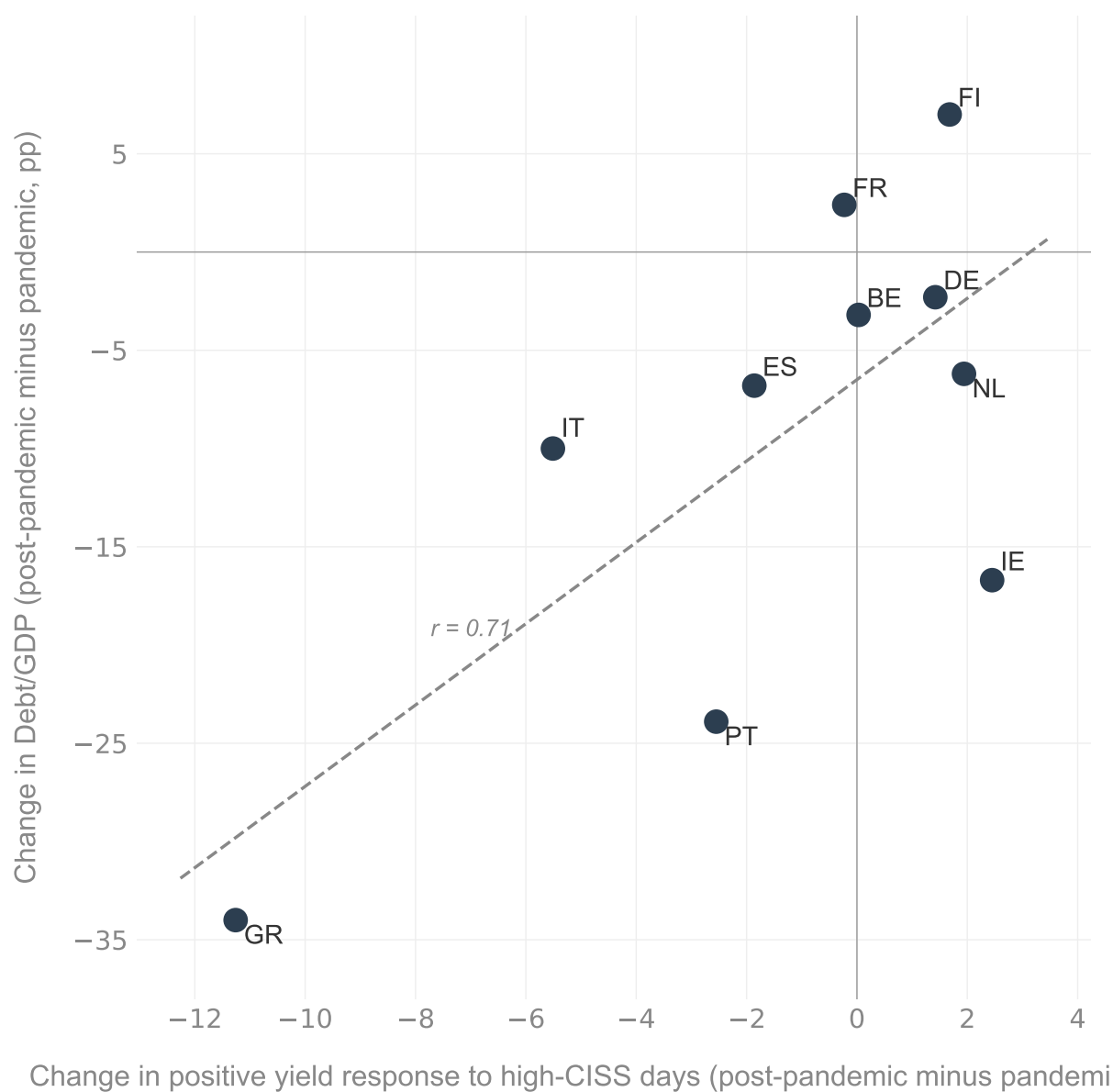
Second, and working in the opposite direction, the concentration of debt in official hands means the freely tradeable float is small, leaving the market structurally illiquid. In thin markets, even modest order flow from the remaining private investors can move prices sharply, amplifying yield volatility on the margin.

The net effect of these two forces is theoretically ambiguous. Our results suggest that a third factor has come to dominate both: the sustained improvement in Greece's fiscal fundamentals – primary surpluses and a declining debt-to-GDP ratio – has compressed the uncertainty premium that investors demand, reducing the sensitivity of Greek yields to global shocks regardless of the market's structural features. The post-pandemic dampening of yield volatility is therefore most naturally interpreted as a *fiscal credibility effect*, operating on top of, rather than because of, the inherited debt structure. Because both structural features

²Official creditors and the ECB held 80% of outstanding Greek government debt as of 2025 Q4, compared with 37% for the other nine sample euro area countries (average).

were essentially unchanged across the two sub-periods while Greece’s fiscal position improved sharply, the timing isolates fiscal consolidation as the operative margin: on our reading, sustained fiscal consolidation is a *necessary condition* for the compression of the uncertainty premium, not merely one contributor among several. Figure 8 provides direct cross-sectional evidence for this interpretation. For each country it plots the change in the average high-CISS sell-off reaction between the pandemic and post-pandemic sub-periods against the corresponding change in the gross debt-to-GDP ratio. The two line up: sovereigns that achieved larger reductions in their debt burden also saw larger declines in their sensitivity to systemic-stress days. Greece is the joint outlier on both dimensions — by far the largest fall in debt-to-GDP and the largest compression in sell-off sensitivity — while countries whose debt ratios rose over the period (Finland, France) show little change or a slight increase in sensitivity. That the compression appears precisely where debt fell, and is absent where it did not, is the pattern our necessary-condition predicts: the reduction in sensitivity does not arise in the absence of fiscal improvement. The association is exactly what the fiscal credibility channel predicts, and it is not reproduced by the inherited structural features of Greece’s debt market, which were broadly stable across the two sub-periods.

Figure 8: Change in sovereign yield sensitivity against change in debt-to-GDP, by country



Notes. Each point is one euro area sovereign. The horizontal axis plots the change in the average daily yield reaction on high-CISS sell-off days (post-pandemic minus pandemic, in basis points); the vertical axis plots the change in the gross debt-to-GDP ratio over the same window (post-pandemic minus pandemic mean, in percentage points). More negative values on both axes denote larger improvements. The dashed line is an OLS fit. With ten observations the relationship is illustrative rather than formally identified; the positive slope is nonetheless consistent with the fiscal credibility channel.

6 Conclusions and Policy Implications

This research note has examined daily sovereign yield dynamics across the euro area over 2016–2026, with a focus on Greece’s sensitivity to global uncertainty shocks. The central finding is a structural shift in the pricing of Greek sovereign debt: in the space of little more than two years, Greece moved from the single most uncertainty-sensitive sovereign in the sample — reacting to systemic-stress days by more than double the magnitude of any other sovereign during the pandemic — to the middle of the high-spread group, at or below Italy in the CISS- and VIX-based results. We interpret this compression of the uncertainty premium, together with the accompanying collapse in Greek yield volatility, as a *fiscal credibility effect*: the market has, in effect, priced in the progress achieved through sustained fiscal consolidation, marking a maturation of the Greek sovereign debt market.

However, these findings should not be read as an end to fiscal effort. Current market stability remains contingent on sustained adherence to this fiscal effort that anchored investor confidence in the first place. As official creditors recede and the freely tradeable float grows, Greece simultaneously loses the buffer that official-creditor holdings provided and becomes more sensitive to fiscal signals. The compression of the uncertainty premium documented here is therefore best understood as conditional rather than permanent: it reflects a fiscal credibility that has been earned and must continue to be maintained.

This interpretation aligns closely with the recent assessment of the [Hellenic Parliamentary Budget Office in its March 2026 Report](#), which identifies the steady and sustainable reduction of the public debt ratio as a central priority of economic policy and a critical prerequisite for preserving the economy’s growth momentum in an increasingly uncertain external environment. The reformed EU economic-governance framework reinforces this imperative: with the net-expenditure path now the single operational anchor of fiscal surveillance (see [the analytical note from HPBO](#) for an exposition of the new EU fiscal rules), explicitly tied to debt sustainability, continued consolidation is no longer a discretionary choice but the binding constraint within which Greek fiscal policy operates. In this sense, the fiscal anchor that our results identify as the source of the credibility effect has become institutionally entrenched.

Fiscal discipline alone, however, is necessary but not sufficient. The same credibility that has compressed the uncertainty premium is ultimately underwritten by the trajectory of the debt-to-GDP ratio, whose denominator depends on growth. Sustained primary surpluses must therefore be complemented with the acceleration of growth-enhancing structural reforms — the investment and productivity agenda of the Recovery and Resilience Facility (“Greece 2.0”), alongside reforms to the tax system, public administration, and labour and product markets. Consolidation and reform are complementary rather than competing: reforms that raise potential growth lower the debt ratio through the denominator, reinforcing the very credibility that anchors investor confidence, while a credible fiscal framework compresses financing costs and creates fiscal space available for productive investment.

Looking forward, the maintenance of primary surpluses and a steady decline in the debt-to-GDP ratio, alongside sustained implementation of the reform agenda, are essential. This discipline is no longer merely a legacy of crisis management; it is a prerequisite for shielding the economy from the volatility inherent in market-based debt issuance as the official-creditor buffer recedes. Any departure from this path would risk reversing the hard-won gains in investor credibility, leaving the sovereign exposed to the structural illiquidity that remains a persistent feature of the market. Maintaining the fiscal anchor, while accelerating the reforms that raise the economy’s growth potential, remains the most robust defence against a changing and uncertain global landscape.

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