

# Peripheral Europe Update

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- **Effect of ECB buying even larger than expected in first week**
- **Spanish government debt reaches EUR 1,000 billion**

## Main market events

The ECB started buying last Monday, with very strong bond returns as a result. 10-year Bund yields nearly halved in a few days' time, with peripheral bonds keeping pace (short-dated bonds) or even outperforming (long-dated bonds) German bonds. Portuguese bonds have returned 7.9% this year, Italian bonds 6.4%, Spanish bonds 4.4% and Irish bonds 3.1%.

## European Central Bank

Executive Board member Benoit Coeuré indicated EUR 9.8 billion of public sector debt has been bought in the first three days, with an average maturity of 9 years. He noted the possible scarcity of long bonds would potentially help maximize the impact of the ECB's buying operations.

## Issuance

Last Thursday Italy, Spain and Ireland issued bonds, with both Italy and Ireland issuing 30-year maturities. It is very rare for all three countries to come to the market on the same day. Despite the large issuance (EUR 13bn) and long maturities, investors were eager to take up this amount.

## Spain

Spanish debt reached EUR 1,000 billion at the end of 2014. It is expected to exceed 100% of GDP in 2015. The average maturity of debt issued by Spain in 2015 is more than 11 years so far. This shows that peripheral countries are using the opportunity to extend the maturity of their debt.

## Greece

Greek bond yields rose on renewed tensions with Germany and the EU over the required reforms. Prime Minister Alexis Tsipras signed an agreement with the OECD to jointly develop a reform package. Although Greek cash buffers are running low, Greece repaid the IMF as scheduled. So far this month EUR 658 million has been paid; another EUR 842 million is still due in the remainder of the month.

## Robeco Euro Government Bonds

We remain positive on peripheral bond markets as fundamentals are improving and the ECB has clearly shown its determination to do 'whatever it takes'. Peripheral bonds remain attractive in this environment. The fund has a preference for longer-dated peripheral bonds. This week we slightly increased our positions in long-dated Italy and Spain, as this segment will likely benefit most from further ECB buying.

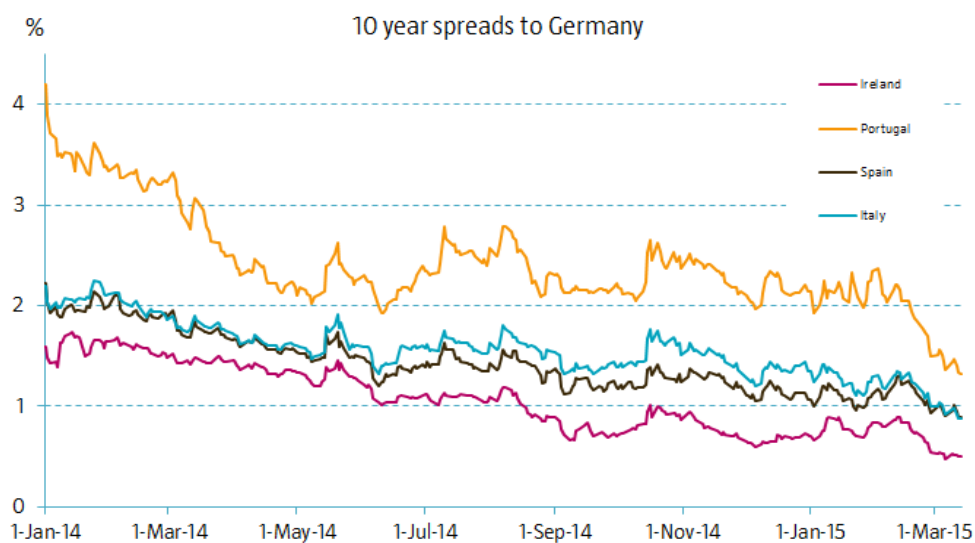
Peripheral bonds make up 62% of the fund, with overweight positions in Ireland, Spain, Italy and Portugal. Year-to-date the fund's absolute performance is 4.75%\*, helped by the strong returns in peripheral markets.

\* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD March 12, 2015.  
The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

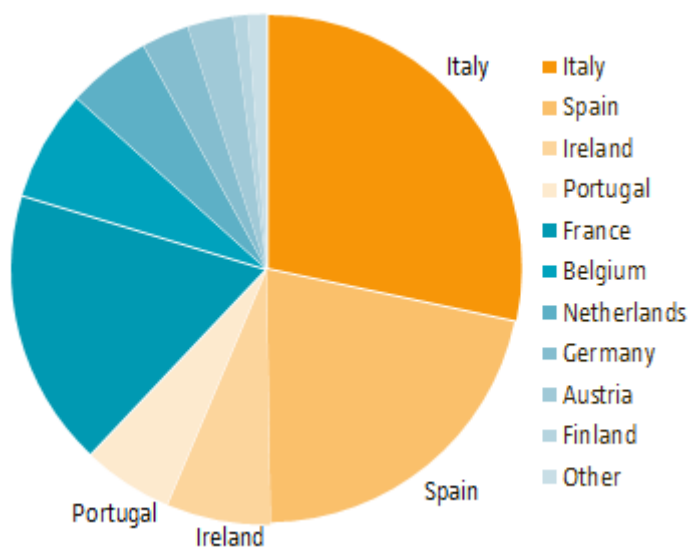
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.20	0.05									
2	-0.23	0.09	0.41	0.35	0.06	0.08	0.07		0.30	0.07	0.32
3	-0.21	0.08	0.46	0.40	0.08	0.10	0.06	17.6	0.21	0.08	0.62
4	-0.16	0.11	0.50	0.48	0.06	0.12	0.06		0.19	0.09	0.83
5	-0.09	0.13	0.59	0.59	0.05	0.08	0.06	14.5	0.33	0.06	0.92
6	-0.07	0.14	0.65	0.72	0.04	0.13	0.05		0.35	0.05	1.05
7	0.00	0.17	0.78	0.75	0.04	0.19	0.05		0.46	0.01	1.90
8	0.09	0.18	0.84	0.80	0.02	0.19	0.07			0.05	
9	0.18	0.22	0.90	0.87	0.04	0.19	0.06		0.52	0.00	1.23
10	0.27	0.24	0.87	0.89	0.04	0.20	0.06	10.16	0.50	0.00	1.32
15	0.43	0.32	1.10	1.04		0.14	0.04	10.00	0.59	0.10	1.48
20	0.59	0.29	1.17			0.25	0.11	8.94			
30	0.75	0.36	1.21	1.20	0.06	0.29	0.07	7.60		-0.02	

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (March 13, 2015)



Source: Robeco

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