

# Peripheral Europe Update

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- **Greece prepares list of reforms as cash runs low**
- **Draghi confident ECB can buy EUR 60 billion in March**

## Main market events

Peripheral markets remained under pressure this week, despite the ECB buying program. The tone of the discussions between Greece and the rest of the EU improved, but Greece has to demonstrate progress soon to release badly needed further aid tranches. Portuguese bonds have returned 6.4% this year, Italian bonds 5.0%, Spanish bonds 3.6% and Irish bonds 3.0%.

## European Central Bank

President Draghi expressed his confidence that the ECB will manage to buy EUR 60 bln of bonds in March, even though the buying of government bonds started only in the second week of the month. He repeated that the ECB would continue to buy bonds at least until September 2016.

## Greece

Tsipras wrote Merkel that Greece needs short-term financial assistance to meet imminent debt obligations. Merkel and Dijsselbloem pointed out that money can be released when Greece implements reforms. Technical talks with the 'institutions' (the former Troika) resumed and Greece promised to deliver a concrete list of proposals by next Monday – just like last week.

## Portugal

S&P revised Portugal's rating outlook to positive, citing the recovering growth prospects and policy makers' commitment to fiscal consolidation. Tonight Fitch will review its BB+ rating. As Fitch already has a positive outlook, it might upgrade Portugal to Investment Grade.

## Spain

Andalusia was the first region to hold regional elections this year. The Socialists remained the largest party in this region. Protest party Podemos gained fewer seats than expected by the polls, somewhat alleviating fears around the upcoming regional and national elections.

## Robeco Euro Government Bonds

We remain positive on peripheral bond markets. Fundamentals are improving with stronger growth. The ECB's bond buying allows countries to improve their debt sustainability by locking in the current affordable rates on their debt for a longer time. It also spurs the 'search for yield'. Peripheral bonds remain attractive in this environment. Greek problems will continue to cause volatility, but in the end the effect of ECB buying will be more important. The fund has a preference for longer-dated peripheral bonds.

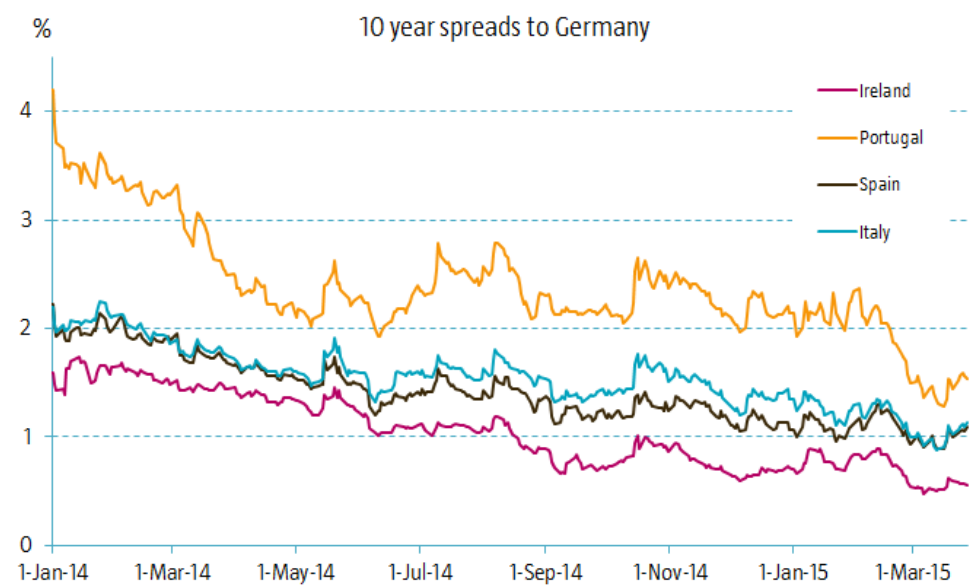
Peripheral bonds make up 62% of the fund, with overweight positions in Ireland, Spain, Italy and Portugal. Year-to-date the fund's absolute performance is 4.00%\*, helped by the strong returns in peripheral markets.

\* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD March 26, 2015. The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

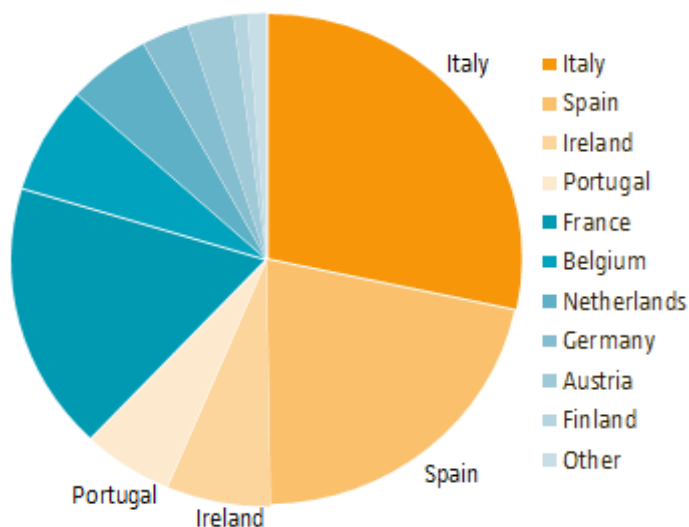
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.21	0.05									
2	-0.25	0.08	0.49	0.32	0.06	0.08	0.08		0.31	0.04	0.33
3	-0.22	0.11	0.53	0.46	0.08	0.12	0.07	20.9	0.18	0.10	0.72
4	-0.16	0.14	0.59	0.54	0.07	0.15	0.09		0.17	0.11	0.94
5	-0.09	0.15	0.70	0.69	0.07	0.11	0.09	16.2	0.33	0.09	1.07
6	-0.06	0.17	0.94	0.87	0.13	0.16	0.10		0.36	0.08	1.21
7	-0.01	0.21	1.02	0.94	0.16	0.22	0.11		0.45	0.07	1.91
8	0.05	0.24	1.07	1.02	0.19	0.25	0.17			0.13	
9	0.13	0.26	1.15	1.10	0.17	0.26	0.17		0.55	0.09	1.45
10	0.21	0.29	1.13	1.10	0.17	0.26	0.16	10.78	0.56	0.08	1.54
15	0.39	0.39	1.33	1.33		0.22	0.10	10.50	0.66	0.12	1.70
20	0.53	0.37	1.46			0.34	0.16	9.23			
30	0.66	0.47	1.51	1.42	0.09	0.40	0.13	7.97		0.01	

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (March 26, 2015)



Source: Robeco

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