

Peripheral Europe Update

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- **Podemos wins in Madrid and Barcelona**
- **Another week, another Greek deadline**

Main market events

Peripheral bonds lagged the rally in German Bunds this week. The Spanish election outcomes and some Greek headlines pushed spreads wider at the start of the week. On Wednesday peripheral debt rallied as Greek officials claimed progress in the negotiations, but this was quickly denied by the creditors. Portuguese bonds have returned 3% this year, Italian bonds 1.7%, Irish bonds 0.7% and Spanish bonds 0%.

Spain

The ruling Partido Popular suffered losses in last weekend's local and regional elections. It lost the majority in all regions where it had one. Podemos gained in the regional elections as well, but remained clearly smaller than the Socialists. The formation of a stable coalition government could be difficult in some smaller regions, especially ahead of the national elections towards the end of this year. These elections are also unlikely to produce a majority for any single party.

Greece

The IMF stated that Greece will be allowed to bundle the four payments it has to make next month. Effectively, this shifts the deadline for these payments towards the end of June. This option was used by Zambia in the 1980s.

The Euro Working Group (the EMU Deputy Finance Ministers) is said to have posed June 5 as the deadline for an agreement to disburse the remaining EUR 7 billion from the second bailout. Otherwise, the extended bailout will end without the disbursement of these funds. However, French Finance minister Sapin and EU's Juncker called for an agreement in the coming "days or weeks". Greek officials claimed progress had been made, but this was denied by the IMF, the EU and the Germans. The negotiations are thus likely to drag on for a few more weeks.

Robeco Euro Government Bonds

We have further reduced our positions in peripheral bond markets. We have taken profit on the last bit of our Portuguese holdings. We used the tightening after Greece had claimed progress in the negotiations to sell some Spanish bonds.

We continue to see the ECB's QE program, the generally supportive stance of EU policy makers towards the periphery and the improvement in growth as positives for peripheral debt. However, as we expect the complicated Greek negotiations to continue to drag on peripheral performance, we have reduced our overweight position in the periphery further. The fund still has an overweight in Irish bonds versus Germany. Furthermore the fund has a small overweight in Spanish bonds versus Italian bonds. Peripheral bonds make up 40% of the fund. Year-to-date the fund's absolute performance is 0.77%*.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD May 28, 2015.
The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

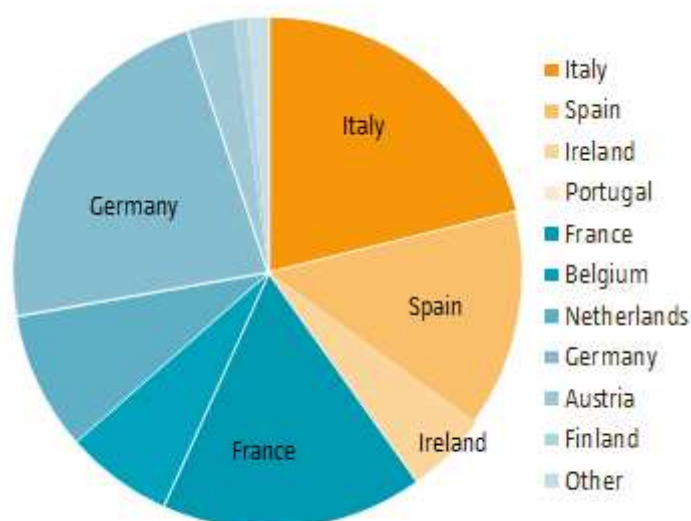
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.22	0.05									
2	-0.23	0.05	0.37	0.26	0.03	0.06	0.07		0.15	0.03	0.36
3	-0.20	0.10	0.58	0.43	0.08	0.12	0.14	22.5	0.25	0.12	0.64
4	-0.11	0.12	0.60	0.52	0.06	0.16	0.14		0.23	0.11	1.06
5	0.00	0.15	0.90	0.78	0.07	0.15	0.12	16.0	0.42	0.08	1.35
6	0.05	0.19	1.14	1.06	0.17	0.23	0.21		0.46	0.08	1.61
7	0.15	0.24	1.25	1.14	0.20	0.29	0.26		0.54	0.04	1.75
8	0.27	0.26	1.34	1.26	0.21	0.30	0.26			0.12	
9	0.38	0.28	1.38	1.38	0.19	0.31	-0.27		0.71	0.08	1.95
10	0.50	0.31	1.35	1.34	0.19	0.32	0.14	10.75	0.69	0.06	2.08
15	0.78	0.41	1.55	1.60		0.25	0.05	9.55	0.75	0.13	2.24
20	0.96	0.38	1.63			0.37	0.16	8.38			
30	1.12	0.47	1.75	1.73	0.10	0.44	0.14	7.68		0.00	

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (May 28, 2015)



Source: Robeco

Important information

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