



Re-Define Press Release on the Downgrade of Italian and Spanish Debt by Fitch

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Below you will find comments from Re-Define on Fitch's downgrade of Italy and Spain. All comments are attributable to **Sony Kapoor**, Managing Director of **Re-Define** an Economic Think Tank.

This is political risk

"This is another downgrade of EU leaders."

"The ECB's failure to blink in the game of chicken they are playing with EU leaders will result in more such outcomes."

"Germany & France need to urge the ECB to act before they too get caught in this downward spiral."

Italy and Spain need help

"Italy and Spain are now stuck in a self-fulfilling downward spiral which only an open-ended intervention by the ECB can be guaranteed to stop."

"The downgrades will hopefully focus the minds of EU policymakers and get them to focus on lowering the borrowing costs for Italy and Spain as an urgent priority."

EU leaders need to prioritize helping Spain and Italy over bank recapitalization

"There is little doubt that these will make the perceived problems of EU banks even worse."

"Without full confidence in the credit-worthiness of Italy, it's impossible to have full confidence in the solvency of the European Banking system."

"The ongoing discussions on bank recapitalization are distracting EU policy makers from the more important & urgent tasks of reducing Italian borrowing costs."

"Focusing on bank recapitalization first is the wrong priority for the Eurozone. Putting to rest any doubts about the solvency of Italy and Spain is far more urgent. "

"While the recapitalization of some EU banks may be necessary, it's not sufficient." "Unless the borrowing costs for Italy are brought down soon, all bets are off."

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