



**Re-Define Press Release – Portugal, Franco/German/Italy meeting and German Bunds
24th November 12:45 CET**

Dear Colleagues

Please find below **Re-Define's** Comments on the Portuguese downgrade, the Franco-German-Italian meeting today and recent developments in the German bond market. All comments are attributable to **Sony Kapoor**, Managing Director of Re-Define an Economic Think Tank.

Portugal's downgrade and the worsening Eurocrisis

"Portugal's downgrade simply goes to show how hard it will be for troubled economies to pull themselves out of the crisis and how long this will take."

"Unless the panic in the Eurozone is stemmed, troubled economies such as Portugal will keep getting dragged down even more and the crisis will keep spreading."

"The Portuguese downgrade highlights the limits of austerity policies both domestically in Portugal and in the wider Euro area."

"Unless something drastic is done in the next few weeks, the trickle of sovereign and bank downgrades will soon turn into a flood."

The meeting between Italy, France and Germany today

"Whatever happens or does not happen in the meeting today will undoubtedly be very significant for confidence in the Eurozone given how much uncertainty there is in the air."

"France and Italy both have their backs against the wall. Given the existential threat to the Eurozone, so does Germany, it just does not know it yet."

"The Eurozone's three largest economies need to quickly make up their minds as to whether they in this together and forever. If yes, they need to say this loud and clear because everyone is increasingly unsure."

"Italy and France are undoubtedly putting unprecedented pressure on Germany to cross its self-imposed red lines on bigger ECB intervention and Eurobonds."

"With the French AAA rating now under serious threat and Italian yields back above 7%, the future of the Eurozone depends on whether and when Germany and the ECB blink."

"There is little if anything that France can do from within now that will safeguard its AAA rating. Relief has to come from without in the form of larger ECB support for Eurozone sovereigns."

"There is nothing Mr Monti can do which will bring Italian borrowing costs down to sustainable levels. What he needs to do in terms of structural and fiscal reform is necessary but by no means sufficient."

The developments in the German bond market

“UK and US bonds with much worse fundamentals and higher inflation rates than Germany are trading below long-term German bonds simply because the ECB says it will not play the role the Bank of England and US Federal reserve do.”

“Unless the crisis is decisively addressed, the flight to safety towards German bonds may be overwhelmed by a flight out of Euro denominated assets as investors are unable to see an end to the Eurozone’s worsening problems.”

“Germany’s experience of the crisis has been rather abstract: It sees dominoes around it crumble but its own borrowing costs are low, employment high and exports have held up.”

“Slowly but surely, the myth of German economic invincibility is starting to be questioned.”

Please email Media@re-define.org for further Comments and Analysis or call [+32 489128094](tel:+32489128094)

Media Adviser, **Re-Define**

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