

# Peripheral Europe Update

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- **European Court of Justice approves ECB bond buying**
- **Syriza leader already in talks with German government**

## Main market events

Peripheral bond markets were not able to keep pace with the strong rally in core markets like US Treasuries, UK Gilts and German Bunds. Partly to blame was the large amount of issuance last week with Portugal issuing EUR 8.5 billion of 10- and 30-year bonds and Italy issuing EUR 6.5 billion of 30-year bonds, besides regular bond auctions in Spain and Italy.

## European Central Bank

After several comments from ECB policy makers including President Draghi last week, the announcement of a government-bond buying program seems a done deal at the meeting on January 22. The main surprise is likely to be the size and the structure of the program.

## European Court of Justice

The Advocate General of the European Court of Justice (ECJ) gave a position opinion on the ECB's OMT program. The final ruling is expected in the summer. This also means legal concerns will probably not stand in the way of a large QE program by the ECB.

## Spain

Catalan Premier Artur Mas announced early regional elections in Catalonia to take place on September 27. The Catalan government expects the elections to serve as a referendum on independence.

## Italy

Italian President Napolitano announced his resignation last Wednesday. According to the Italian constitution, presidential elections will need to be held within the following fifteen days.

## Greece

Alexis Tsipras, leader of far-left opposition party Syriza, is reportedly already in talks with EU officials and the German government. Despite the rhetoric in the run-up to the elections, a Syriza-led government could well reach agreement with the EU on debt relief and reforms.

## Robeco Euro Government Bonds

We remain positive on peripheral bond markets as fundamentals are improving and the ECB's policy remains very supportive. Peripheral bonds remain attractive amidst the search for yield. A government bond buying program will likely favor peripheral bonds most. The fund is thus well positioned for further ECB stimulus. We prefer Spain to Italy at similar spread levels based on its better economic fundamentals.

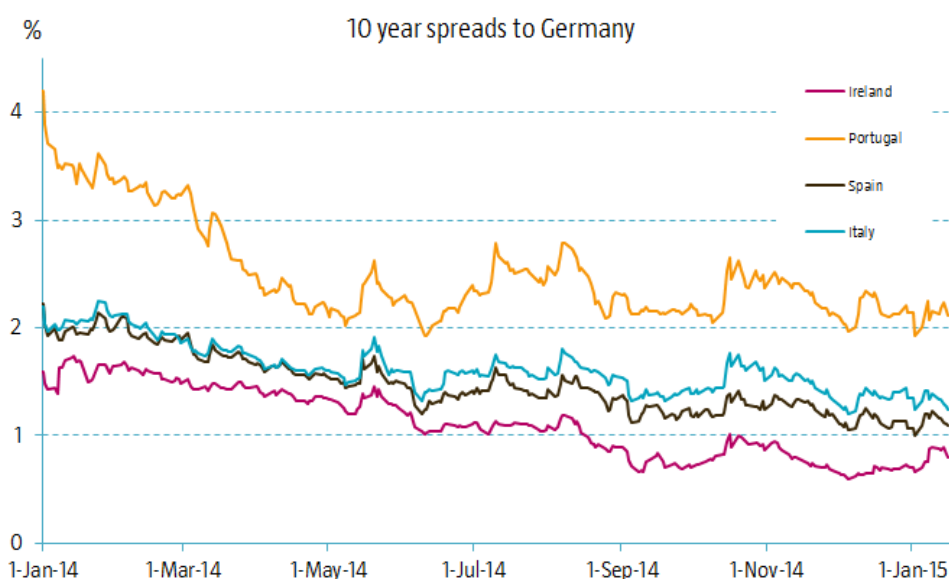
Peripheral bonds make up 60% of the fund, with overweight positions in Ireland, Spain and Portugal. Year-to-date the fund's absolute performance is 0.93%\*.

\* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD January 15, 2015. The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

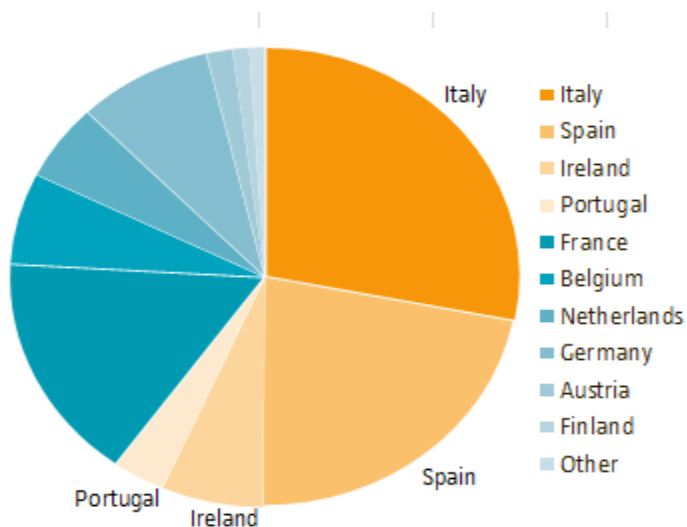
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.15	0.03									
2	-0.16	0.06	0.56	0.51	0.06	0.09	0.04		0.23	0.03	0.59
3	-0.14	0.07	0.72	0.65	0.09	0.12	0.05	11.7	0.41	0.04	1.06
4	-0.13	0.10	0.82	0.74	0.08	0.15	0.07		0.43	0.06	1.31
5	-0.05	0.11	0.84	0.86	0.04	0.13	0.05	10.7	0.59	0.02	1.51
6	0.01	0.11	0.98	0.89	0.02	0.17	0.03		0.59	0.01	1.66
7	0.09	0.13	1.19	1.02	0.03	0.25	0.04		0.64	0.02	1.87
8	0.19	0.17	1.23	1.09	0.03	0.26	0.08			0.06	
9	0.33	0.12	1.19	1.05	0.03	0.26	0.04		0.73	0.00	2.14
10	0.45	0.18	1.24	1.09	0.01	0.27	0.04	9.08	0.80	-0.01	2.12
15	0.68	0.41	1.78	1.47		0.22	-0.08	8.95	0.96	0.10	2.76
20	0.90	0.38	1.93			0.37	0.09	7.99			
30	1.14	0.40	2.00	1.73	0.04	0.40	0.05	6.90		-0.01	

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (January 16, 2015)



Source: Robeco

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