

# Peripheral Europe Update

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- **ECB President Mario Draghi fires his bazooka**
- **Syriza leading in latest polls before Sunday elections**

## Main market events

European bond markets had a very strong week, with peripheral bonds outperforming all others, after Mario Draghi had announced the more than EUR 1.100.000.000.000 QE program. Just three weeks in the new year Spanish bonds have already returned 1.4%, Italian bonds 1.8% and Irish bonds 1.0%.

## European Central Bank

ECB president Mario Draghi announced the ECB will add government bonds, agencies and European institutions to its current buying program of ABS and covered bonds. The ECB will buy EUR 60 billion a month from March 2015 until September 2016. Portugal is eligible, while Greece first has to comply with the targets agreed with the Troika.

Besides the much larger than expected size of the program, the biggest surprise was the fact that the ECB will buy up to 30-year maturities. Especially long-dated peripheral bonds rallied significantly after this announcement.

## Italy

The Italian government approved an emergency decree obliging the country's largest *popolari* banks to become regular listed companies. The aim of the reform is to improve governance and facilitate mergers or takeovers for banks that do not have the strength to survive independently.

## Portugal

The Portuguese government will formally request early repayment of the bailout loans with the IMF. Portugal can currently fund itself much cheaper in bond markets than at the IMF.

## Greece

The leader of the recently created 'To Potami' party, Stavros Theodorakis, announced only to collaborate with Syriza if the leftist party agrees to conclude the pending fifth troika review. This weekend the elections will take place, with Syriza leading with at least 3% in the latest polls.

## Robeco Euro Government Bonds

We remain positive on peripheral bond markets as fundamentals are improving and the ECB has clearly shown its determination to do 'whatever it takes'. Peripheral bonds remain attractive amidst the search for yield. The fund increased its exposure to long-dated Italian bonds, as this segment is likely to benefit most from the ECB buying.

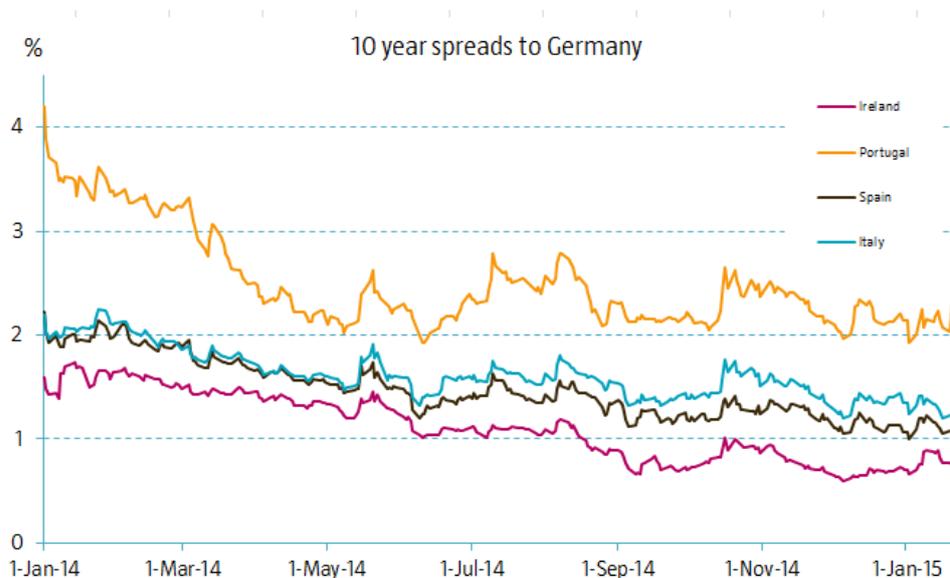
Peripheral bonds make up 62% of the fund, with overweight positions in Ireland, Spain, Italy and Portugal. Year-to-date the fund's absolute performance is 1.74%\*, helped by the strong performance of the periphery.

\* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD January 22, 2015. The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

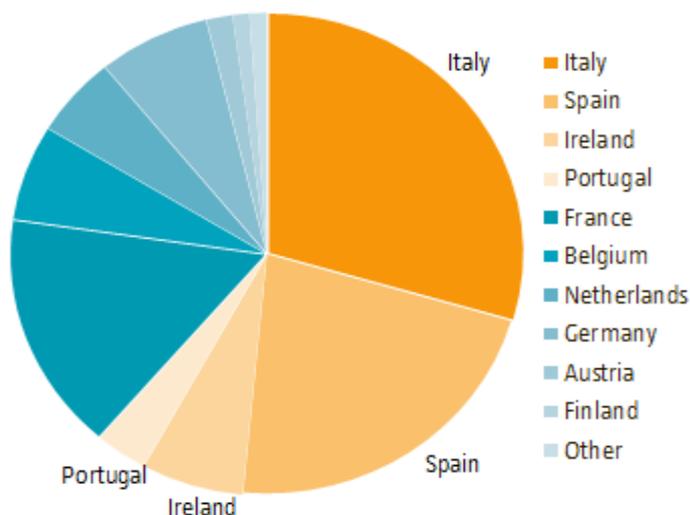
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.16	0.03									
2	-0.17	0.07	0.49	0.42	0.06	0.09	0.04		0.23	0.06	0.47
3	-0.14	0.07	0.59	0.53	0.07	0.11	0.06	10.2	0.28	0.08	0.85
4	-0.11	0.10	0.67	0.61	0.06	0.14	0.05		0.31	0.09	1.30
5	-0.03	0.09	0.71	0.74	0.02	0.10	0.02	9.1	0.46	0.05	1.44
6	0.00	0.13	0.89	0.80	0.03	0.15	0.01		0.47	0.03	1.65
7	0.05	0.17	1.09	0.95	0.05	0.24	0.04		0.57	0.05	1.85
8	0.14	0.19	1.15	1.01	0.06	0.25	0.08			0.09	
9	0.25	0.14	1.13	0.98	0.05	0.25	0.05		0.65	0.02	1.96
10	0.35	0.18	1.17	1.01	0.03	0.27	0.05	8.16	0.72	0.01	2.09
15	0.62	0.37	1.51	1.22		0.18	-0.08	8.48	0.84	0.09	2.39
20	0.83	0.35	1.65			0.32	0.10	7.56			
30	1.07	0.36	1.61	1.34	0.05	0.34	0.05	6.49		-0.02	

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (January 23, 2015)



Source: Robeco

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