



The solvency of nations: Part 2

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Greece floated a bond issue on Thursday, demonstrating it currently has the capability to avoid a debt default. Within an hour the bond was oversubscribed – demand exceeded available bonds – with €7-billion (\$9.5-billion U.S.) in offers received. The government was seeking €5-billion. **UniCredit Research** said the yield was expected to be approximately 6.5% –double the yield on German bonds of similar maturity but a full 50 basis points less than a week ago. The bond issue came a day after the Greek government detailed an additional round of painful austerity measures.

Greece has around €20-billion worth of debt maturing in April and May of this year. In total, Greece may have to borrow approximately €54-billion this year. The Greek government is pressing its **European Union (EU)** partners for support. The EU has been non-committal, but many investors expect that **Germany** and **France** will extend help in the form of state-owned banks guaranteeing Greek bonds. Greece has indicated that it could also seek support from the **International Monetary Fund** – causing considerable embarrassment to the 27-member EU.

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