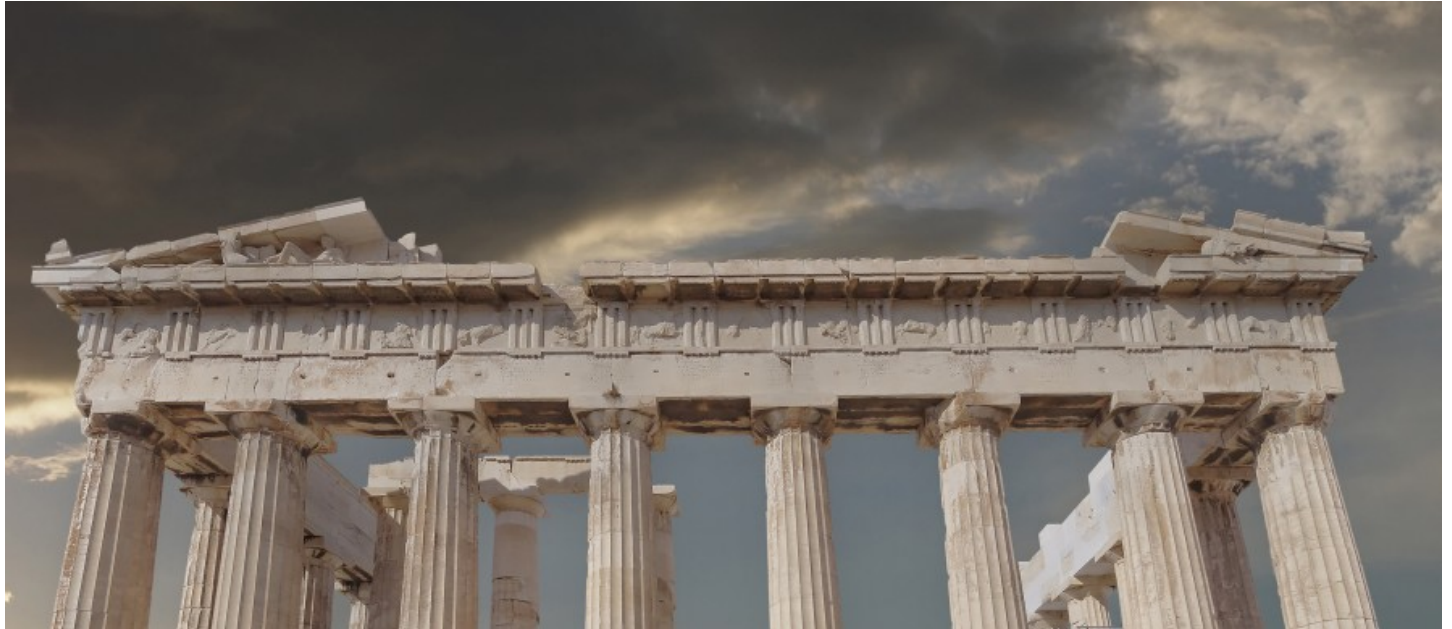


<https://blog.en.erste-am.com/2015/07/06/parallel-currency-greece/>

Parallel currency in Greece?

Gerhard Winzer



© © Fotolia

Last Sunday, the Greek people decided with a clear majority to follow the proposal of their government. With 61.3%, the No camp rejected the conditions of the expired adjustment program. Thereby, Greece is one step closer to an exit from the Eurozone and the European Union.

What follows is unclear. The terms of the creditors – reforms in exchange for financial aid – will also be embedded in a still possible third program. [Greece](#) is not able to service its debt without financial aid. In the meantime, the primary balance, i.e. the budget balance exclusive of interest payments, is probably already negative. Furthermore, the European Central Bank will no longer accept Greek governments bonds as collateral for the emergency loans.

Therefore, a political decision whether to guarantee the Greek debt will have to be taken by the countries of the EU or the EMU. If this is the case, the ECB would be able to continue to supply emergency loans. Either way, the Greek government will probably issue Vouchers (IOUs) soon, to pay for expenditures (pensions). This would represent a parallel currency which would rapidly lose value, if the IOUs are not 1:1 convertible into Euros.

Greek banks will remain closed and the capital controls implemented. No financial aid, a frozen financial system and a too strong, i.e., not devalued own currency will lead to a further severe recession. A working financial system is a necessary condition for the proper functioning of the economy. The absence of an economic recovery and the possible withdrawal of the ECB emergency loans argue for the conversion of deposits into bank equity capital. The only other possibility is a currency reform, i.e., the conversion of euro cash, deposits, and obligations into a new currency.

De jure, Greece will remain a member of the [Eurozone](#) for the foreseeable future. Due to capital controls and the probable introduction of a parallel currency, Greece has de facto said goodbye to the EU.

Things can still be turned around. The Greek government never accepted the conditions of the expired adjustment program. Neither a debt haircut nor economic stimulus measures were included. Both would support the sentiment of the Greek people. But the moral issue – who wants to pay back debt and accept austerity – remains. If both the creditors and the Greek government are of good will a compromise between reform and aid can still be reached.

The [European Central Bank](#) is an important stakeholder not only for Greece. The council has affirmed that everything within its

mandate will be done to safeguard the financial system. The instruments are rate cuts, the bond buying program (QE), and the conditional provision of unlimited amounts of liquidity to governments (OMT) and banks. In addition, new instruments can be invented, like crises-induced asset purchase programs.

On markets the already fallen risk appetite will remain subdued. Temporary price losses of [government bonds](#) with credit risk, higher corporate credit spreads and falling equity prices are conceivable. In case the ECB provides more stimulus measures, the [Euro](#) will weaken.

As long as the negative spillover effects on financial markets remain restricted, sentiment among consumers and corporations will be affected only to a limited extent. Bank's balance sheets are sounder, government's fiscal policies no longer restrictive, the European Central Bank's policy is extremely expansionary and has invented new tools and a bailout fund (ESM) has been installed. Thus, the moderate economic recovery in the EMU will not be derailed. From a strategic point of view, the big question remains: What will be stronger – the integration or the disintegration forces within the EU and the EMU?

Wichtige rechtliche Hinweise

Hierbei handelt es sich um eine Werbemitteilung. Sofern nicht anders angegeben, Datenquelle ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H., Erste Asset Management GmbH, RINGTURM Kapitalanlagegesellschaft m.b.H. und ERSTE Immobilien Kapitalanlagegesellschaft m.b.H. Unsere Kommunikationssprachen sind Deutsch und Englisch.

Der Prospekt für OGAW-Fonds (sowie dessen allfällige Änderungen) wird entsprechend den Bestimmungen des InvFG 2011 idGF erstellt und im „Amtsblatt zur Wiener Zeitung“ veröffentlicht. Der vereinfachte Prospekt der ERSTE Immobilien Kapitalanlagegesellschaft m.b.H. wird entsprechend den Bestimmungen des ImmoInvFG 2003 idjF erstellt und im „Amtsblatt zur Wiener Zeitung“ veröffentlicht. Für die von der ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H., Erste Asset Management GmbH, RINGTURM Kapitalanlagegesellschaft m.b.H. und ERSTE Immobilien Kapitalanlagegesellschaft m.b.H. verwalteten Alternative Investment Fonds (AIF) werden entsprechend den Bestimmungen des AIFMG iVm InvFG 2011 „Informationen für Anleger gemäß § 21 AIFMG“ erstellt.

Der Prospekt, die „Informationen für Anleger gemäß § 21 AIFMG“, der vereinfachte Prospekt sowie die Wesentliche Anlegerinformation/KID sind in der jeweils aktuell gültigen Fassung auf der Homepage www.erste-am.com bzw. www.ersteimmobilien.at abrufbar und stehen dem interessierten Anleger kostenlos am Sitz der jeweiligen Verwaltungsgesellschaft sowie am Sitz der jeweiligen Depotbank zur Verfügung. Das genaue Datum der jeweils letzten Veröffentlichung des Prospekts bzw. des vereinfachten Prospekts, die Sprachen, in denen die Wesentliche Anlegerinformation/KID erhältlich ist sowie allfällige weitere Abholstellen der Dokumente sind auf der Homepage www.erste-am.com bzw. www.ersteimmobilien.at ersichtlich.

Diese Unterlage dient als zusätzliche Information für unsere Anleger und basiert auf dem Wissensstand der mit der Erstellung betrauten Personen zum Redaktionsschluss. Unsere Analysen und Schlussfolgerungen sind genereller Natur und berücksichtigen nicht die individuellen Bedürfnisse unserer Anleger hinsichtlich des Ertrags, steuerlicher Situation oder Risikobereitschaft. Die Wertentwicklung der Vergangenheit lässt keine verlässlichen Rückschlüsse auf die zukünftige Entwicklung eines Fonds zu.

Da es sich hierbei um einen Blog handelt, werden die in den jeweiligen Einträgen angegebenen Daten und Fakten sowie Hinweise nicht aktualisiert. Diese entsprechen dem Redaktionsstand zum oben angeführten Datum. Die jeweils aktuellen Daten und Hinweise in Bezug auf Fonds entnehmen Sie bitte den Angaben unter dem Menüpunkt „Fondssuche“ auf www.erste-am.at.



Gerhard Winzer

Gerhard Winzer has worked at Erste Asset Management since March 2008. Up until March 2009, he was Senior Fund Manager in Fixed Income Asset Allocation; he has been Head Economist since April 2009.

He holds a degree from a polytechnical college and studied economics and business at Vienna University with a special focus on financial markets. He holds a CFA charter and participated from 2001 to 2003 in the doctoral programme for finance at the Center for Central European Financial Markets in Vienna.

From July 1997 to June 2007, he worked in research at CAIB, Bank Austria Creditanstalt, and UniCredit Markets & Investment Banking. His last position was as Executive Director for Fixed Income / FX Research and Strategy. He was responsible for research on asset allocation at Raiffeisen Zentralbank (RZB) in Vienna from July 2007 to February 2008.