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Papaconstantinou Denies EU Preparing Loan to Help Greece
2010-01-21 09:23:29.192 GMT

(For more news on Greece see {EXT2 <GO>})

By Natalie Weeks and Maria Petrakis

Jan. 21 (Bloomberg) -- Greek Finance Minister George Papaconstantinou denied a report the European Union was preparing a loan to help Greece tackle the EU'S biggest budget deficit and said the government wasn't expecting anyone to come to the rescue.

The EuropeanVoice reported today that EU officials are looking into a possible "heavily conditioned" loan for Greece to staunch its fiscal crisis and stop the country from seeking aid from the International Monetary Fund. Options include tapping the EU's 50 billion-euro ($70 billion) program to help members with balance-of-payments difficulties or having governments provide short-term guarantees, the newspaper said without citing anyone.

The report about an EU loan is "not valid," Papaconstantinou said when asked about the story in Athens today.

"We are not expecting anyone to come to our rescue," he said at a conference in Athens today. He also said Greece will be able to satisfy its borrowing needs this year on schedule.

Greece has pledged about 10 billion euros in budget cuts this year to bring down the deficit from more than four times the EU limit at 12.7 percent of economic output. Investor concern about whether the government will need a bailout if it can't deliver on that pledge pushed the premium to buy Greek 10- year bonds over comparable German debt to a 10-month high yesterday and has contributed to a slide in the euro against the dollar.

The euro traded at $1.4071 today, near a five-month low, and credit-default swaps on the country's five-year sovereign bonds climbed to a record yesterday on concern the country might need a bailout, undermining the credibility of Europe's single currency. The euro will decline further, said analysts at UniCredit SpA.

"The euro has clearly become a full Greek tragedy and a self-fulfilling prophecy, with whatever bad news -- lower U.S. stocks, China's tighter monetary policy -- being an excuse to sell," a team of analysts including Roberto Mialich in Milan wrote in a report today. "Stay short as reversal is only above $1.43 and the pair will target $1.39 once $1.4080 has gone."

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