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Greek Equities' Market Drivers in the Short-Term Horizon

Greek equities have been driven by a short-term favorable momentum as investors' expectations that Greek banks' imminent share capital increases will be successful have prevailed in the market. The recapitalization of Greek banks and the conservation of their private management is expected to boost their fundamental performance in the longer run.

At the same time, improvements in the broader economic and investment climate in Greece continue to be felt. The fiscal adjustment and the gradual control of the country's budget deficit allow for a more positive sentiment in the real economy and consequently in equity market as compared to the recent past. The improving sentiment is also shared outside the country and is confirmed by the notable drop in the spreads of Greek government bonds, to a faster pace than in other European peripheral countries, as well as by favorable evidence with regard to Greek government's trip to China to attract foreign investment.

Of course risks in the Greek economy and equity market have not been pulled away. Any relaxation in fiscal adjustment and any deceleration in structural changes targeting competitiveness gains are expected to harm the economy's progress and bring several stages backwards its short-term and long-term targets.

Finally, the Greek equity market is affected by the prevailing sentiment in major international equity markets which have touched historically high levels following positive signs from the monetary front and the announcement of economic data.

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