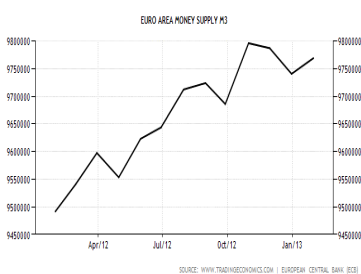


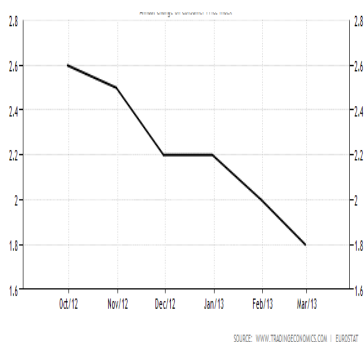
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Euro Area money supply (M3)



Source: ECB, tradingeconomics.com

EZ inflation rate %



Source: Eurostat, tradingeconomics.com

Recent macroeconomic developments

- Given inflationary expectations remained contained in the Eurozone, on March 7, 2013, the ECB decided to maintain the 0.75% key rate on its main financing operations, given that HICP inflation rates have declined below 2% in line with expectations and that Euro area real GDP growth declined by 0.6% on a quarter on quarter basis, allowing the ECB to maintain its easy monetary policy.

- The ECB insists on not announcing specific inflation targets for the conduct of its monetary policy. The Bank's macroeconomic projections foresee inflation to be on average 1.6% in 2013 and 1.3% in 2014.

- Key rates in major developed economies remained unchanged, given projections of anemic growth with relatively low inflationary expectations.

- Italian fragility in terms of electoral results resulted to a surge in bond yields. 10Y bond yield rose by 41bps one day after the election (from 4.49% to 4.9%, sliding back to 4.6% on March 8). Italy's credit rating was downgraded from A- to BBB+ by Fitch, with negative outlook.

- The death of Hugo Chavez, a former President of Venezuela, may open the path towards liberalization of wage and capital markets for this major oil-producing country. Prospects for a freer Venezuelan economy, together with an independent central bank, shall enhance productivity with regards to its oil output and may increase worldwide oil supply, causing a depression of crude oil prices worldwide, therefore positively affecting income in the eurozone.

- According to Eurostat, euro area GDP fell by 0.6% in the euro area during the fourth quarter of 2012, compared with the previous quarter, while in the third quarter of 2012, growth rate was -0.1%.

- As for the bond yields in the euro zone, as shown on page 2 of this report, bond yields of all peripheral sovereign debt have dropped over the last week (Irish, Greek, Portuguese, Spain and Italian 10 Year bonds). Core Eurozone countries such as France, Germany, Finland and the Netherlands, experienced slight increases in bond yields, albeit with relatively insignificant effects, given that they remain extremely low.

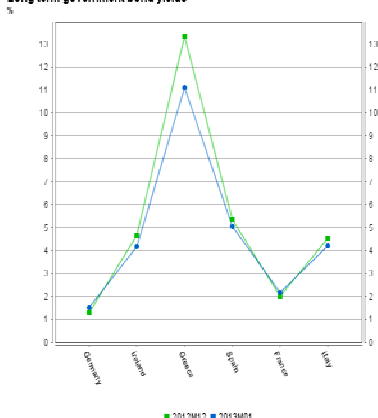
- Meanwhile, Cypriot financial position is gloom, given that the sovereign may need to cover the losses of its two largest banks, reaching an unsustainable public debt to GDP ratio of 140%.

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Long-term government bond yields, Dec. 2012 – Jan. 2013

Long term government bond yields



Green: December, Blue: January
Source: Eurostat

Eurozone Bond Yields (08 Feb 2013)

Euro Bonds	5 Year	Weekly Change	10 Year	Weekly Change
Portugal	-	-	5.94	-7.04%
Greece	61.19	-	10.55	-5.13%
Spain	-	-	4.76	-6.48%
Italy	-	-	4.6	-5.74%
France	-	-	2.13	1%
Austria	0.74	10.45%	1.76	1%
Netherlands	0.8	8.11%	1.72	2.38%
Finland	0.63	11%	1.68	5%
Germany	0.51	21.43%	1.53	7.75%

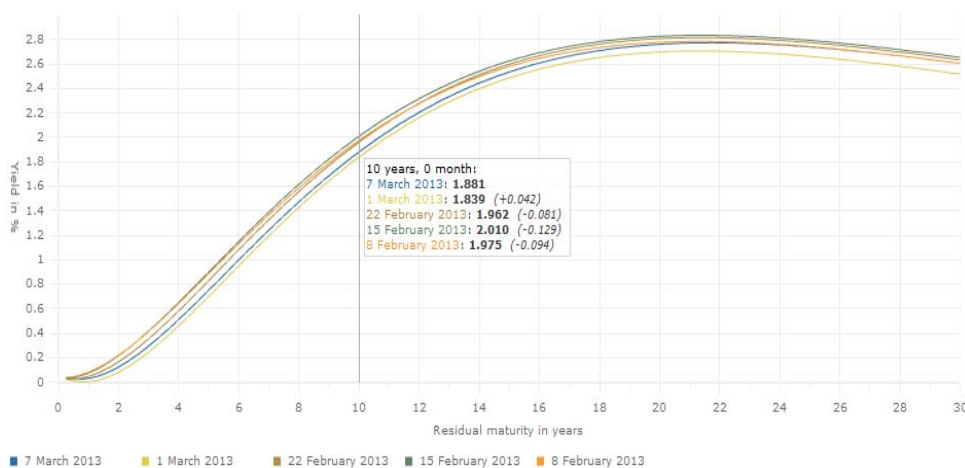
Source: Bloomberg, VRS Calculations.

Peripheral Eurozone Bond Yields (8,10Y maturities)

	Greek 10Y	Portugal 10Y	Ireland 8Y	Italy 10Y	Spain 10Y
03/08/2013	10.55	5.94	3.631	4.6	4.76
03/01/2013	11.04	6.38	3.731	4.79	5.1
02/22/2013	11.07	6.28	3.699	4.45	5.15
02/15/2013	10.91	6.19	3.616	4.38	5.19
02/08/2013	10.93	6.55	3.832	4.55	5.36

Source: Bloomberg, VRS Calculations.

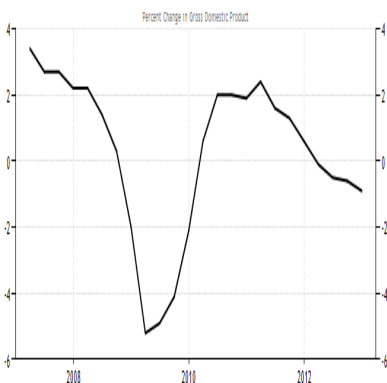
Yield Curve Movements of AAA Eurozone Debt



Source: ECB stats.

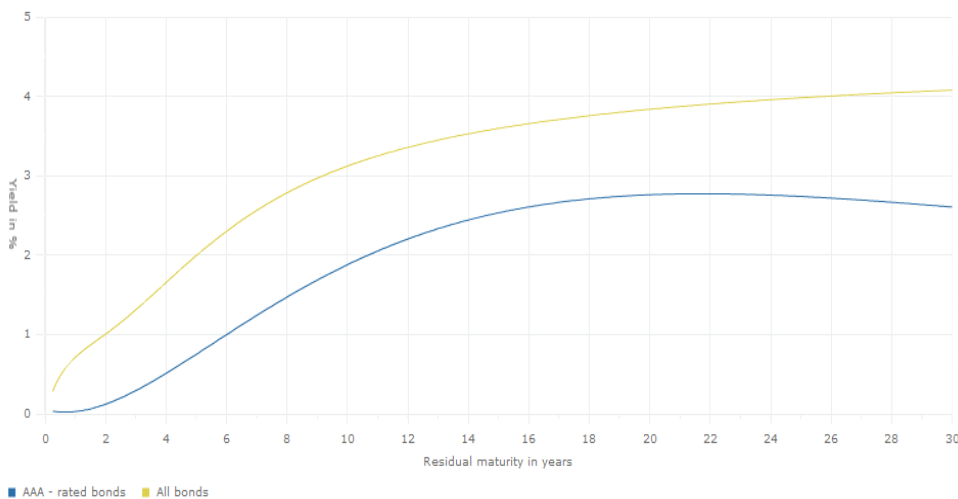
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Annual Euro Area GDP Growth



Source: Tradingeconomics.com

Yield Curve of AAA vs. Total Eurozone Debt, 08 Mar 2013



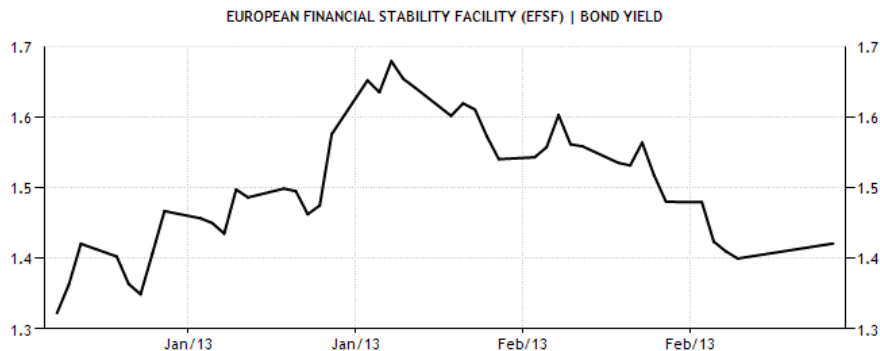
Source: ECB stats.

Central Bank Key Rates Throughout the World

Date	US Fed Funds Rate	Bank of England Official Bank Rate	Bank of Japan Call Rate	ECB Main Refinancing Rate	China 1Y Lending Rate
03/08/2013	0.16	0.5	0.1	0.75	6
03/01/2013	0.16	0.5	0.1	0.75	6
02/22/2013	0.16	0.5	0.1	0.75	6
02/15/2013	0.17	0.5	0.1	0.75	6
02/08/2013	0.15	0.5	0.1	0.75	6

Source: Central Banks' data.

EFSF 10 Year Bond Yields



SOURCE: WWW.TRADINGECONOMICS.COM | EUROPEAN CENTRAL BANK

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