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Greece Pretends It Has Capital Markets Access By Continuing To Sell Ultra-Short Term Debt At Astronomical Spreads

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After a frabjous placement of 6 month bills last week (at just under a whopping 5%), Greece continues the charade of pretending it has capital markets access by announcing it will sell another €1.5 billion of 3 month bills on July 20, 2 days before the Stress Farce results are announced. Of course, with 3 Month Euribor about 3 % lower than where this paper will come, and as the ECB will likely end up purchasing about 80% of the auction via Greek bank intermediaries, all this action does is to merely reinforce just how *isolated* from money and other markets Greece (just like Spain and Portugal) continues to be. And as for the reason for this harried sale, it is merely to roll a greater amount of maturing bills - the last thing the country would want is to disclose that it is literally insolvent, as opposed to just metaphorically.

From [Market News](#) [1]:

The T-bill sales come as the Hellenic Republic has to repay E1.95 billion in two payments due 16 July and a single payment of E2.4bln due on 23 July. In addition, the T-bill sales are also seen helping Greek banks with their liquidity management.

Whilst the EU-IMF's E110 billion emergency funding programme was designed to cover Greece's financing needs until the end of Q1 2012, it was also due to act as a shield and help Greece amke a full return to markets as soon as possible, which is likely to be in 2011.

And some more on why the country is now living "paycheck to paycheck" [from Bloomberg](#) [2]:

Next week's sale will be the second since the country accepted a EU-led bailout in May. The 26-week auction signaled that confidence among banks in Greece, which purchased 80 percent of the bills sold, is growing after Prime Minister George Papandreou's government cut wages, postponed retirements and raised taxes to trim the euro-region's second-highest budget deficit and restore investor confidence. [The issue is that these bank can immediately turn around and pledge the debt as collateral to the ECB, thereby facilitating ongoing debt monetization by JC Trichet]

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The debt agency sold the 26-week bills at a yield of 4.65 percent. About 4.5 billion euros of short-term securities come due from July 10 to July 23 and the rollover isn't fully funded by the 110 billion-euro lifeline received in May to avoid default, according to an International Monetary Fund document.

In other words, the country has about a 24 hour rolling buffer before it runs out of money. Surely, this is sufficient to drive the EURUSD over 1.30...

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