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[Home](#) > The Next Leg Of Eurocrisis 2010? The Hungary Wolfpack Cometh As IMF, EU Cancel \$25 Billion Rescue Loan Access

The Next Leg Of Eurocrisis 2010? The Hungary Wolfpack Cometh As IMF, EU Cancel \$25 Billion Rescue Loan Access

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In the most surprising news of the weekend (so far), the IMF and the EU effectively suspended Hungary's access to the remaining funds in a \$25 billion rescue loan package created in 2008 to prevent a financial meltdown of the country. The timing of this development is most extraordinary, as [only a month ago](#) [1] Hungary served as ground zero for yet another scare that pushed European sovereign bond spreads to new records. The reason given for this dramatic, and very destabilizing action is that the nation must "take tough action to meet targets for cutting its budget deficit." Ostensibly Greece continuing to lie about its own economic deterioration is a necessary and sufficient condition for escalating IMF lauding. Yet, with Europe set to announce results of its Stress Test kabuki next week, the last thing the continent needs is a real liquidity crisis (or the threat thereof) to counteract the smooth talking bureaucrats dead set into [hypnotizing the union](#) [2] into "all is well" submission ("and when I snap my fingers, the debt-to-GDP ratio will be back to 10%"). To quote Portfolio.hu: "Brace yourself for Monday, folks!"

[Reuters is on the case](#) [3]:

Negotiations with the lenders had been expected to finish early next week. Analysts said the forint currency could fall sharply when financial markets reopen Monday due to uncertainty over the international safety net for Hungary, which has financed itself from the markets since last year.

"In an environment of heightened market scrutiny of government deficits and debt levels, the fiscal deficit targets previously announced -- 3.8 percent of GDP in 2010 and below 3 percent of GDP in 2011 -- remain an appropriate anchor for the necessary consolidation process and debt sustainability, and should be adhered to, but additional measures will need to be taken to achieve these objectives," the IMF said.

Hungary's politicians proves once again they are complete dillettantes when it comes to dealing with entrenched status quoers as the IMF - instead of taking Greece's lead and promising they would not only cut pension to zero, but demand the citizens pay for the privilege for working for the government (a stance, which of course will be repealed in 364 days, but by then, the myth goes, the Keynesian ponzi will be back in full swing), Hungary's new political party apparently had the temerity of telling the IMF it can shove its demands.