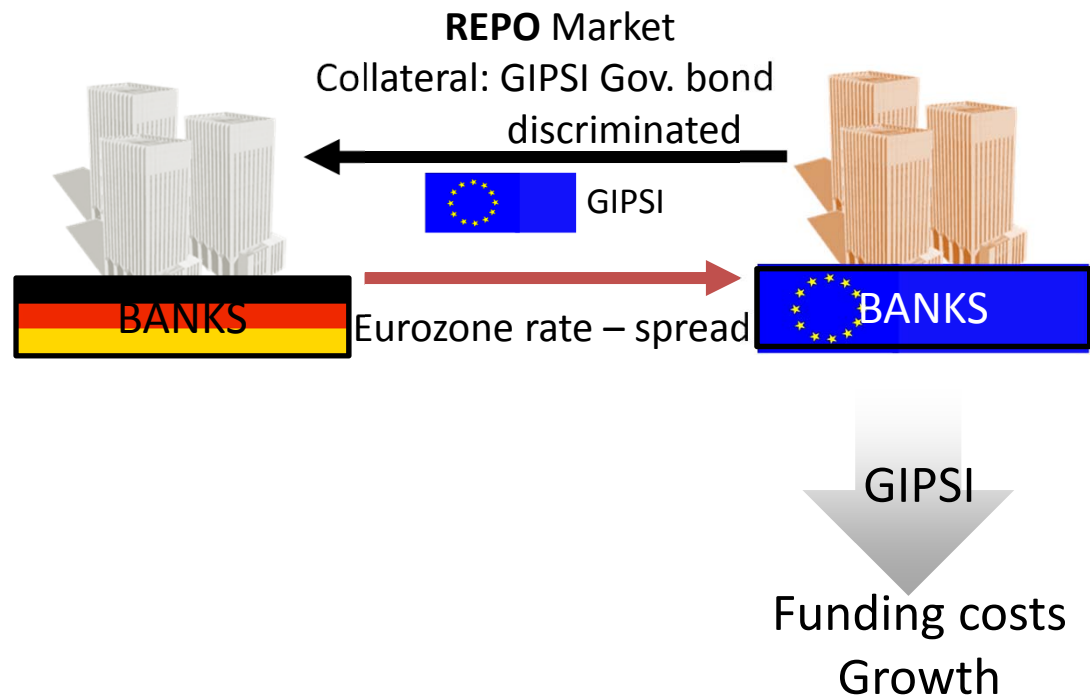
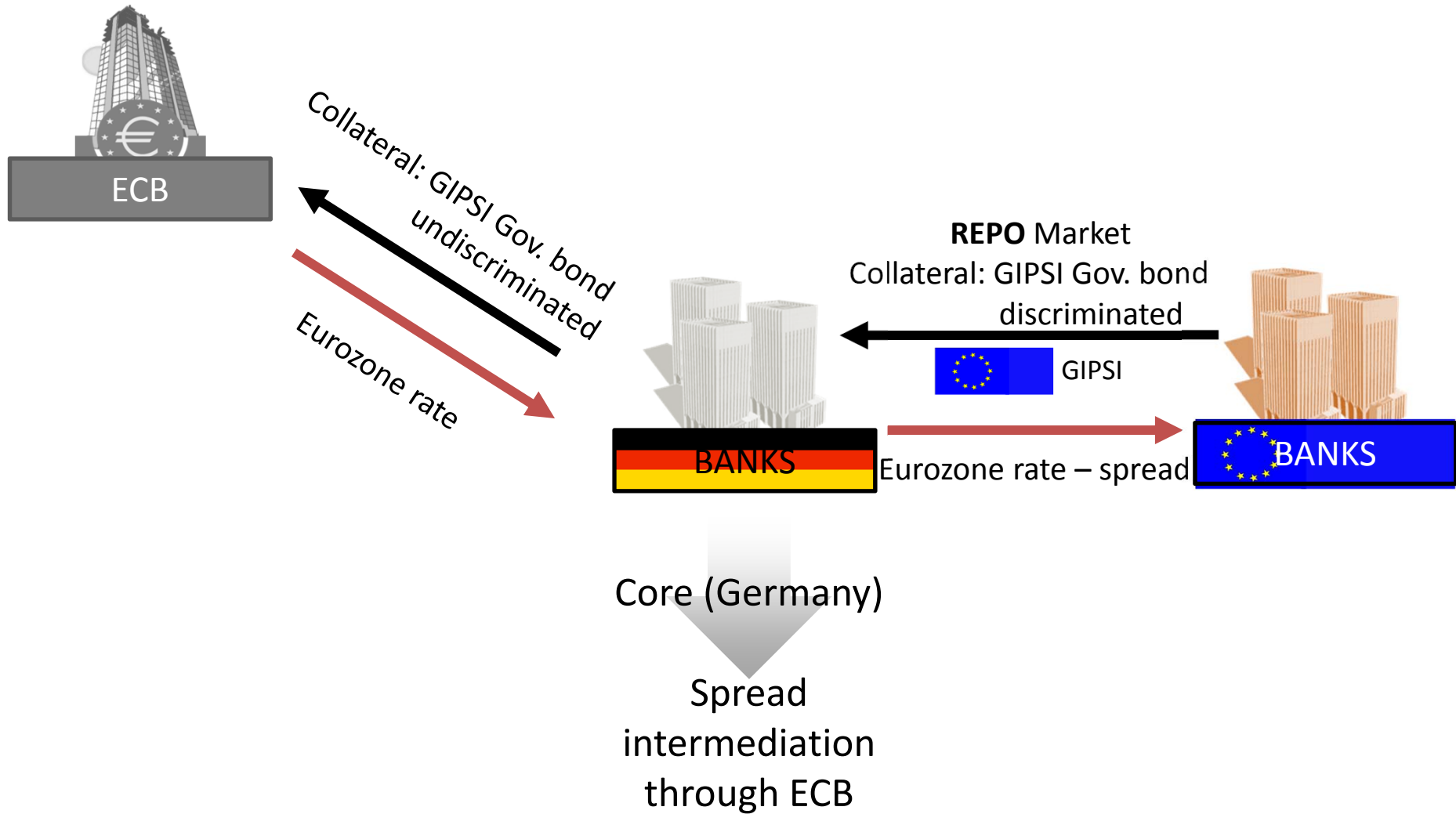


COLLATERAL DISCRIMINATION SPREAD INTERMEDIATION

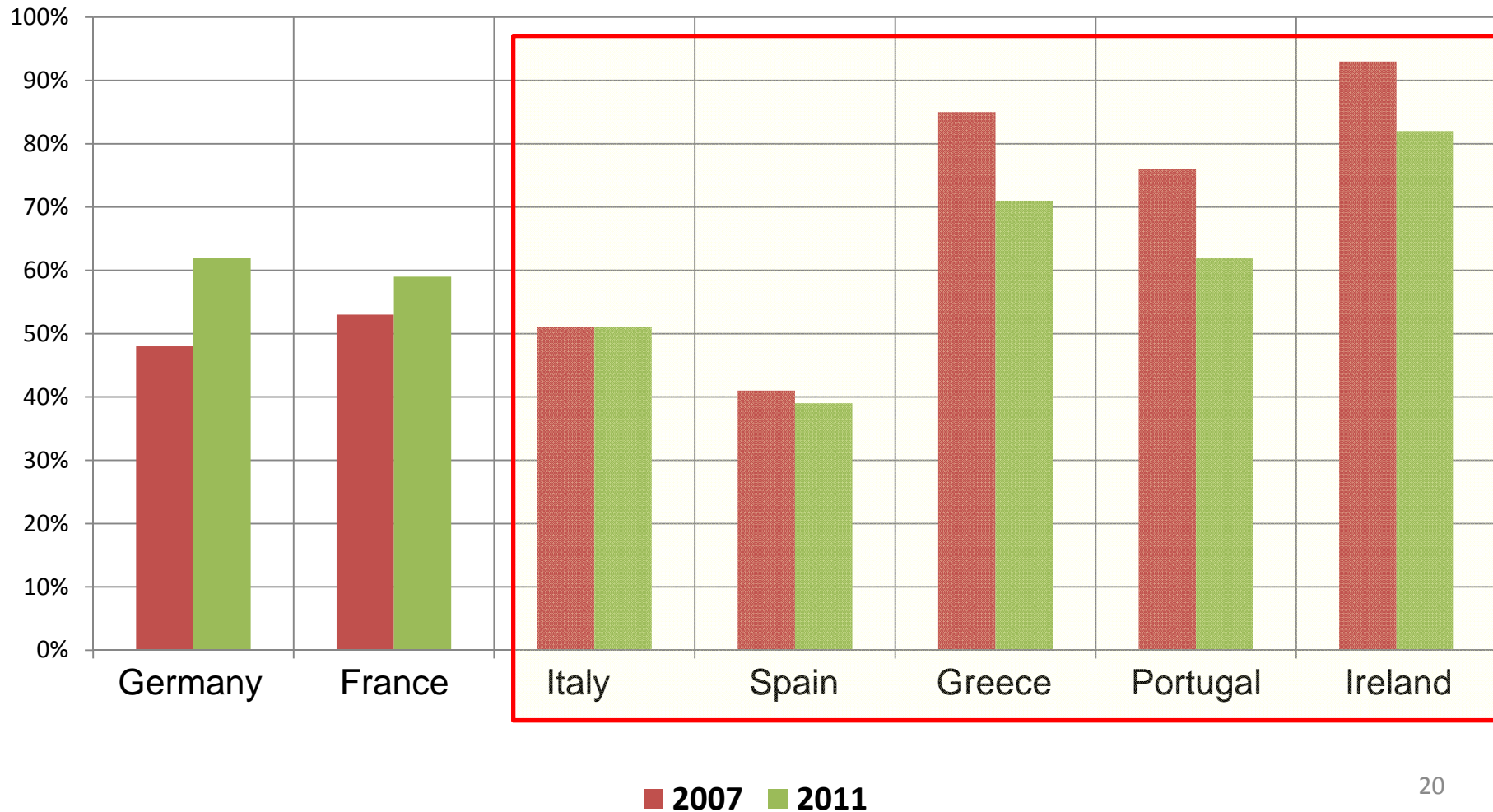


COLLATERAL DISCRIMINATION SPREAD INTERMEDIATION



PUBLIC DEBT NATIONALIZATION

Eurozone - % Government Debt held by Foreign Investors

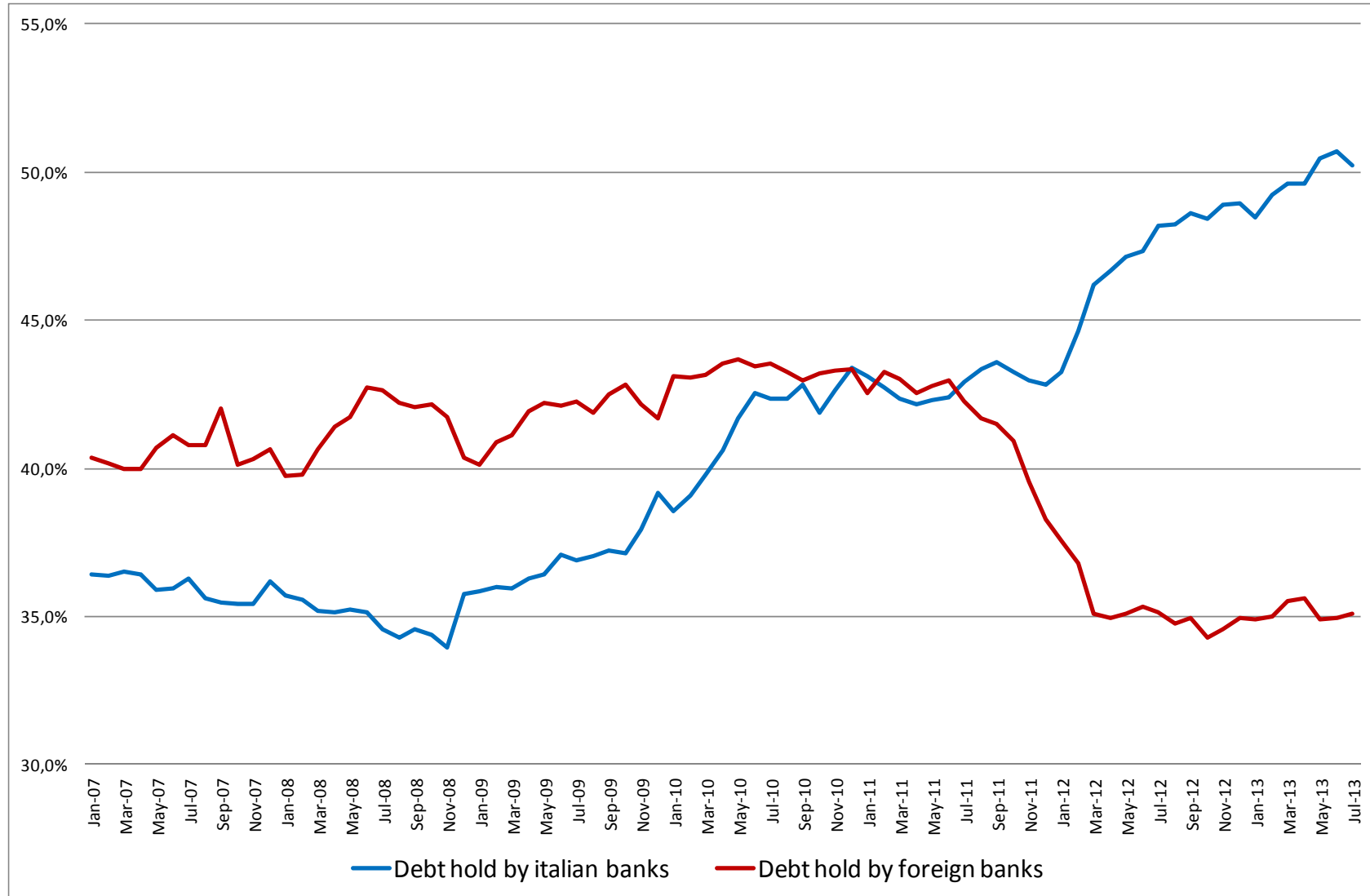


DEBT NATIONALIZATION



THE ITALIAN CASE STUDY

Sovereign Debt- sectoral breakdown (2007-2013)

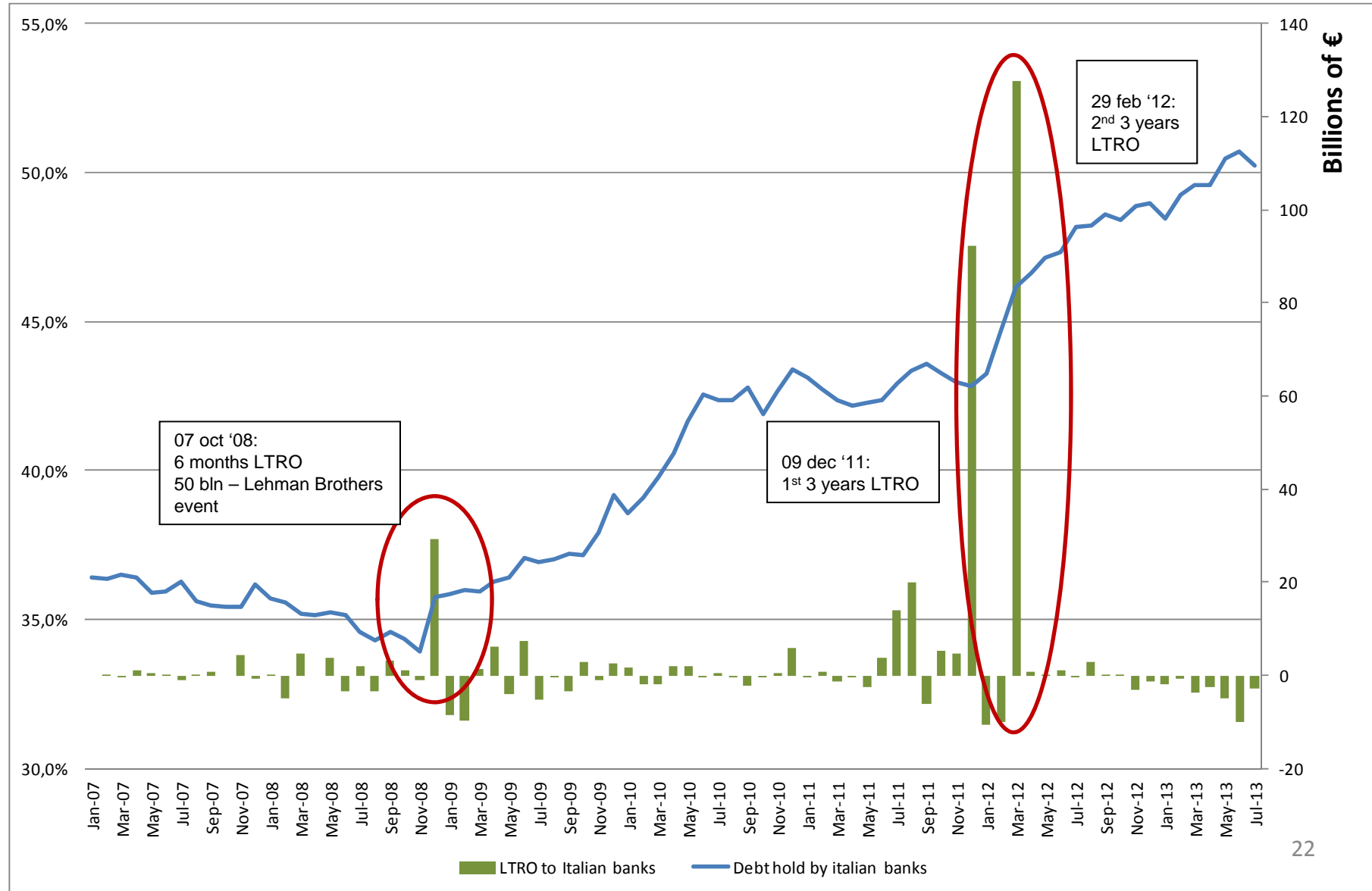


DEBT NATIONALIZATION



THE ITALIAN CASE STUDY

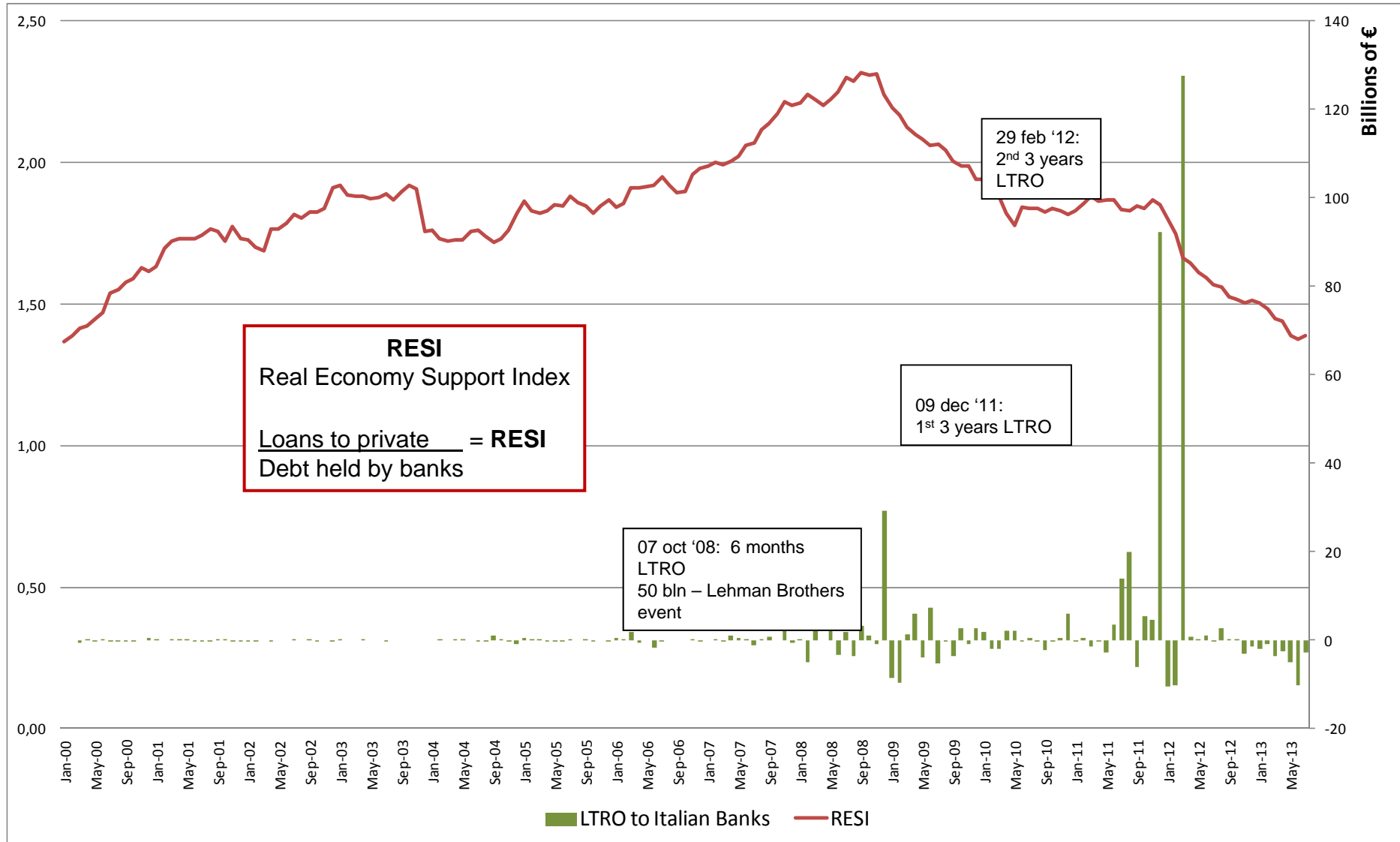
LTRO feed the presence of sovereign bond in the Italian banks portfolio



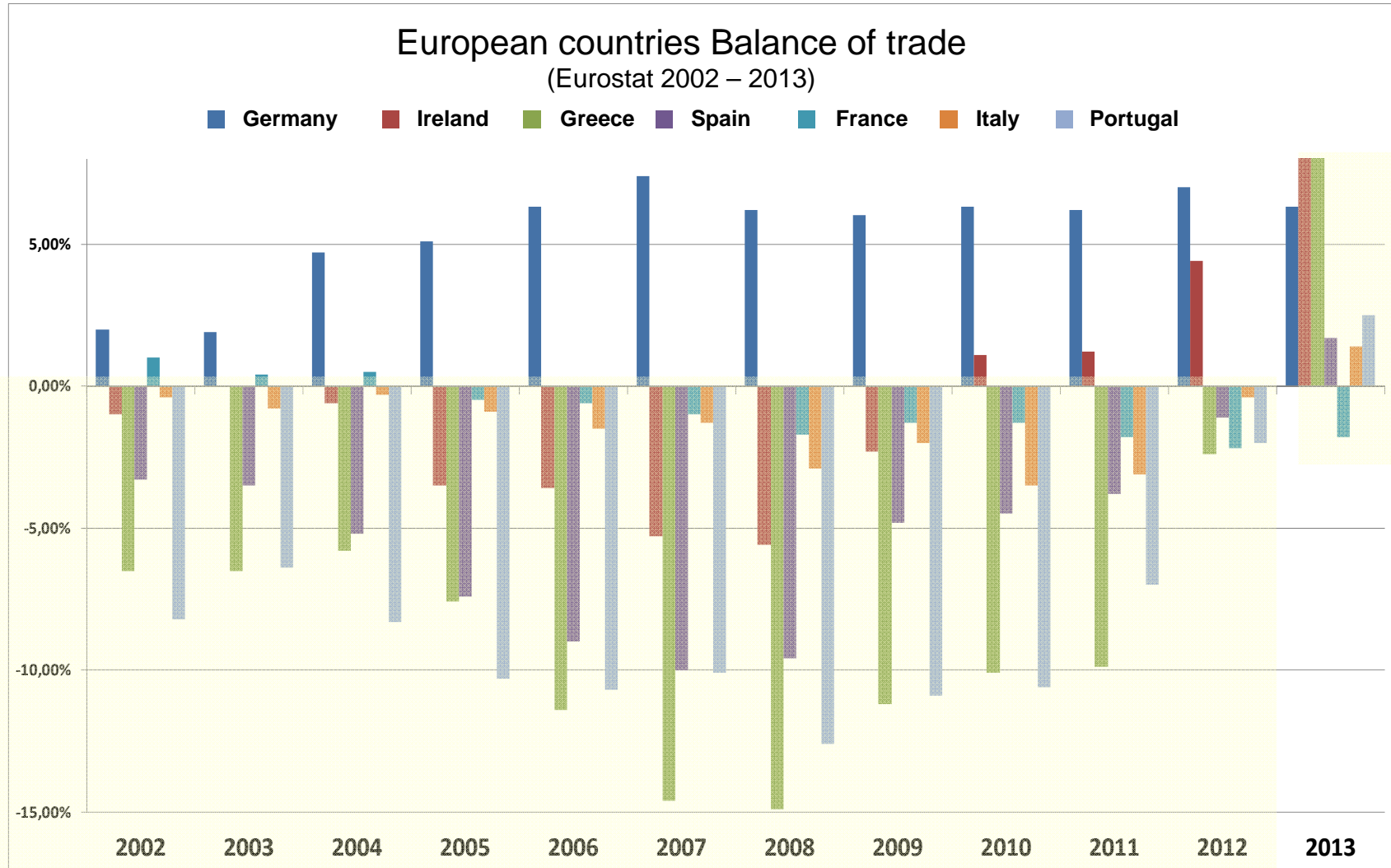
DEBT NATIONALIZATION

THE ITALIAN CASE STUDY

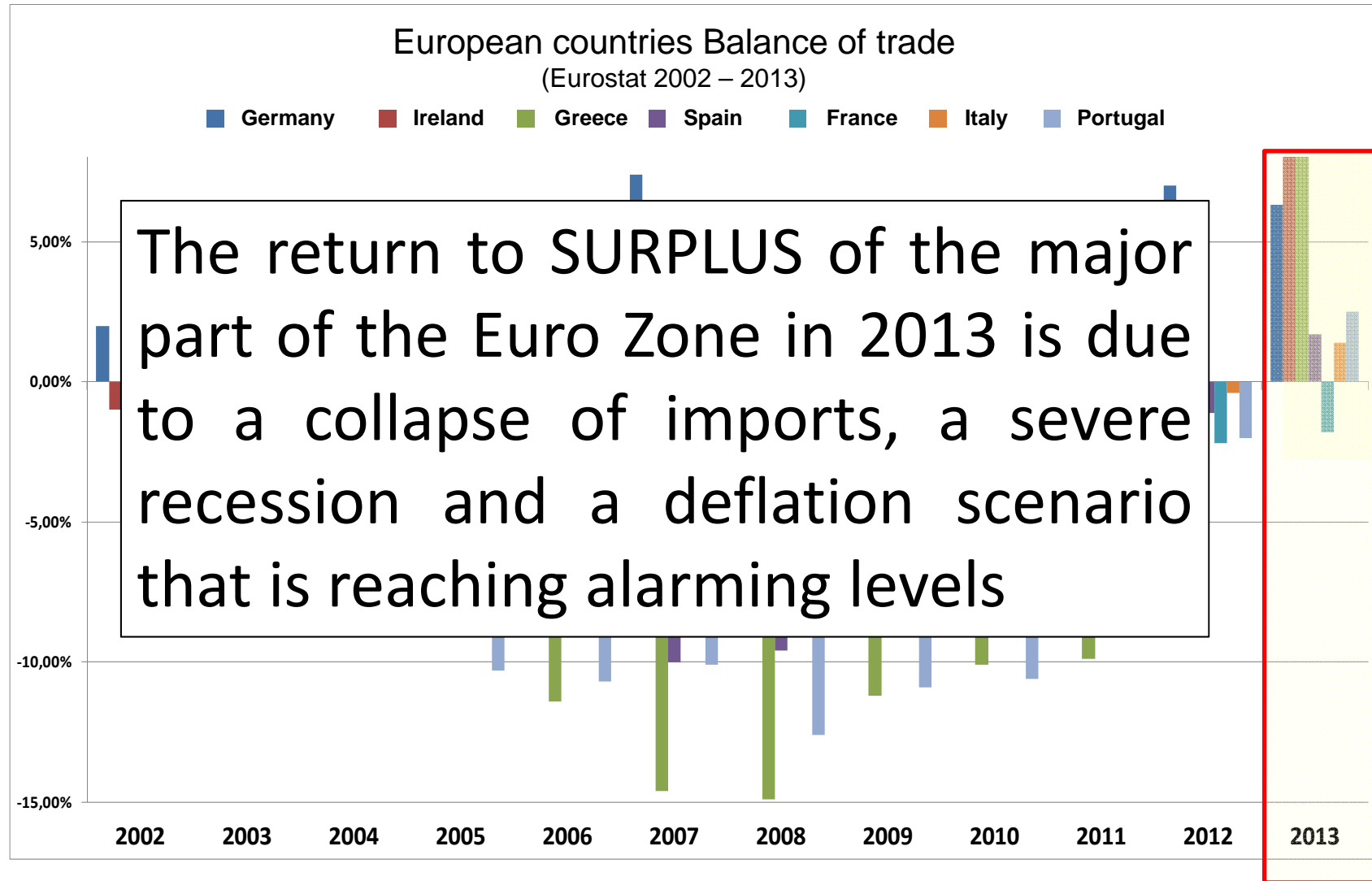
The impact on the real economy



COMPETITIVENESS GAP IN EU COUNTRIES



COMPETITIVENESS GAP IN EU COUNTRIES



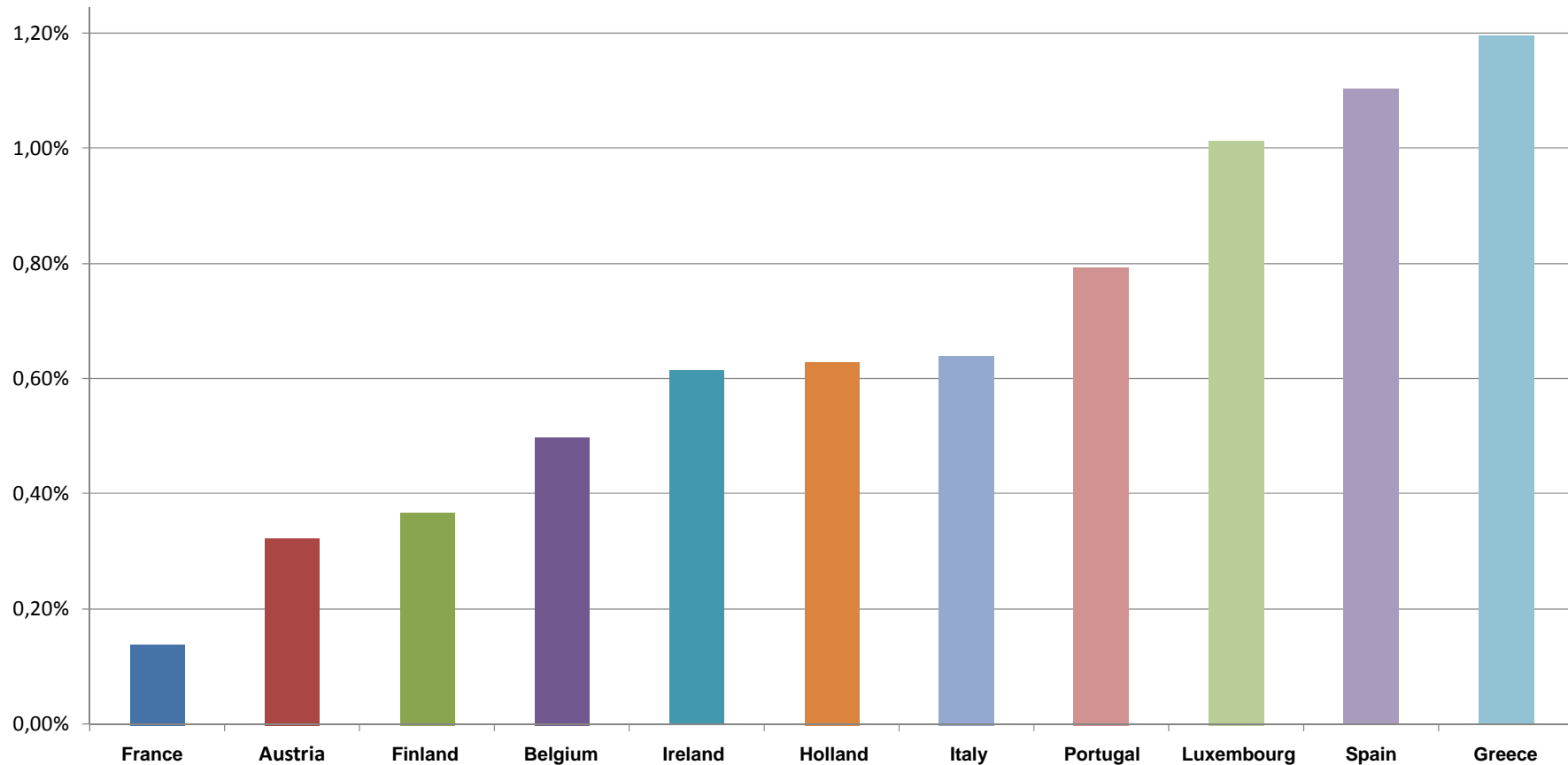
DRIVERS OF THE TRADE SURPLUS



THE GERMAN CASE STUDY

INFLATION

Excess in average annual inflation of some European countries w.r.t. Germany
(1999 – 2013)



DRIVERS OF THE TRADE SURPLUS



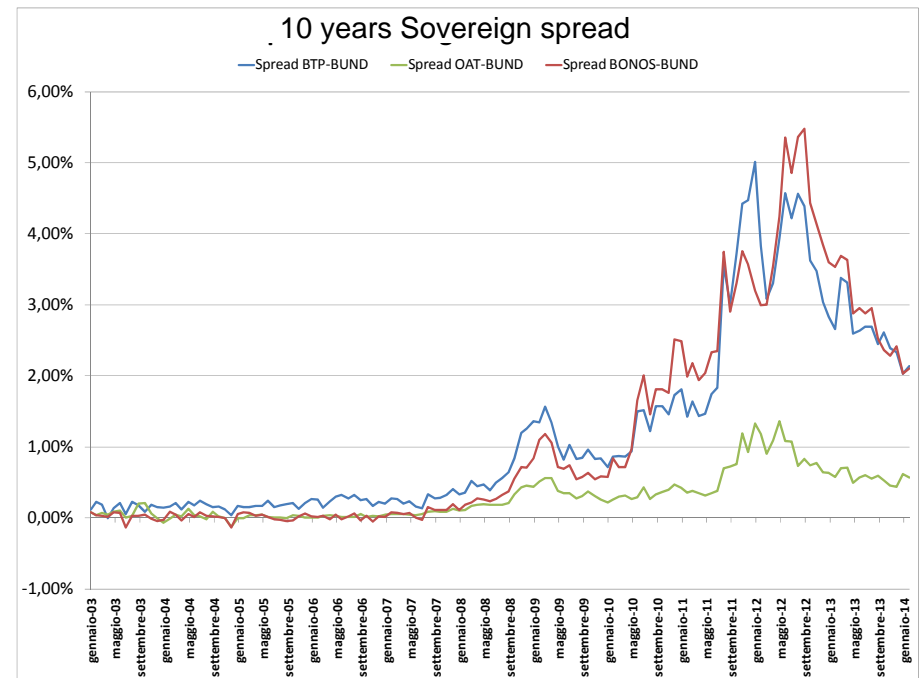
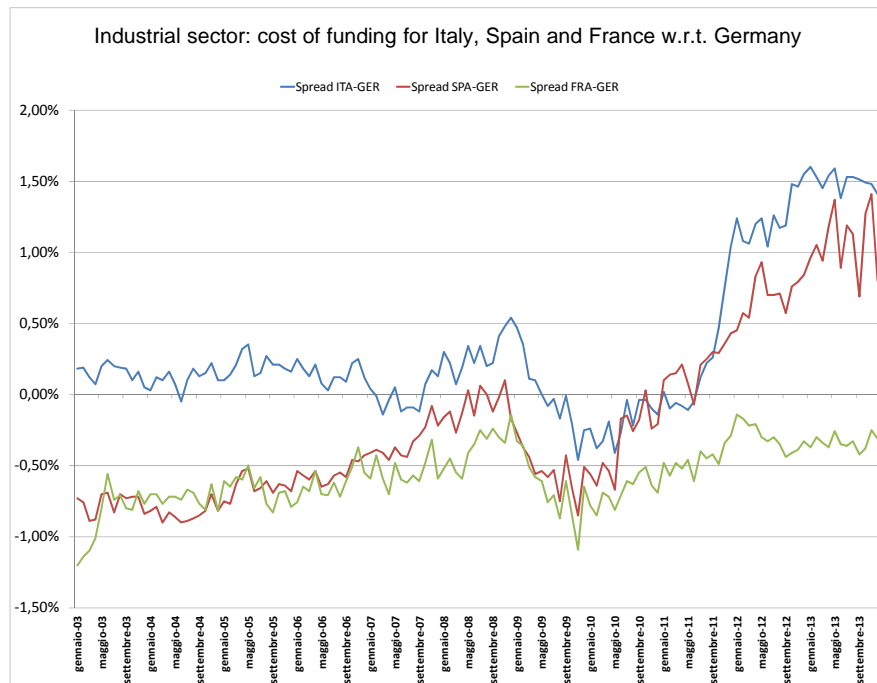
THE GERMAN CASE STUDY

SPREADS

Industrial lending spread

and

sovereign spread



DRIVERS OF THE TRADE SURPLUS



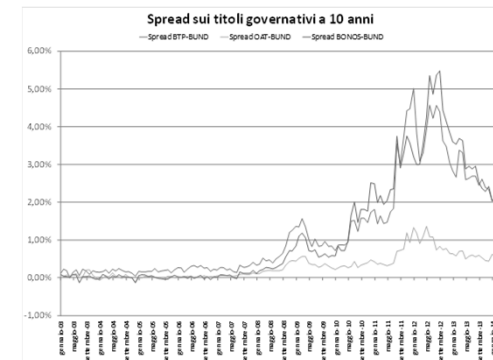
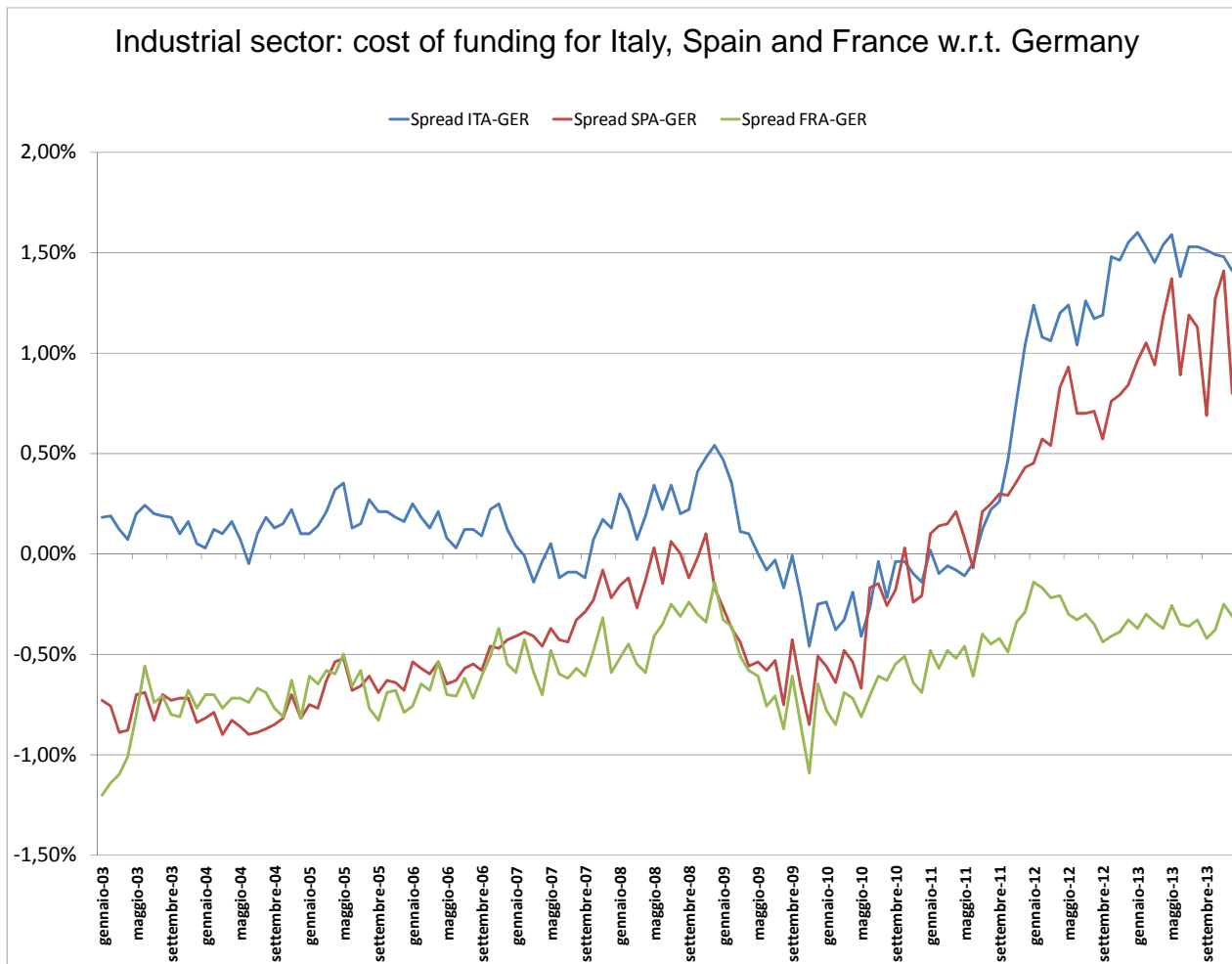
THE GERMAN CASE STUDY

SPREADS

Industrial lending spread

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DRIVERS OF THE TRADE SURPLUS



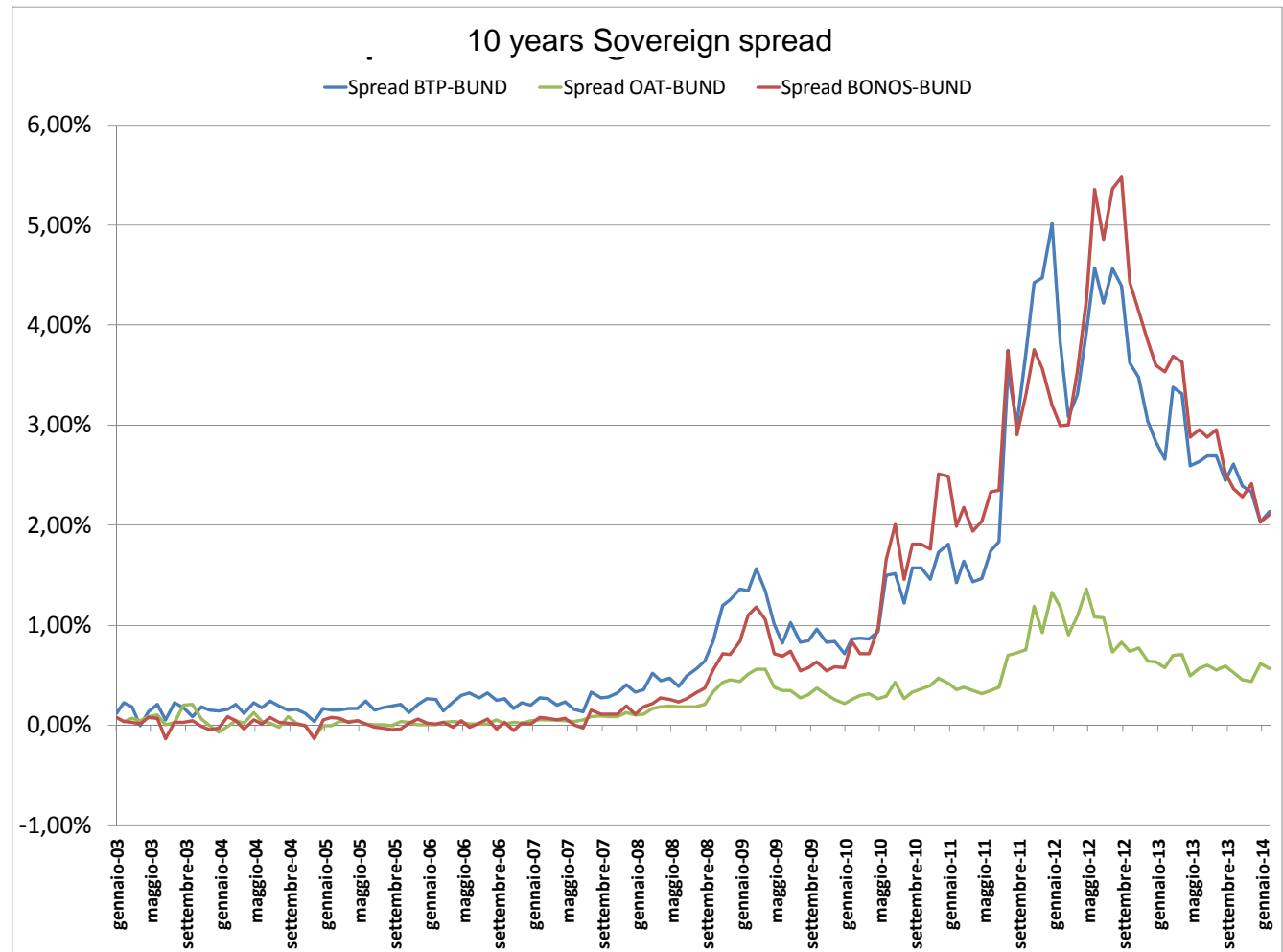
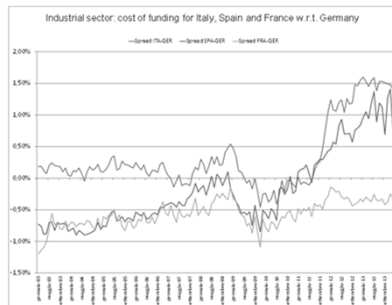
THE GERMAN CASE STUDY

SPREADS

Industrial lending spread

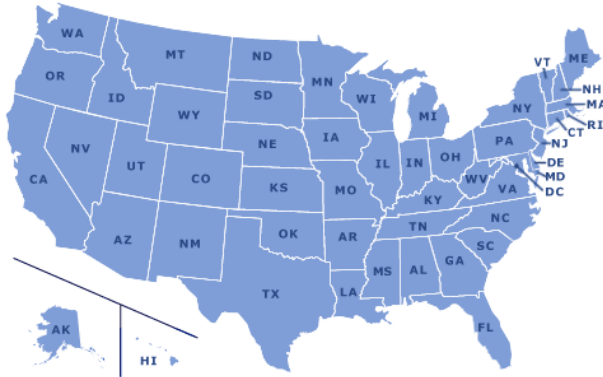
and

Sovereign spread



COMPETITIVENESS GAP IN EU COUNTRIES

INFLATION + SPREADS



Price

1999 10,0 \$



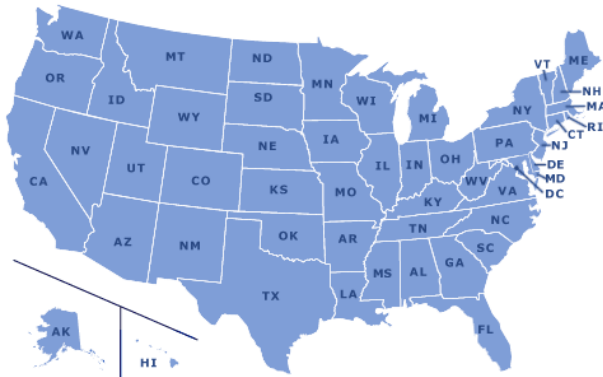
Price

1999 10,0 \$



COMPETITIVENESS GAP IN EU COUNTRIES

INFLATION + SPREADS



Price

1999 10,0 \$

2013 11,7\$



Price

1999 10,0 \$

2013 13,6 \$



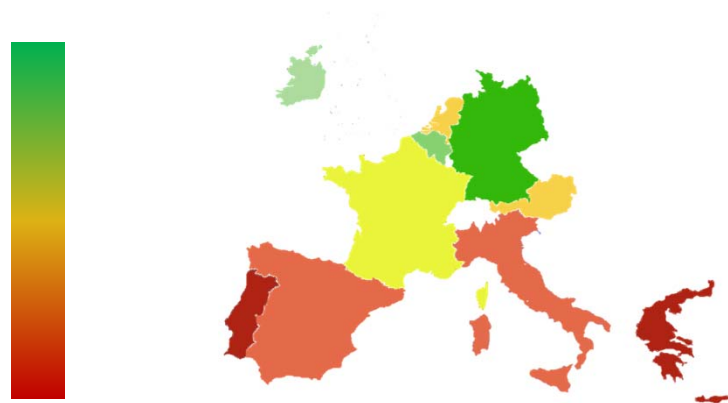
+1,9 \$

DRIVERS OF THE TRADE SURPLUS



THE GERMAN CASE STUDY

EURO as a fixed exchange rate regime



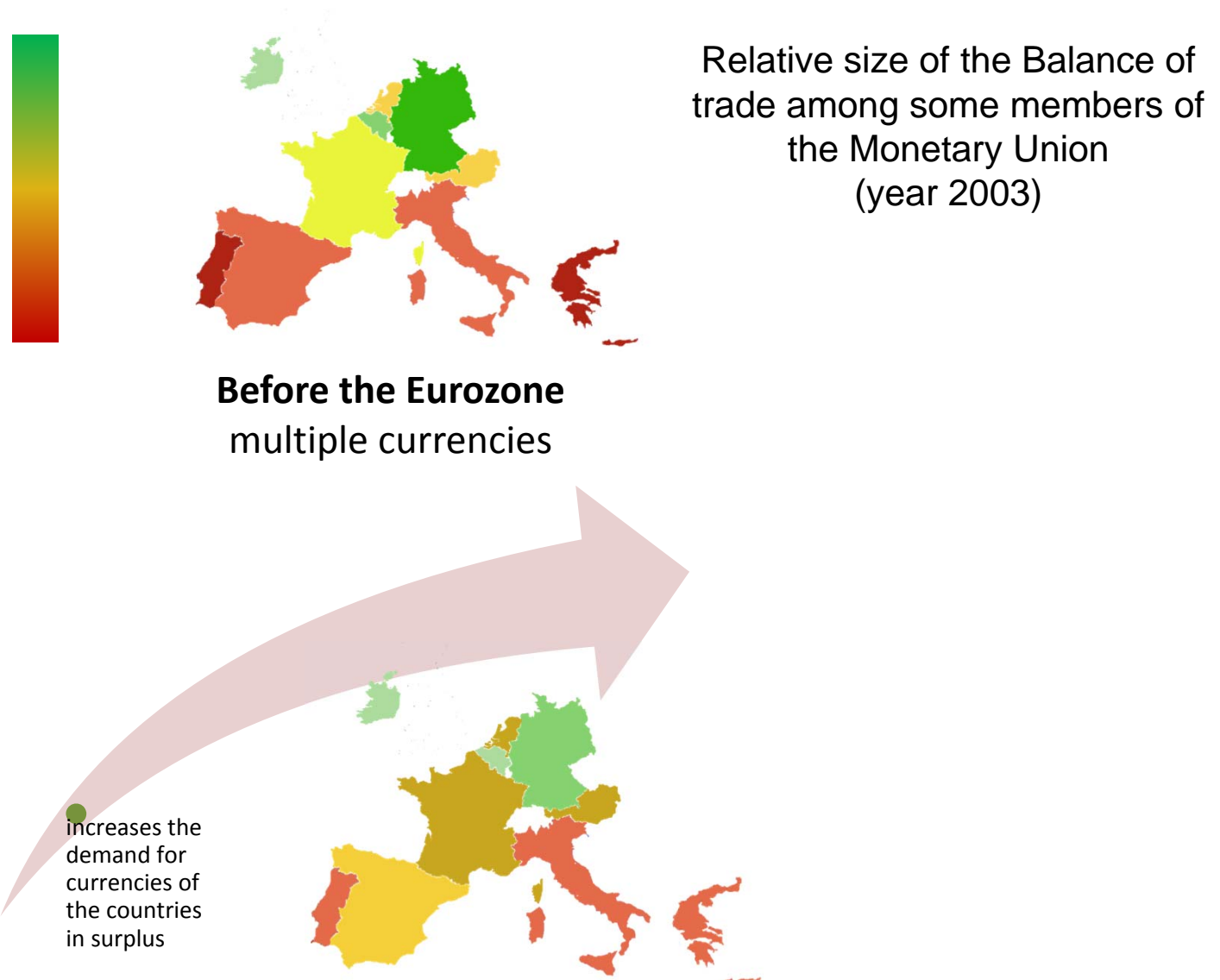
Relative size of the Balance of trade among some members of the Monetary Union (year 2003)

DRIVERS OF THE TRADE SURPLUS



THE GERMAN CASE STUDY

EURO as a fixed exchange rate regime



DRIVERS OF THE TRADE SURPLUS

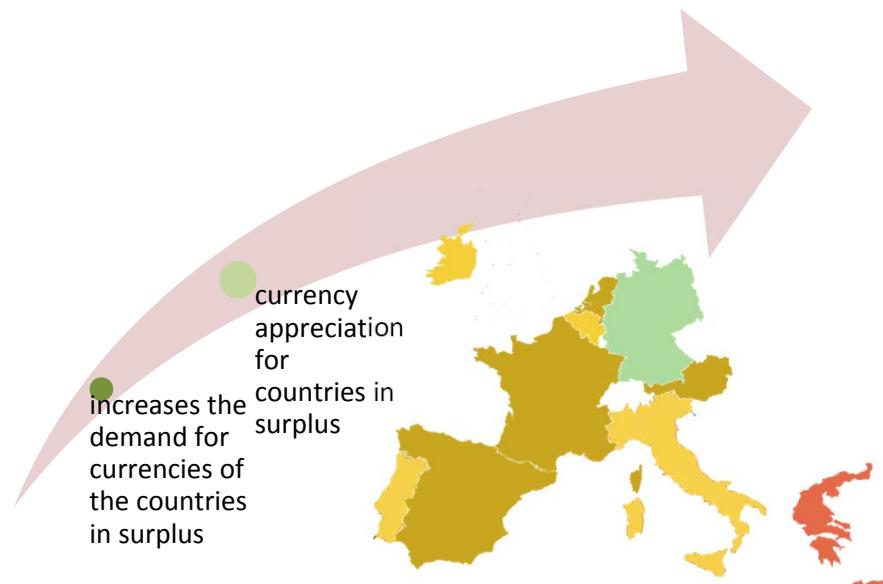


THE GERMAN CASE STUDY

EURO as a fixed exchange rate regime



Before the Eurozone
multiple currencies

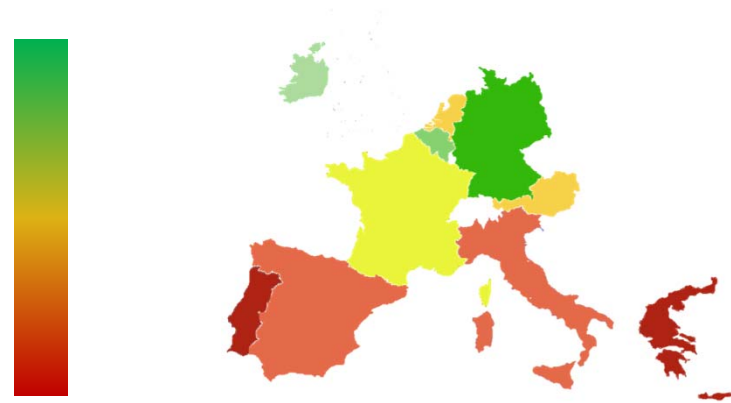


DRIVERS OF THE TRADE SURPLUS



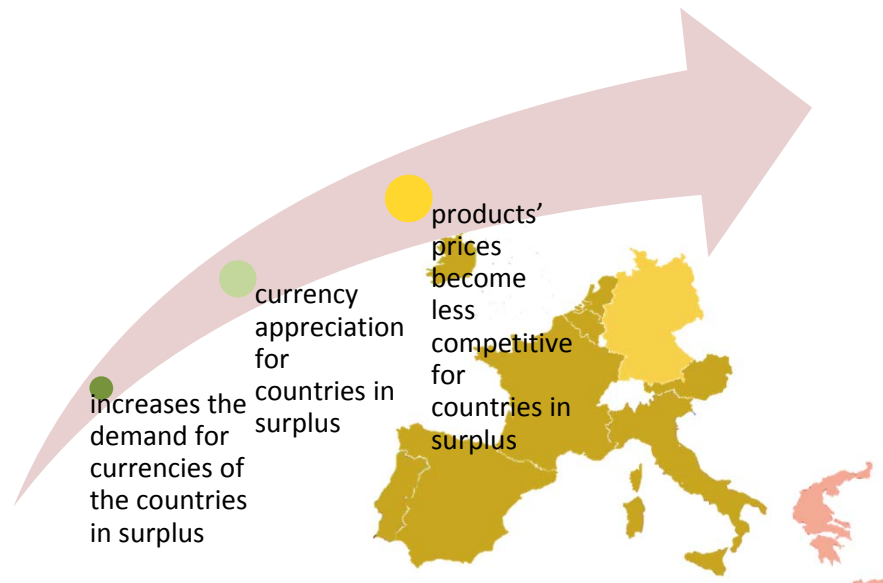
THE GERMAN CASE STUDY

EURO as a fixed exchange rate regime



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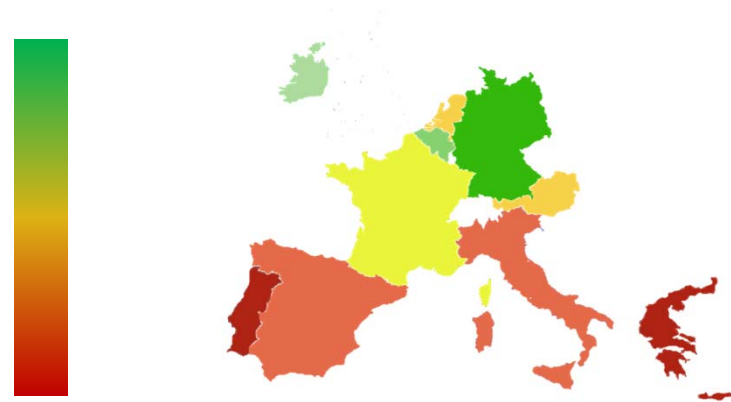


DRIVERS OF THE TRADE SURPLUS



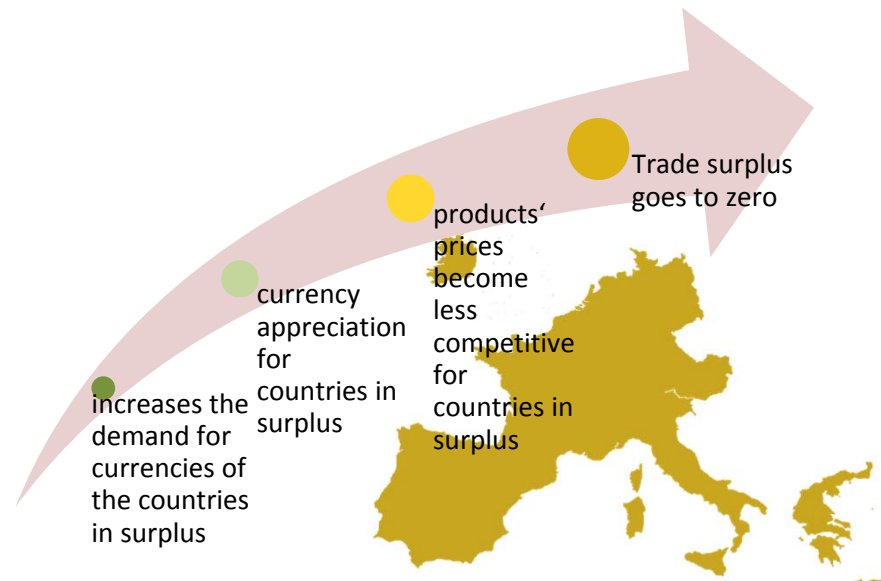
THE GERMAN CASE STUDY

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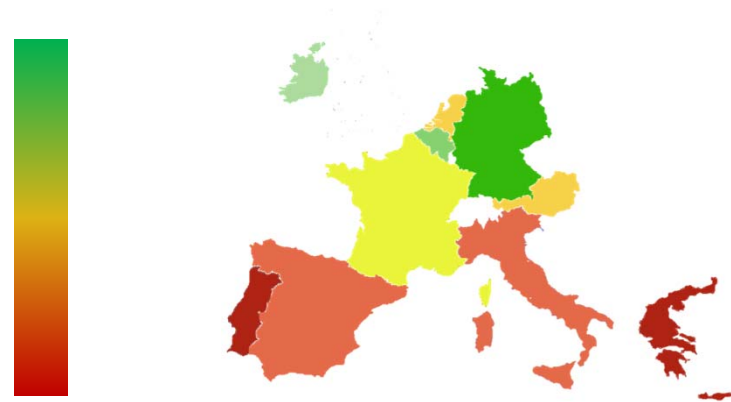


DRIVERS OF THE TRADE SURPLUS



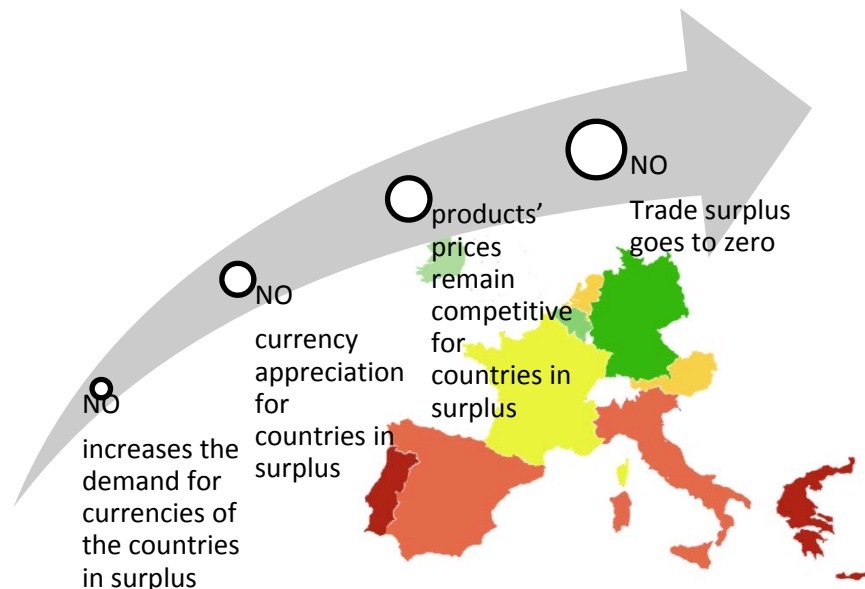
THE GERMAN CASE STUDY

EURO as a fixed exchange rate regime



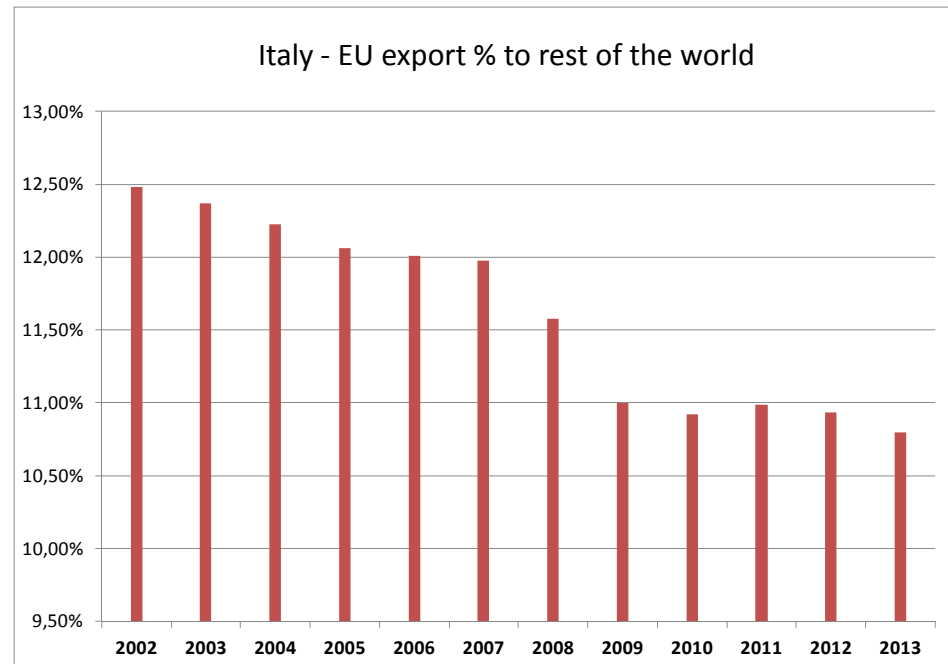
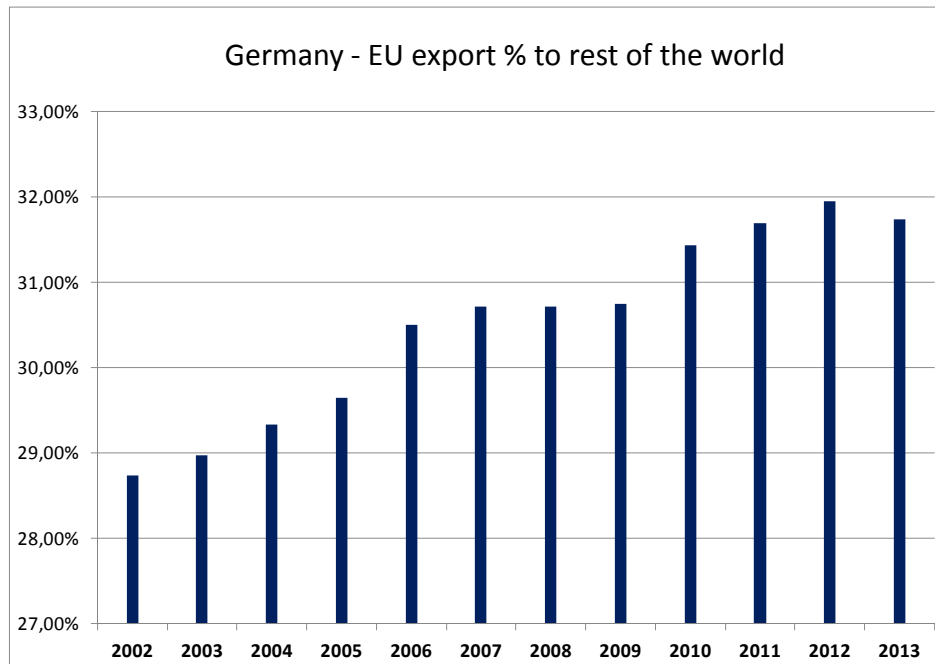
Relative size of the Balance of trade among some members of the Monetary Union (year 2003)

With the Eurozone
one currency



COMPETITIVENESS GAP IN EU COUNTRIES

EU export % to rest of the world – opposite trends



5th
implication

EZ members' Public debts becomes "substantially" in foreign currency

1997 – Public Debts

(Billions of national currency)

Germany	Greece	Spain	France	Italy
German mark	Greek drachma	Spanish peseta	French franc	Italian lira
1,143	105	333	751	1,239
60% of GDP	97% of GDP	66% of GDP	59% of GDP	117% of GDP

EUROSTAT Data



**National Central Banks
could control
the money offer**

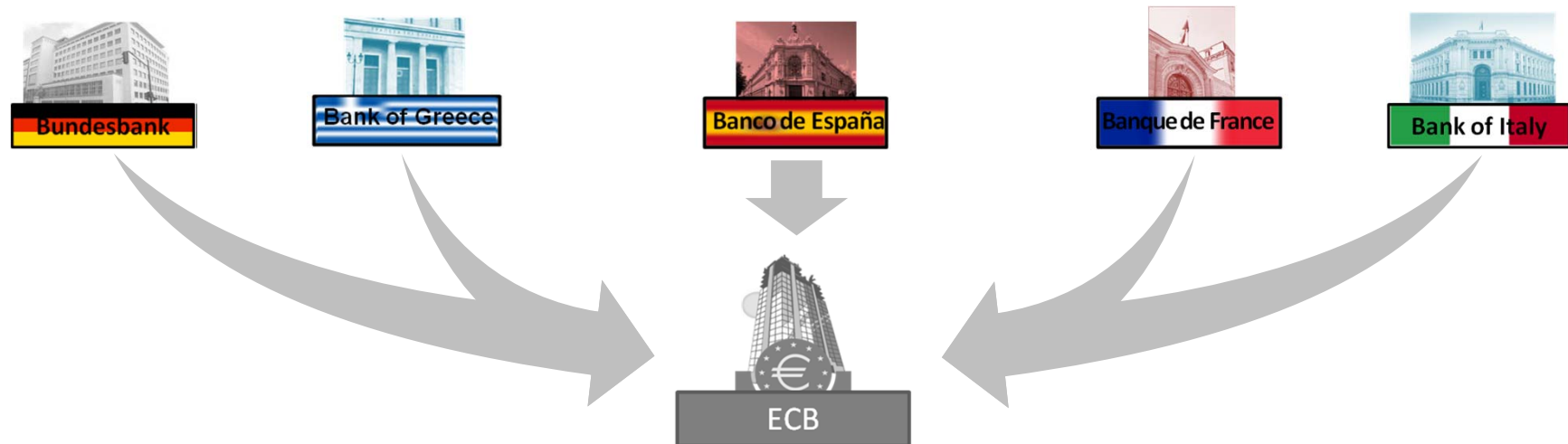
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EUROSTAT Data



Euro involves the transfer of monetary sovereignty to the ECB

2013 – Public Debts

(Billions of Euro)

Germany	Greece	Spain	France	Italy
2,147	318	960	1,925	2,069
78% of GDP	175% of GDP	94% of GDP	93% of GDP	133% of GDP

EZ members' Public debts becomes “substantially” in foreign currency

The public debt in foreign currency is unsustainable when around 70% of GDP

	Year of default	Foreign Currency Public debt on GDP
Argentina	1982	55.1%
	2001	50.8%
Iran	1992	41.8%
Mexico	1982	46.7%
Russia	1991	12.5%
	1998	58.5%
Turkey	1978	21.0%
Venezuela	1982	41.4%
.....
Average of 36 cases of default on foreign currency public debt between 1970-2008		69.3%

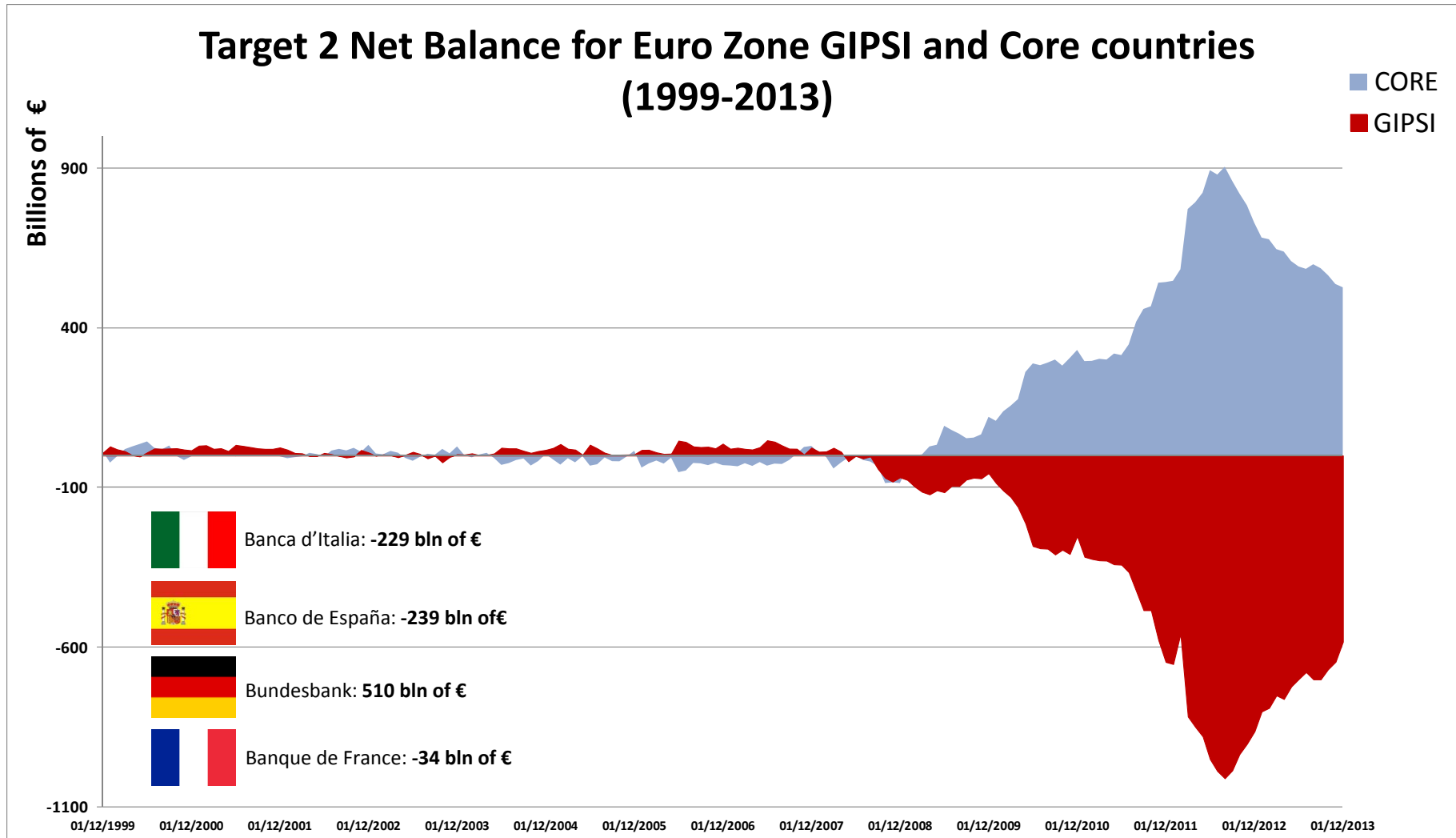
Source: This time is different – Eight Century of Financial Folly - C. Reinhart, K. Rogoff.

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2,147	318	960	1,925	2,069
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Target 2 displays systematic unbalance



Target 2 payments system



BANKS

Assets	Liabilities
	Debt 100



BANKS

Assets	Liabilities
Credit 100	

Credit Risk Exposure

Target 2 payments system



BANKS

Assets	Liabilities
	Debt 100



BANKS

Assets	Liabilities
Credit 100	
Cash 100	

CREDIT RISK TRANSFERING towards Central Banks



Bank of Italy

Assets	Liabilities
	Debt 100



Bundesbank

Assets	Liabilities
Credit 100	

Target 2 payments system



BANKS

Assets	Liabilities
	Debt 100



BANKS

Assets	Liabilities
Credit 100	
Cash 100	

This risk is guaranteed
by European System
of Central Banks



Bank of Italy



Bundesbank

**CREDIT RISK
MUTUALIZATION**

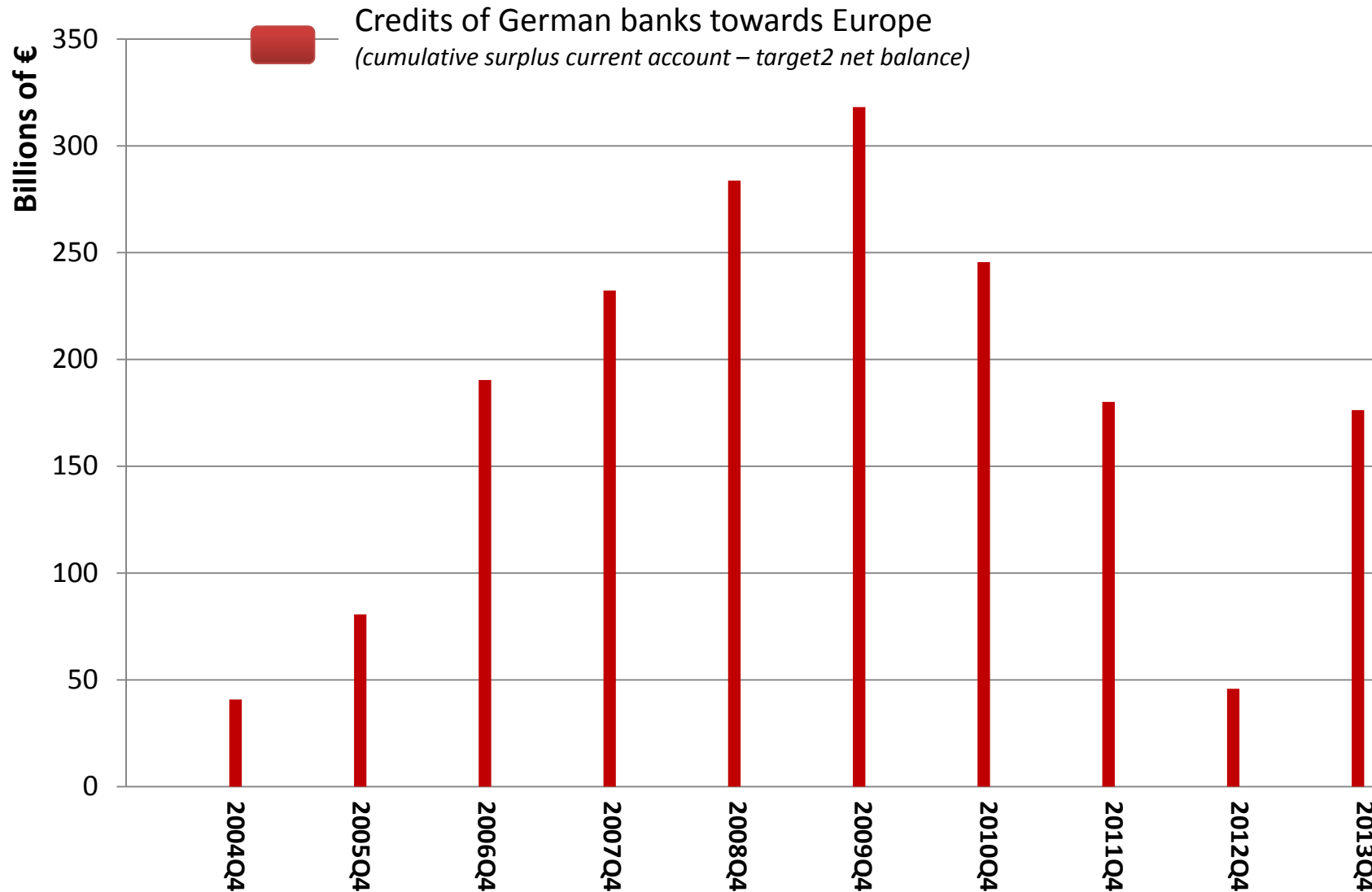
Assets	Liabilities
	Debt 100

Assets	Liabilities
Credit 100	

TARGET 2 – BANKING CREDIT RISK MUTUALIZATION





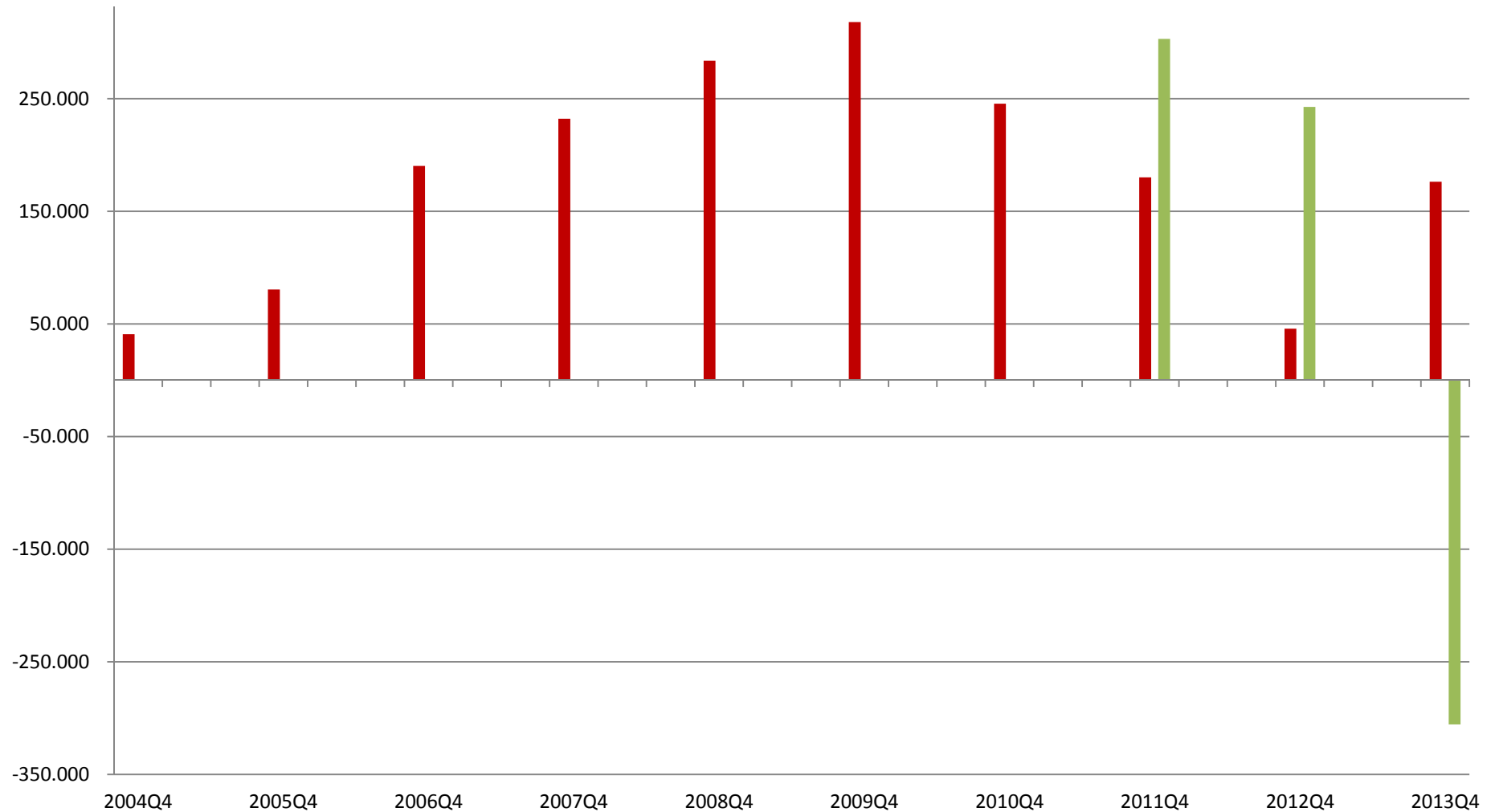
THE GERMAN CASE STUDY





TARGET 2 – BANKING CREDIT RISK MUTUALIZATION

-  Credits of German banks towards Europe
(cumulative surplus current account – target2 net balance)
-  LTRO EU (Net of Germany)





TARGET 2 – BANKING CREDIT RISK MUTUALIZATION

