Sheet 1-Article statements

DOC. N.º 3

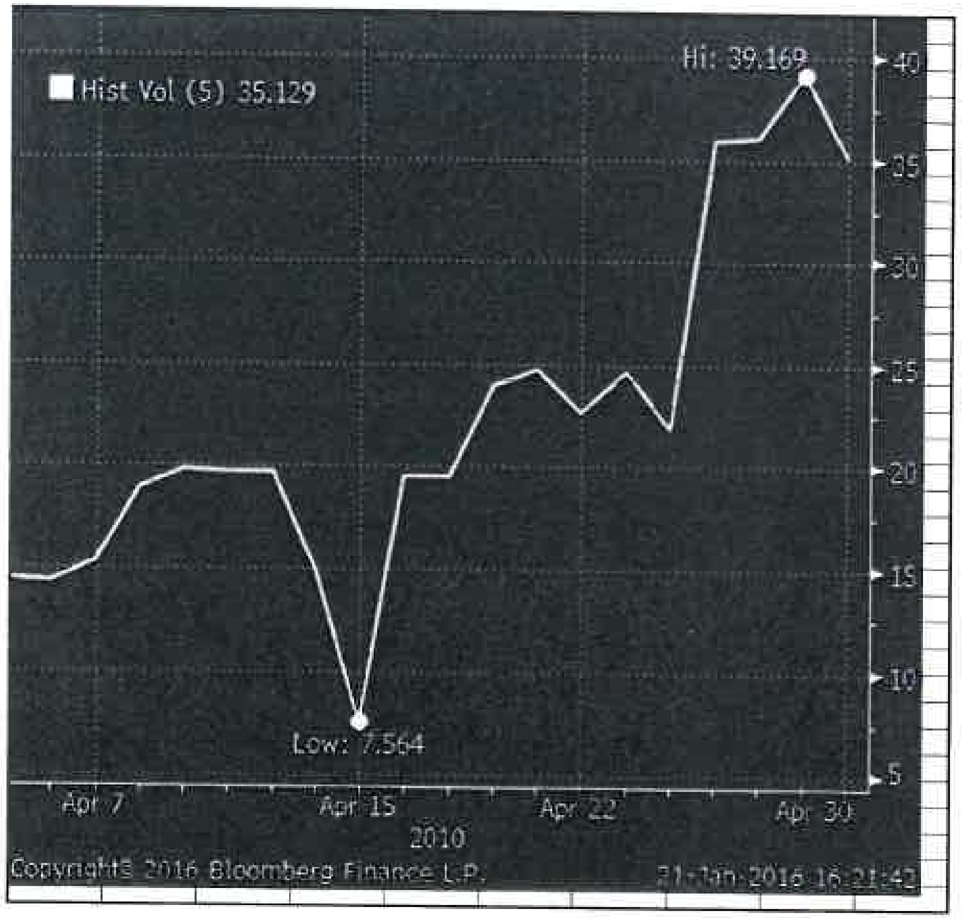
No	[illegible]	Page	Line of Text	Fact/Opinion/Prediction	[illegible]	Explanation	Source	[illegible]
1	Bailout of Greece not fully consummated	1	1	Fact	Accurate	It was consummated on May 2 2010.	http://news.bbc.co.uk/1/hi/business/8656649.stm	
2	Eerie calm	1	1/2	Opinion	Accurate	e.g. 5 day volatility of the Eurostoxx index fell to 7.8 on April 15, from 15 on April 11.	See sheet 2 - Fig 1, Bloomberg Graph, attached.	
3	Huge ballout by historic standards	1	4	Fact	Accurate	Reuters article describes it as "by far the largest bailout ever assembled for a country".	http://www.reuters.com/article/us-eurozone-idUSTRE6400PJ20100502	
4	Greece to receive loan of 18% of GDP	1	5/6	Fact	Accurate	€45bn package, estimated €250bn GDP would give this, all reasonable although GDP got revised down to 227 eventually	http://www.telegraph.co.uk/finance/economics/7581189/Euro-soars-as-EU-IMF-deliver-45bn-Greek-rescue.html	
5	Loan rate to Greeks at preferential rates	1	6	Fact	Accurate	Interest rates at 5% "well below market rate of 7%"	http://www.theguardian.com/world/2010/apr/11/eu-greece-bailout-terms	
6	Bailout equal to €4000 per person	1	7	Fact	Accurate	€45bn, 11.18m people so €4,025 per person	http://www.statista.com/statistics/263744/total-population-of-greece/	
7	Bailout will be spent in 'roughly 11 months'.	1	7	Prediction	Accurate	The next bailout was agreed July 21, 2011 so 14 months later.	http://www.ft.com/cms/s/0/952e0326-b3af-11e0-855b-00144feabdc0.html#axzz3yM9qXRSa	
8	Bailout does nothing to solve many problems that persist	1	9/10	Opinion	Accurate	Since the program was implemented Portugal has defaulted and had multiple new programs.		
9	Ballout probably makes euro zone a much more dangerous place for the next few years	1	11	Prediction	Can't be proven or disproven	The Eurozone suffered more crises, including Greek default and bailouts for Ireland, Portugal and has needed ECB interventions under multiple programs.		
10	Portugal will be next on the radar	1	13	Prediction	Accurate	The ECB stepped in to support Irish and Portuguese bonds through the Securities Market Programme ('SMP'), which was decided upon on 10 May 2010, and became official on 14 May 2010.	https://www.ecb.europa.eu/ecb/legal/pdf/l_12420100520en00080009.pdf	https://euobserver.com/economic/30048
11	Portugal has missed spotlight because of Greek spiral downwards	1	13/14	Opinion	Can't be proven or disproven			
12	Portugal and Greece on verge of bankruptcy	1	14/15	Opinion	Accurate	ECB stepped in on 10 May 2010 to support Portugal, and Portugal received Troika bailout in 2011. Greece subsequently defaulted.	See URLs inserted above at row 10.	
13	Portugal and Greece look riskier than did Argentina in 2001.	1	15/16	Opinion	Accurate based on standard debt indicators	Portugal and Greece ran 2X larger budget deficits, 8X larger current account deficit, and 2-3X larger debt GDP in 2010 compared to Argentina 2001	Please see sheet 3, attached.	
14	Portugal spent too much over the last several years	1	18	Opinion	Can't be proven or disproven	Borrowed so much they required a bailout, arguably "did not tax enough"		
15	Portugal's debt was equal to 78% of GDP at the end of 2009.	1	19	Fact	Accurate	Revised to 83%	Please see sheet 3, attached.	
16	Greece's national debt was equal to 114% of GDP at the end of 2009.	1/2	19/1	Fact	Accurate	Revised to 126%	Please see sheet 3, attached.	
17	Argentina's natioanl debt was equal to 62% of GDP at the time of their default.	2	1	Fact	Too high - IMF data makes Argentina even safer	IMF data has Argentina 45% debt/gdp at end 2001.	https://www.bondvigilantes.com/blog/2010/04/09/lessons-from-argentina/	
18	Portugal's debt largely financed by foreigners	2	2	Fact	Accurate	Eurostat data shows in 2014 65% of Portuguese debt is held by foreigners	http://ec.europa.eu/eurostat/statistics-explained/images/archive/0/0d/20140702121253%21General_government_gross_debt_by_sector_of_debt_holder.png	
19	Greece has not paid interest outright - refinances interest payments each year by issuing new debt	2	2	Fact	Accurate	IMF reports show Greece ran a primary deficit before and after 2010. Primary deficit is before interest is paid by definition. Therefore Greece needed to finance interest and the primary deficit.	https://www.imf.org/external/pubs/ft/scr/2014/cr14151.pdf	
20	Portugal has not paid interest outright - refinances interest payments each year by issuing new debt.	2		Fact	Accurate	IMF reports show Portugal ran a primary deficit throughout this period. See Page 24 of linked source.	http://www.imf.org/external/pubs/ft/scr/2013/cr1318.pdf	

21	By 2012 Portugal's Debt to GDP ratio should have been equal to 108% if it were to meet planned budget deficit targets.	2	4/5	Prediction	Portugal performed worse	The IMF General government debt turned out at 125% of GDP, but the government did not meet planned budget targets	See Sheet 4, Attached.	
22	At some point financial markets will refuse to finance this ponzi game.	2	5/6	Opininon + Prediction	Accurate	First the ECB needed to step in with the SMP May 10 2010, then the Troika bailout occurred in 2011	Same as point 12 above	
23	Portugal has highly overvalued exchange rate	2	8	Opinion	Accurate	The fact that Portugal had a current account deficit of 10.4% of GDP in 2009 suggests that Portugal's exchange rate was highly overvalued. In the IMF document sourced, they report the deficit nations need an internal devaluation (meaning they need to devalue, but since the euro is fixed it has to come through reduced wages and prices instead of the exchange rate).	https://www.imf.org/external/pubs/ft/sdn/2014/sdn1407.pdf	Paragraph 15
24	Highly overvalued exchange rate is Portugal's main problem.	2	8	Opinion	Can't be proven or disproven	IMF document raises this as a major point, but there are other problems too	See IMF document linked at Line 23.	Page 4
25	Greece has highly overvalued exchange rate	2	8	Opinion	Accurate	Please see IMF Document referenced at line 23 for discussion of this point.	See IMF document linked at Line 23.	Page 4
26	Ireland has highly overvalued exchange rate	2	8	Opinion	Accurate	Please see IMF Document referenced at line 23 for discussion of this point.	See IMF document linked at Line 23.	Page 4
27	Spain has highly overvalued exchange rate	2	9	Opinion	Accurate	Please see IMF Document referenced at line 23 for discussion of this point.	See IMF document linked at Line 23.	Page 4
28	Portugal needs far reaching fiscal adjustment	2	10	Opinion	Accurate	Budget deficit 10.2% of GDP in 2010 while Mastricht targets are 3% of GDP	IMF data on separate page	
29	For Portugal to keep debt stock constant and pay annual interest on debt at 5%, would need to run primary surplus of 5.4%GDP by 2012	2	14	Opinion	Portugal performed worse	The debt stock turned out higher than estimated in the article at line 21.		
30	Portgual had planned primary defecit of 5.2% in 2010	2	15/16	Fact	Accurate	In the 2010 Growth and stability plan, March 29, the government forecasts 5.1% Primary deficit	http://ec.europa.eu/economy_finance/economic_governance/sgp/pdf/20_scps/2009-10/01_programme/pt_2010-03-29_sp_en.pdf	
31	Portugal needs roughly 10% of GDP in fiscal tightening	2	16	Opinion	Accurate	For example, the OECD predicted in 2011 that Portugal needed an additonal 8.5% of potential GDP fiscal tightening in order to stabilise it's external debt at the Mastricht treaty level of 60% of GDP.	http://www.oecd.org/eco/public-finance/4.3%20Blondal%20Klepsvik.pdf	
32	It is nearly impossible to achieve above in fixed exchange rate regime without vast unemployment.	2	18/19	Opinion	Accurate	IMF data shows unemployment went from 9.4% at end 2009 to 16.2% at end 2013	http://www.indexmundi.com/portugal/unemployment_rate.html	
33	Portuguese government can expect several years of unemployment and tough politics.	2	19/20	Opinion	Accurate	The government fell in 2011 ahead of the bailout request due to the opposition's unwillingness to pass austerity measures	http://www.economist.com/blogs/newsbook/2011/03/portugals_government_collapses	
34	Neither Greek nor Portuguese leaders are prepared to make the needed cuts.	2	23/24	Opinion	Accurate	The March 2010 program outlines 1.87% GDP fiscal measures, and predicts the budget deficit will be 8.1% of GDP. That is a large budget deficit, and small cuts relative to what is needed to get to sustainable levels. In reality, the 2010 budget came out at 11.2% of GDP, so even these measures were nowhere near enough to get the budget deficit to the government's target, let alone a sustainable level. The government fell in 2011 and a bailout was needed under a Troika program. The Troika program called for a large set of new measures. External pressure was needed to get fiscal changes	http://library.fes.de/pdf-files/id-moe/09311.pdf	
35	Greeks have announced minor budget changes	2	24	Fact	Accurate	Greeks have had to make massive budget changes since then.		

36	Greeks holding out for €45bn aid package while implicitly threatening a messy default on the rest of Europe if they do not get what they want and when they want it.	2	24-27	Opinion	Accurate - Certainly reasonable	The EU officials, led by France and Germany, did not want their banks to suffer. EU officials were strongly opposed to any default. This gave Greece bargaining power.	http://yanisvaroufakis.eu/2015/07/11/behind-germanys-refusal-to-grant-greece-debt-relief-op-ed-in-the-guardian/	
37	Portuguese not discussing serious cuts	2	29	Mixed Fact & Opinion		The March 2010 program outlines 1.87% GDP fiscal measures, and predicts the budget deficit will be 8.3% of GDP. The 2010 budget came out at 11.2% of GDP.	http://ec.europa.eu/economy_finance/economic_governance/sgp/pdf/20_scps/2009-10/01_programme/pt_2010-03-29_sp_en.pdf	
38	2010 Portuguese budget contains a plan to alter the defecit to equal 8.4%GDP.	3	1	Fact	Accurate	The March 2010 program has 8.3% of GDP planned net borrowing requirement	http://ec.europa.eu/economy_finance/economic_governance/sgp/pdf/20_scps/2009-10/01_programme/pt_2010-03-29_sp_en.pdf	
39	Sufficient growth could only arise from amazing global economic boom.	3	3/4	Opinion	Accurate	The March 2010 budget program proved optimistic: budget deficits for 2010, 2011, 2012, 2013 were planned at 8.3%, 6.6%, 4.6% and 2.8% but they actually turned out at 11.2%, 7.4%, 5.6%, 4.8% and that was after many addditional fiscal measures taken on to bring deficits down.		
40	ECB provides financing - methodology.	3	6-10	Fact	Accurate	This methodology is outlined in the attached reference.	http://sensiblemoney.ie/data/documents/How-Money-Is-Created-And-Destroyed.pdf	
41	Last month the ECB had a chance to dismantle this doom machine	3	13/14	Opinion	Accurate	A new policy was discussed, but not implemented.	https://www.ecb.europa.eu/press/pr/date/2010/html/pr100408_1.en.html	
	Anticipation that CB might plan to tighten rules gradually	3	17-19	Opinion	Shared	This opinion was shared by other commentators.		
43	Bank did not tighten rules gradually.	3	19	Opinion	Accurate	Announcement in linked ECB document shows that the ECB kept the same thresholds.	https://www.ecb.europa.eu/press/pr/date/2010/html/pr100408_1.en.html	
44	ECB governors made it easier for Greece, Portugal and any other nation to borrow in 2011 and beyond.	3	21	Opinion	Unclear.	The Governors of the ECB stuck to a program where any nation with investment grade bonds will have access to the ECB funding. In early May they removed the ratings agency requirement for Greece.	https://www.ecb.europa.eu/press/pr/date/2010/html/pr100408_1.en.html	
45	It is easy to convince rating agencies of creditworthiness of government debt instruments	3	22	Opinion	Accurate	Greece was rated investment grade by at least one rating agency until June 2011, despite soon defaulting. Attached URL explains how unusual these ratings were for Greece.	http://www.voxeu.org/article/credit-rating-agencies-and-eurozone-crisis-what-value-sovereign-ratings	
46	It is only necessary to receive a positive rating from one rating agency to get finance from ECB.	3	23	Fact	Accurate			
47	Rating agencies are scared to rate Greek Debt as Junk	3	27	Opinion	Shared	From an FT article, on general concerns of ratings agencies in Europe (not Portugal specific) "They have to tread a fine line. If they irritate governments too much, they could get further regulation that writes them out of the picture," says Dan Morris, a strategist at JPMorgan Asset Management.	http://www.ft.com/cms/s/0/9e1f1da2-58ac-11e0-9b8a-00144feab49a.html#axzz3xtgu04vz	
48	Rating agencies scared to rate Portuguese debt adversely.	3	27	Opinion	Shared		See line 47 for reference.	
49	EU Money is available to anyone who wants it	3	34	Opinion	Accurate	No nation has been refused EU money, or had their money stopped.		
50	Portuguese politicians can do nothing but wait for situation to worsen and demand bailout	3-4	34-1	Opinon	Accurate	Portuguese politicians did make some reforms, but not enough, and on March 23 2011, the government fell after stalemate over austerity measures. A program and bailout was then agreed on May 3 2011.	http://www.ft.com/cms/s/0/b8e251a8-75c7-11e0-82c6-00144feabdc0.html#axzz3xtgu04vz	
51	Likely that Greece will be back for further bailout in 2011	4	1	Prediction	Accurate	A new Greek bailout agreed on July 21 2011.	http://www.bbc.co.uk/news/business-14239794	
52	Ireland and Italy may feel foolish to have started austerity programmes.	4	2	Opinion	Accurate	This opinion was shared by other commentators.	http://www.irishcentral.com/news/irishvoice/What-the-Irish-can-learn-from-Greece-in-dealing-with-the-EU-and-IMF.html	
53	Ireland, Italy et al may be wondering whether to adopt less austere path	4	3	Opinion	Shared	This opinion was shared by other commentators.	http://www.irishcentral.com/news/irishvoice/What-the-Irish-can-learn-from-Greece-in-dealing-with-the-EU-and-IMF.html	

54	Europe will tire of bailing out weaker countries	4	8	Prediction	Shared	Germany triggered it when Schaeuble wrote to the IMF asking them to assist in arranging Greece's 2011 restructuring (source page 5)	http://iie.com/publications/wp/wp13-8.pdf	Page 5
55	Germany will likely withdraw first	4	9	Prediction	Accurate	Germany triggered it when Schaeuble wrote to the IMF asking them to assist in arranging Greece's 2011 restructuring.		
56	Correlation between length of time for establishment of fiscal probity and danger in European financial situation.	4	10-12	Opinion	Accurate	It is axiomatic that large deficits lead to debt increasing, and as a result of this, the financial risks grow.		
57	When plug pulled, at least one nation will end up in painful default	4	14/15	Prediction	Accurate	Greece and Cyprus both went through defaults.		
58	In current situation, problems could be more widespread.	4	15	Prediction	Accurate	Portugal and Ireland both received bailouts.		

Sheet 2-Fig 1, Bloomberg Graph



Country	Subject Descriptor	Units	2001	2009	2010
Argentina	General government net lending/borrowing	Percent of GDP	-4,911		
Argentina	General government gross debt	Percent of GDP	44,757		
Argentina	Current account balance	Percent of GDP	-1,174		
Greece	General government net lending/borrowing	Percent of GDP		-15,289	-11,104
Greece	General government gross debt	Percent of GDP		126,22	145,668
Greece	Current account balance	Percent of GDP		-10,888	-10,105
Portugal	General government net lending/borrowing	Percent of GDP		-9,806	-11,171
Portugal	General government gross debt	Percent of GDP		83,609	96,183
Portugal	Current account balance	Percent of GDP		-10,422	-10,15
International Monetary Fund, World Economic Outlook Database, October 2015					

Sheet 4-IMF 2000 to 2013 PGAr

Country	Subject Descriptor	Units	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Estimates Start After
Argentina	General government net lending/borrowing	Percent of GDP	-3,011	-4,911	-1,231	1,165	3,409	2,007	1,759	0,301	0,839	-1,584	0,006	-1,949	-2,359	-1,997	2014
Argentina	General government gross debt	Percent of GDP	38,079	44,757	137,715	116,394	106,032	71,243	61,811	53,224	47,014	47,631	39,155	35,763	37,328	40,217	2014
Argentina	Current account balance	Percent of GDP	-2,628	-1,174	7,457	5,284	1,387	2,028	2,659	1,996	1,454	1,968	-0,405	-0,717	-0,259	-0,779	2014
Greece	General government net lending/borrowing	Percent of GDP	-3,635	-4,296	-4,714	-5,519	-7,129	-5,466	-6,119	-6,745	-9,908	-15,289	-11,104	-10,215	-6,406	-2,944	2014
Greece	General government gross debt	Percent of GDP	99,463	99,922	98,114	94,094	94,894	98,126	102,926	102,778	108,752	126,22	145,668	170,96	156,494	174,951	2014
Greece	Current account balance	Percent of GDP	-7,52	-6,911	-6,274	-6,353	-5,623	-7,362	-10,819	-13,992	-14,469	-10,888	-10,105	-9,897	-2,474	0,581	2014
Portugal	General government net lending/borrowing	Percent of GDP	-3,215	-4,788	-3,34	-4,422	-6,195	-6,194	-1,99	-3,009	-3,766	-9,806	-11,171	-7,361	-5,612	-4,829	2014
Portugal	General government gross debt	Percent of GDP	47,926	50,558	52,903	54,676	56,306	60,805	61,619	68,439	71,666	83,609	96,183	111,082	125,764	129,664	2014
Portugal	Current account balance	Percent of GDP	-10,802	-10,435	-8,485	-7,168	-8,329	-9,883	-10,673	-9,738	-12,126	-10,422	-10,15	-6,002	-2,001	1,406	2014

International Monetary Fund, World Economic Outlook Database, October 2015