

RELEASE IN FULL

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Sent: Thursday, June 28, 2012 9:53 AM
To: H
Subject: Fw: 0815 Eurozone update

From: Crebo-Rediker, Heidi E
Sent: Thursday, June 28, 2012 09:51 AM
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(INFORMAL/UNCLEARED)

-- European stock markets are down moderately (Eurostoxx50 -0.6%) and periphery bond markets are tense. Yields on Spanish debt rose again, with the 10-year yield touching 7.01% (vs. the euro-era record of 7.29% in early June). Other ten-year benchmark periphery yields: Italy 6.26%, Portugal 10.22%, Greece 26.66%. Italy issued €5.423 billion in medium- and long-term debt today, slightly below its maximum target and at higher yields.

-- The two-day European Council summit in Brussels starts at *1500* CET; Council President Van Rompuy will formally present his plan for deeper integration (released earlier this week). Much of the core discussion is expected to take place at Friday's working lunch of eurozone leaders.

full program at <http://www.consilium.europa.eu/uedocs/NewsWord/en/ec/131101.doc>

-- Following Wednesday's eurozone finance minister conference call, the Eurogroup issued statements of principle endorsing a support package for Cyprus (<http://www.consilium.europa.eu/uedocs/NewsWord/en/ecofin/131308.doc>) and setting terms for Spain's banking support package (<http://www.consilium.europa.eu/uedocs/NewsWord/en/ecofin/131309.doc>). Both countries were told to also apply for IMF support (which could be primarily technical). An EC/IMF/ECB troika team will visit Cyprus to determine the size and the conditions of Cyprus's bailout.

-- Prior to Wednesday's Franco-German meeting in Paris, French President Hollande called for more integration, while German Chancellor Merkel again endorsed the €130 billion growth package: "We need more Europe, we need a Europe that works, the markets are expecting this, and we need a Europe whose members help each other."

-- Slovenian PM Janez Jansa reportedly warned Wednesday that Slovenia "will face the Greek scenario" (i.e. need international support) if the opposition fails to back legislation to stabilize the Slovenia's public finances.

-- Italy's parliament approved a labor market reform package Wednesday after four confidence votes. The reform (modeled loosely on the Danish system) gives incentives for employers to hire workers, especially young workers, while partially easing rules against laying off workers.

-- German unemployment increased to 6.8% in June and authorities revised the May reading to 6.8% (from 6.7%). Annual CPI inflation was 1.7% in June, the lowest level since December 2010.

-- The UK confirmed its economy shrank by 0.3% between January and March; the Q4 contraction was deeper than previously estimated (0.4%, not 0.3%).

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