

# LBB and LBB Research During and After the Crisis

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**This summary was written by M. Sc. Tim Wazynski.**

Mr. Schubert underlined that the euro financial crisis has a huge impact on the global economy. There are still some central problems, which have to be solved. One decisive factor is the financial disorder in Greece and if it comes to an end. Significant further reforms are necessary to improve the situation in Greece and also some other countries like Spain or Italy. There is still a potential aggravation of the debt crisis for euro area sovereigns.

The growing budget deficit during the crisis leads to ongoing refinancing problems of some eurozone countries. Mr. Schubert pointed out that government bonds are no longer risk-free. Some bonds of industrial nations are under pressure. One crucial issue is the government's conflict of interests because of acting as a market player and a regulator. In order to ease the national debt, they are pushing the interest rates lower. Furthermore, the central banks' monetary policy is changing to a policy of low interest rates, in order to provide liquidity and to counter a recession. Therefore, the euro financial crisis demonstrates that there is a strong dependency on the monetary policy of the central banks and the politics in the eurozone.

Mr. Schubert continued that the problems concerning the government bonds are highly affecting the corporate bond market, which is becoming more important. Investors are looking for different investment opportunities, which have to be safe. "AAA" rated corporate bonds have been less risky than government bonds since 2008/2009. The debt sustainability of companies is often better compare to the best-rated states. Nowadays the market capitalization of corporate bonds is higher than of government bonds, but corporates cannot replace government bonds in the short term at all.

In Mr. Schubert's opinion, the Euro will survive the current crisis. The governments refinancing volumes will reach its peak in 2012, but the outlook for the fragile economy remains poor. It is an act of strength to revitalize the fiscal pact and to support the economy on a long run.