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Commentary: Greece meeting ends without agreement, but ample scope for a deal

- A meeting of euro zone finance ministers ended yesterday without a new deal extending Greece's current bailout program. Greek finance minister Yanis Varoufakis rejected a draft statement prolonging the bailout agreement under existing terms for six months, which would have provided time to negotiate a follow-up agreement.
- The bailout program expires on February 28th and any agreement has to be approved by national parliaments. Jerome Dijsselbloem, chairman of the eurogroup of finance ministers, has said that Friday, February 20th would be the deadline in order to have enough time for ratification to go through before February 28th. Therefore, informal talks are likely to continue all week, with the possibility of another emergency eurogroup finance ministers meeting by week end.
- After the meeting, Greek Finance Minister Yanis Varoufakis stated that he was prepared to agree on an extension of the existing program for four months, but under different terms previously presented by Pierre Moscovici, the European Commission's economic chief.

Key Implications

- The lack of a new deal is a disappointment. However, there certainly appears to be room for an agreement, particularly in light of the comments by Varoufakis after the meeting.
- The February 28th expiry date is not a hard deadline in the sense that it would immediately precipitate a Greek exit from the euro zone. However, should the deadline pass without an agreement, this could exacerbate deposit outflows, which would increase the dependence of Greek banks on Emergency Liquidity Assistance (ELA) from its central bank.
- The bigger risk is that Greece will not have the funds to meet the \$1.5bn in repayments owed to the IMF in March. Should Greece fail to make these payments, they would be in technical default. In this case, Greek bank access to ELA would be curtailed, increasing the probability of a Greek exit. This is the brinkmanship we have discussed [recently](#), and why we believe both parties are likely to agree to a deal in the coming weeks.
- Given the lack of a deal and on-going discussions, volatility is likely to be elevated for at least the next week. Meanwhile, the bi-weekly ELA review by the ECB on Wednesday will be closely watched for any evolution in views on support for Greek banks.

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