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## Greek Equity Market Note

Greek equities are under a new turmoil phase following the spiral of economic and banking events in Cyprus. Greek banking stocks in particular have turned volatile trading at lower territories as investors raise worries over probable negative effects on the domestic market from the interconnection of the Greek and Cypriot economies and their respective banking sectors.

At this stage, Greek equity market is not in good mood to follow the more favorable trends of the international equity markets. Banking sector is still the key barometer of domestic equity values and is largely affected by the events in Cyprus. Domestic equities as a whole are also affected from the not especially promising progress in the fiscal front of the Greek economy and therefore face an additional obstacle if a reversal of their current negative short term trend was to be considered in the near future. With the fiscal and economic conditions remaining tough in the country, the non-banking Greek equities cannot draw an independent and more favorable trading trend either.

With regard to the Greek banking sector, the systemic banking stocks continue to weigh significantly in the broader performance of the domestic equity market. The three systemic banks, NBG, Alpha Bank and Piraeus Bank, are currently in a multifaceted stage of recapitalization, merger action and further asset adjustment given the situation in Cyprus. The real effect of all these to their banking stocks will continue to unfold in stages and is likely to last several months. As a result high volatility should be expected in the Greek equity market over the coming months.

Nicholas Georgiadis  
Director of Equity Research

**VALUATION & RESEARCH SPECIALISTS (VRS)**

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