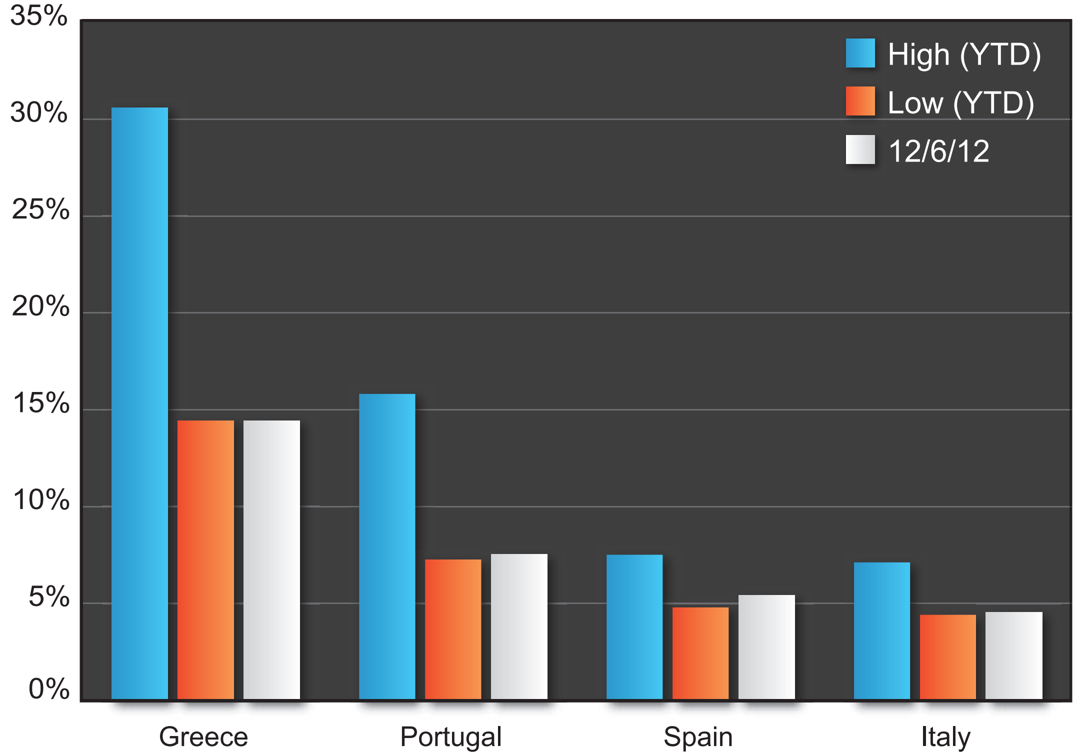
# Nerves Have Settled Some In Europe

## Yields on 10-Year Government Bonds




*Source: Bloomberg. Data through 12/6/12. Past performance is no guarantee of future results.*

## View from the Observation Deck

1. We last visited the sovereign debt crisis in Europe on July 19 ("No Guidance, No Confidence"). Our blog post revealed the selling pressure transpiring in the equities markets.
2. Since July 19, government policy makers and the European Central Bank (ECB), headed by Mario Draghi, announced a critical bond buying program to help bolster liquidity in the debt markets.
3. The announcement alone was so well-received that investors began buying the government bonds issued by the four most vulnerable members of the European Union (see chart).
4. As you can see, the yields on the 10-Year government bonds issued by Greece, Portugal, Spain and Italy have declined considerably since the ECB's bond buying program announcement.
5. The equities markets responded favorably as well. The MSCI EMU (Europe Economic and Monetary Union) Index posted a total return of 18.72% from 7/19/12-12/5/12.
6. While it is likely that the debt crisis will take a considerable amount of time to work itself out, some important progress has been made. We intend to monitor the situation.

*This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The MSCI EMU (European Economic and Monetary Union) Index is a free float-adjusted market capitalization weighted index designed to measure the equity performance of the following countries: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Portugal and Spain.*