

Greek Politics: Save The Date - Elections - May 21

Mar 29

The first round at least; with the second one no later than July 2. As things stand, the chances of the elections yielding a one-party government are low. A coalition between New Democracy (ruling party, leading the polls) and KINAL (third in polls) is the most likely scenario.

The political risk has gone up following the train tragedy at Tempe on Feb 28. Elections moved forward by one month, Mitsotakis poll lead has come down to 3ppt (from 7-9ppt), and so have the chances of forming a one-party government in the second round.

Basic election math. Recent polls show Mitsotakis lead has narrowed down to 2-3ppt, managing 30-33% of the votes. Forming a government in the first round requires 45%* which drops down to 37-38%* in the second round thanks to bonus seats allocated to the first party.

Base case scenario. The above implies a) Greece will not avoid a second round and b) it will take more than one party to form a government. The base case is for the ruling party teaming up with KINAL, currently ranking third in polls at 9%-10%.

The extreme scenario. A coalition government without the ruling party i.e., between those 5-6 parties fetching 55% of the votes in the first round or 62%-63% of the votes in the second round. That would be a rather unimaginable scenario with dreadful consequences for the country. We put 0% chances of this happening mainly because we do not even want to think about it.

And the not so extreme scenario. Failure of the base case scenario. Pushing the country into uncharted territory. This is not so extreme given current tensions and rhetoric, but we'd like to think this is mostly posturing and that common sense will prevail. It would be great if the two parties would realize the inevitability of this scenario and form a government already from the first round. But that seems like another extreme.

Stock market jitters. The announcement of the election date, however much speculated, coupled with the low(er) visibility over the outcome following Tempe, was not taken well by the market. We single out banks, PPC, Hellenic Exchanges, ADMIE holdings, Athens

Water, and Lamda Development as the ones carrying a higher theoretical risk of their business plans changing along with a change in government.

What should investors do? Our OWN IT (OI) ratings are based on GDP growing in 2023, public debt being management, the sovereign earning investment grade, banks staying solvent and on the Mitsotakis administration renewing its mandate. The latter remains our base case. Therefore, we stand by our 'buy on weakness' call on our Greek OI rated names: NBG, Eurobank, Piraeus, OPAP, Jumbo, PPC, GEK, Motor Oil.

**Assuming parties that do not enter the parliament (i.e. < 3% threshold) sum up 8% of the votes (2019) and their seats are allocated to the ones that do.*

Best regards,

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