Chart of the week: Portuguese bond yields jump as government falls into disarray [1]

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Summary: Spike on Portuguese bond yields show euro crisis not over

What the chart shows: The chart shows the yield on the Portuguese 10-year benchmark government bond; and the difference (?spread?) between the yield on its German equivalent

Why is the chart important: With the (admittedly significant) exception of the Cypriot crisis earlier this year, the euro area has been relatively calm since ECB President Mario Draghi last summer promised to do ?whatever it takes? to save the euro. However, in the first week of July, there was a brief eruption in Portugal, where the Finance Minister resigned due to the country?s failure to reach its fiscal targets; and the Foreign Minister then resigned because he disagreed with the Prime Minister appointing a new Finance Minister who vowed to continue austerity instead of pushing for growth. But Portugal was the ?troika?s? star pupil ? doing everything asked of it without complaining. Failure to achieve targets raises a question mark over the entire austerity policy pursued in the euro area; and the rise of politicians in a ?model country? questioning it means that the days of austerity ? already eroded ? are likely to be numbered.

Links:
[1] http://www.adamsmith.org/blog/economics/chart-of-the-week-portuguese-bond-yields-jump-as-government-falls-into-disarray
[2] http://www.adamsmith.org/taxonomy/term/5935
[3] http://disqus.com/?ref_noscript
[4] http://disqus.com