

Greece Receives Third Bailout Deal in Five Years

World markets gave a weary cheer on Monday as euro zone leaders emerged from all night talks in Brussels with a deal to keep Greece afloat and part of the euro currency union.

European Council President Donald Tusk announced just as trading started that after months of tortuous negotiations, marathon overnight discussions had produced the third bailout deal in five years for Greece.

"The agreement was laborious, but it has been concluded. There is no Grexit," European Commission President Jean-Claude Juncker told a news conference after 17 hours of bargaining.

The head of the International Monetary Fund, Christine Lagarde, called it "a good step to rebuild confidence" in Greece, helping investors to shake off the grip of relentless uncertainty.

The pan-European FTSEurofirst 300 index jumped percent to hit a 2-week high while Italian, Spanish and Portuguese bonds made gains versus German Bunds in debt markets.

The euro rose initially against the world's other major currencies too but dropped back shortly afterwards as traders locked in some of its gains of recent days.

Capital controls imposed by Athens have limited trading in Greek bonds, but Tradeweb data showed two-year yields down percentage points. Greek equity assets that continue to trade also surged.

"It's positive that they've reached an agreement and it should be positive for risk in general," said Vasileios Gkionakis, Global Head of FX Strategy at UniCredit.

“We are seeing a dip in the euro at the moment. But that is because of the moves at the end of last week; generally this should bode well.”

Wall Street's main S&P 500 and Dow Jones industrial indexes were expected to ride the European wave when they reopen later with futures markets pointing to gains of percent.

Athens and the euro zone's main players had been locked for months in a tussle that provoked some bitter exchanges.

Greek Prime Minister Alexis Tsipras finally won conditional agreement to receive a possible 86 billion euros (\$95 billion) over three years, but he had to pay a high price.

Fifty billion euros (\$55 billion) worth of Greek state assets – including recapitalised banks – will have to be put into a trust fund beyond the government's reach, to be sold off primarily to pay down the national debt.

Grin and Bear It

Asian stock markets had kept their nerve as Greek talks had dragged on through the European night and as Chinese stocks rose for a third straight session after their recent rout.

Data from China showed exports rose 2.8 percent in June, while imports slipped 6.1 percent, in a tentative sign global demand might be on the mend.

The Asian giant reports domestic product data on Wednesday and forecasts are that annual growth slowed to 6.9 percent last quarter.

The CSI300 index of the largest listed companies in Shanghai and Shenzhen added 2.6 percent on top of last week's rally of 5.7 percent. Japan's Nikkei gained 1.6 percent.

“This is victory in the first battles of a long-lasting war,” said Hou Yingmin, analyst at brokerage Aj Securities, with

regards to recent China regulator moves to steady markets.

“But it takes time for market sentiment to fully recover from the recent trauma, which was so severe, and bears are likely to make a comeback.”

The relief that Greece's future in the euro was now looking more certain damped demand for safe-haven assets. Yields on German government debt rose 3 basis points, dragging those on U.S. Treasuries <0#TY:> with them.

Federal Reserve Chair Janet Yellen said on Friday that she expects the central bank to raise U.S. interest rates for the first time in almost a decade this year. She appears before U.S. politicians on Wednesday.

In commodity markets, gold was squeezed back toward \$1,150 an ounce as the dollar regained its overnight strength. It was up for a third straight day against the yen at yen and \$ to the euro.

Oil prices were under pressure meanwhile, as Iran and six world powers looked to be closing in on a historic nuclear deal that would bring sanctions relief for Tehran and thus more crude onto the market.

Brent crude sank \$ to \$ a barrel and U.S. crude shed 91 cents to \$ as discussions in Vienna continued following a string of extensions over the last couple of weeks.

“We can continue the talks as long as it is necessary,” Iran's foreign minister Mohammad Javad Zarif was quoted as saying by Iran's semi-official Fars news agency.

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