

Cyprus: Almost front page news

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It's good to see that Cyprus is making news at last. Monday's and Tuesday's *Financial Times* carried substantial articles on the inside. In Wednesday's (5-6-12), it even made the back page.

For a long time, all we heard about were the PIGs – a somewhat offensive term – who mutated into the GIPSIS – scarcely any better. Or we heard about the FANGs, who were attacking them – until two of their number – Austria and the Netherlands – got downgraded, leaving only Finland and Germany with a triple A. Graphs of 10year bond rates never showed those of Cyprus. People didn't have their eye on the ball – perhaps because it was too small to notice.

But they should have. If they totted up what one knows about Cyprus – Russian loan of €2.5bn or c14% of GDP, Popular Bank recapitalisation of €1.8bn or c 10% of GDP, Emergency Liquidity Assistance estimated in the FT at €4bn or c22% of GDP, loans to Greece by Cyprus banks of €22bn or 22% of GDP – trouble looked inevitable.

What is more, those who worry about domino reactions should watch out. If Grexit, it is inevitable that there will Cyprus exit, too. (Perhaps, in line with the Grexit, or the Squit – Spain quits – we could call this the Cypriout). Fears will be met before anyone has had time to think. And so the Portuguese, Irish or (the newest concern) Spanish tablets will tumble too.