

EUROPE

2004 Olympics Fuel Surge in Athens Stocks

Compiled by Our Staff From Dispatches

ATHENS — Greek equities scored a record opening rise Monday amid widespread ebullience over the selection of Athens by the International Olympic Committee as the site of the 2004 Olympic Games.

"This is good news for Greek assets, especially equities and the hard drachma," Harris Makkas, country treasurer at Bank of America here, said after the city was awarded the Games on Friday. "The marked improvement in sentiment will certainly help all Greek markets in the short run."

The Athens Stock Exchange's benchmark index of 60 companies rose an unprecedented 122.69 points, or 7.96 percent, to 1,663.69, with 53 of its shares rising more than 7.8 percent. Trading volume was double the average of the past three months.

Institutional investors have said they had been selling shares ahead of the decision Friday to reduce risk in case Athens lost the bid and to increase their disposable cash to join a rally in

case it won. Shares in a wide range of industries, including construction and banking, rose on expectations that the winning bid would accelerate public works and investments, promote tourism and help secure regional peace and stability, analysts said.

Investors and analysts said they expected new capital to enter the market throughout the rest of the year amid confidence that Greece's economy would continue to expand while interest rates continued to decline.

With or without the Games, Greece has been planning public works and investment valued at 2 trillion drachmas (\$7 billion) a year. The government has budgeted 1.6 trillion drachmas to modernize transportation this year.

The 1998 budget, government officials recently said, will increase by 20 percent, to 2 trillion drachmas, while similar amounts will be injected into the economy until well after 2000, in the form of European Union subsidies.

But Prime Minister Costas Simitis also stressed that Greece would continue its strict

economic policies, particularly reducing the government deficit and maintaining a strong currency to battle inflation ahead of joining European economic and monetary union by 2001 at the latest.

Mr. Makkas said he did not expect bonds to rally as much as stocks because they faced the constraints of future tax liabilities linked to the Games and local institutions' substitution of equities for bonds and cash.

Other bankers warned against the issuance of new bonds to finance the Games and said the future supply of bonds that might be needed to finance the 2004 Games should be limited.

"It would be better if the responsibility for the financing of the Games is given to an independent private committee that will manage cash flows in a cost-effective way that will not add to the country's public debt," a senior banker at a foreign bank said.

The budget for the 2004 Summer Games is projected at \$1.6 billion, and a profit of \$36.6 million is forecast. *(Reuters, Bloomberg)*