

RAJOY HAS NO TIME TO SAVOR SPANISH POLL VICTORY AS THE DEBT CRISIS FLARES



Mariano Rajoy, who finally Spain's prime minister after an eight-year wait, will have to act quickly as the borrowing costs approach euro-era records and the country risks becoming the next victim of the region's debt crisis. At 10:02 a.m. in Madrid, Spain's 10-year bond yield rose to 6.566 percent from 6.379 on Nov. 18 after the People's Party yesterday beat the ruling Socialists and their candidate Alfredo Perez Rubalcaba in a landslide, also winning 186 seats in the 350 seat Parliament. The gap that is in between Spanish and German borrowing costs widened to 465 basis points and the IBEX 35 stock index fell 1.9 percent. "Just as markets weren't particularly heartened by the arrival last week of Mr. Monti on Italy's political scene, it is unlikely there'll be a Rajoy relief rally," said Nicholas Spiro, who is the managing director of Spiro Sovereign Strategy in London. "Investors are primarily concerned with the credibility of plans to shore up euro-zone sovereign debt." Rajoy, who was defeated twice in elections by the Prime Minister Jose Luis Rodriguez Zapatero, handed the Socialists their worst defeat since Spain's return to democracy in 1978. Rajoy's PP won the biggest parliamentary majority of any other government in almost 30 years. A 30-year veteran of the People's Party, Rajoy owes a lot of his success in the election to the failure of his adversaries and has given few specifics on how he plans to slash the deficit and contain the debt. "Time is running out and by the time a new government comes in, it will have run out," said Fernando Eguidazu, who is the president of the economic policy committee of the pro- entrepreneur lobby Circulo de Empresarios. "The new government will have to implement measures extremely quickly because the markets will not give us any grace period." At age 56, Rajoy is Spain's oldest leaser to come into power since the tragic death of General Francisco Franco in 1975. Spain's deepest economic crisis in six decades eroded support for the Socialists and they leave the scene with the country's 10-year bond yield near a 7 percent level that led Greece, Portugal and Ireland to seek bailouts. On Nov. 17, it rose as high as 6.78 percent, now back at the levels Spain was paying before it joined the euro. Rajoy and the PP won 10.8 million votes, which is compared with the 10.3 million that they won back in 2008. The majority of their victory was due to the hemorrhaging of the votes for the Socialists, which plunged by about 4.5 million votes, or almost 40 percent. Rajoy's victory has "a lot to do with the anger of the electorate against the Socialist party and Rubalcaba as a member of it," said Pablo Onate, who is the general secretary of the Spanish Political Science Association, in Madrid in an interview after the election.