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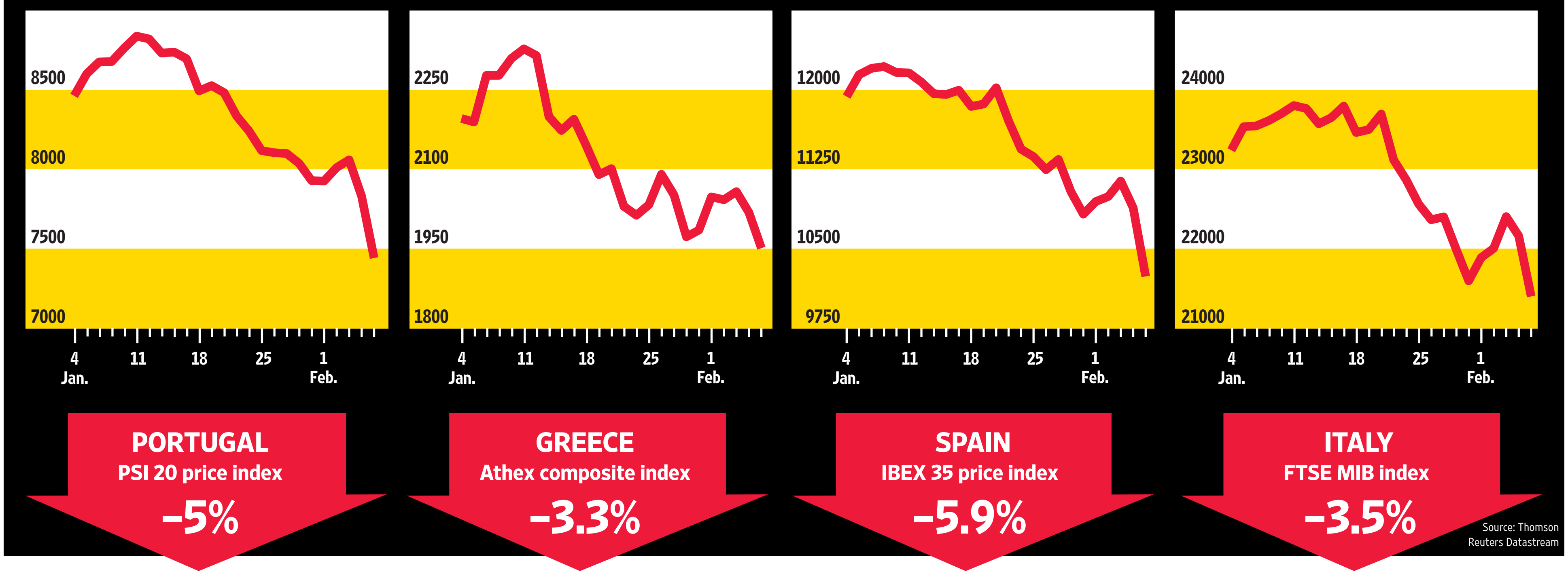
# Ailing Greece infects market

**Fear spreads** | Anxiety over deficits in the euro zone weighed on the indexes of nations with high debt loads




Source: Thomson Reuters Datastream

By Neil Shah

Financial markets swooned Thursday amid rising fears of a government debt default in Europe, highlighting the seriousness of the challenges facing the euro currency as fiscally challenged countries like Greece, Portugal and Spain dig themselves out of debt.

While Greece and Portugal have felt investors' fire in recent days, now even larger economies like Spain are starting to come under pressure from worries about their weakened public finances.

Blue-chip stock indexes in Spain and Portugal slumped nearly 6% and 5%, respectively, while an index of Europe's 600 biggest companies dropped 2.7%. The euro sank more than 1% to an eight-month low of $1.3727 and lost 3% of its value against the yen.

The Dow Jones Industrial Average slid 268.37 points, or 2.6%, to close at 10002.18, after it briefly fell below the key 10000 level. It was the biggest one-day point drop since April 20 and its lowest close since Nov. 4.

The global economic downturn, and extensive government spending to fight it, have led to major fiscal problems in Europe, especially for less-dynamic economies like Greece, Portugal, Ireland and Spain. Such countries took advantage of their membership in the 16-nation euro bloc during the boom by borrowing at unusually low interest rates. But now, investors are worried about how they will reduce yawning budget deficits that exceed 12% of their economic output in the case of Greece and Ireland.

> **The debt markets are in no mood to forgive politicians who fail to grasp their concerns.**
> Heard on the Street, page 32

The debt troubles of Europe's weaker economies are raising questions about the nature of the euro zone, where countries share a currency but not financial policies. Some have speculated that a weaker country, like Greece, might end up falling out of the union or, worse, require a bailout by European policy makers or the International Monetary Fund. Such concerns are prompting investors to take a more careful look at the health of individual euro economies.

"A year ago, everyone assumed that these countries were the same," said Brian Yelvington, a strategist at fixed-income brokerage Knight Libertas. "Now people are trying to figure out how far Greek [bonds] should trade from Portugal."

European policy makers are trying to pressure wayward countries like Greece into taking stronger action to fix their finances. Greek markets eased a little earlier this week as investors awaited a move by the European Commission, the European Union's executive arm, to endorse Greece's budget plans.

However, the prospect of debt fears spreading to other countries like Spain creates new, and bigger, problems. Greece contributes only about 2.5% of the euro area's eco-

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## The Quirk

Where has all the candy gone? A tribute to those lost treats of the past. **Page 29**

## Editorial & Opinion

Obama gives Brussels the brush-off. **Page 14**

# Deutsche Telekom weighs IPO for T-Mobile USA

By Jeffrey McCracken And Dana Cimilluca

The owner of T-Mobile USA, the fourth-largest U.S. wireless provider, is preparing an initial public offering or spinoff of the business, according to people familiar with the matter, as it seeks billions of dollars to jump start the carrier and assuage disenchanted shareholders.

T-Mobile's parent, German giant **Deutsche Telekom** AG, has recently held discussions with a number of banks including **Deutsche Bank** AG about underwriting an IPO for the unit, according to people familiar with the matter. A spokesman for Deutsche Telekom declined comment.

Other options under consideration, these people say, include a partial spinoff of the business, which would carve it into a separate entity with its own balance sheet. A merger with a U.S. rival is also on the table, though less likely, said these people, as it would face regulatory and technological hurdles.

Despite heavy marketing and high-profile devices such as the first **Google** Inc.-based cellphone, T-Mobile USA has failed to keep pace with rivals in recent years. With about 33 million customers and annual revenue of around $19 billion, T-Mobile USA has about 14% market share, far behind **AT&T** Inc., Verizon Wireless and **Sprint Nextel** Corp.

T-Mobile USA has languished under perceptions that its wireless network is inferior and lacks reach, analysts say, a major shortcoming as customers turn to their cellphones to surf the Internet and stream video. In the third quarter, 77,000 customers walked away

For Deutsche Telekom, the U.S. market has been a problem ever since it acquired the former VoiceStream Wireless for $35 billion in 2001 at the height of the telecom boom. Any move in the U.S. would come as the company has also announced plans to combine its struggling T-Mobile unit in the U.K. with a rival.

Deutsche Telekom is historically risk averse and the people familiar with the matter caution the company may ultimately decide against an IPO. Several years ago, the company began preparing an IPO for the entire T-Mobile unit, which includes wireless operators with 78 million customers across Europe. It ultimately quashed the plan.

Still, there is a feeling "the status quo isn't working for T-Mobile," said one person familiar with the matter. Taking T-Mobile USA public would be a way to fund the build-out of the unit's network without relinquishing control.

Deutsche Telekom has told outsiders it will spend the next few weeks holding internal meetings about the fate of T-Mobile USA and come to a conclusion in the next two months.

Deutsche Telekom generated about €7 billion ($9.7 billion) in free cash flow last year. But its ability to fund T-Mobile's infrastructure is con-

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