



# Testing Eurozone Cohesion

EUROPE FILE 4

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## Leftist Syriza Party Wins in Greek Vote

*Result Sets Up Confrontation With Europe*

BY STELIOS BOURAS  
AND ALKMAN GRANITSAS

ATHENS—Greek voters were set to hand power to a radical leftist party in national elections Sunday, a popular rebellion against the bitter economic medicine Greece has swallowed for five years and a rebuke of the fellow European countries that prescribed it.

Votes were still being tallied into the night, but a government projection gave about half the seats in the Greek parliament to the opposition party Syriza, with a chance it could have outright control.

That outcome would be an astonishing upset of Europe's political order, which decades ago settled into an orthodox centrism while many in Syriza identify as Marxists. It would embolden the challenges of other radical parties, from the right-wing National Front in France to the newly formed left-wing Podemos party in Spain, and it would set Greece on a collision course with Germany and its other rescuers in the eurozone.



Syriza supporters in Athens cheer at the release of exit polls showing the leftist party winning the most votes in Sunday's election.

"Europe is self-destructing," said Polyxeni Konstantinou, a 56-year-old public-sector worker voting in central Athens. "I voted for Syriza because I hope that it will help change the tragic circumstances that now govern Eu-

rope. Will Syriza be able to achieve everything it says? Probably not. But whatever it does achieve, then that will be good for Europe."

It may be less positive for financial markets, which had reckoned on a narrower vic-

tory that would have tempered Syriza's ambitions by forcing it to seek partners in a coalition. The euro slid slightly in the very earliest whispers of trading in New Zealand overnight.

Syriza was projected to

win 150 seats in Greece's 300-seat parliament with the backing of 36.5% of voters, Greece's interior ministry said, adding that it wouldn't be known whether it would have an outright majority—or

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*Election Victor's First Big Test: Empty Treasury*

BY MARCUS WALKER

The clock is ticking for Syriza—the victorious anti-austerity party in Greece's elections—to form a government and strike a deal with creditors to keep Greece solvent and in the euro.

It wasn't clear yet on Sunday evening whether the left-wing party had won more than half of the 300 seats in Greece's parliament. If it falls short, Syriza leader Alexis Tsipras's first test will be to form a pact with another party, to guarantee his government a majority. But the bigger challenge lies in Greece's empty treasury, and in a game of chicken with Europe.

Greece—one of 19 countries that use the euro—needs billions of euros in coming months from other eurozone governments and the International Monetary Fund to avoid defaulting on public debts. Greek banks also need continual liquidity from the European Central Bank. Europe's current bailout plan for Greece expires on Feb. 28. A

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## Markets Getting Bumpier As Fed Pulls Safety Net

BY E.S. BROWNING

Markets are slowly weaning themselves from their over-reliance on the Federal Reserve.

To many money managers, this is excellent news because it means the economy and financial markets are becoming more normal after the 2008 financial crisis, when markets seized up and the Dow Jones Industrial Average fell 54%.

There is, however, a price to pay for less-extreme Fed policies and a more-normal market. As the Fed slowly withdraws its safety net, markets become riskier and more volatile. The risks have been on display lately.

The Dow Jones Industrial

Average and other stock indexes have staged four neck-snapping pullbacks since September began. Two have occurred since Dec. 5. Volatility also has hit bonds, currencies and commodities.

Fed policy makers meet on Tuesday and Wednesday, and many professional investors expect no change in the central bank's plan to push up short-term interest rates later this year. The plan is part of the Fed's gradual removal of unprecedented easy-money policies it adopted to prevent a depression.

"We are transitioning from a Fed-specific market to a more-normal regime," said Stephen Wood, chief market strategist at Russell Invest-

ments, which oversees \$275 billion. That means greater turbulence.

The Dow Jones Industrial Average has moved 1% or more on six of this year's 15 trading days, or 40%. Last year it moved that much on 14% of trading days. In 2013 it was less than 10%. The current pace probably won't continue, but it shows something has changed.

To the amazement of bond experts, the yield of the benchmark 10-year Treasury note has plunged, to about 1.8% Friday from 3% at the start of 2014. Experts had ex-

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## U.S., EU Warn Russia After Attack in Ukraine

BY GREGORY L. WHITE  
AND LAURENCE NORMAN

U.S. and European leaders threatened new sanctions against Moscow after a missile attack blamed on pro-Russian separatists killed 30 civilians in the eastern Ukrainian city of Mariupol, the latest escalation in violence that has brought Kiev's fight with rebels back toward full-scale war.

Russia reacted with defiance, blaming Kiev and its Western backers for the surge in fighting, but it also called for urgent talks on implementing a September cease-fire. Separatists backed off earlier threats of a broad offensive on Mariupol and other targets, but shelling along the contact line between the two

sides was extremely heavy over the weekend, Ukrainian military officials said.

U.S. President Barack Obama said he was deeply concerned about the latest break in the cease fire and escalating separatist aggression, saying he would continue to ratchet up pressure on Russia. "I will look at all additional options that are available to us short of a military confrontation in trying to address this issue," the president said at a Sunday news conference in New Delhi.

The European Union, saying the rebels "bluntly refuse to observe" the cease-fire, called an emergency meeting of foreign ministers for Thursday to discuss a response.

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