Greek leaders expressed optimism a deal to unlock bailout funds is within reach, in the face of continuing warnings by creditors that the country has yet to comply with the terms of its emergency loans.

“We are very close” to an agreement, Finance Minister Yanis Varoufakis said in an interview late Monday with Greece’s Star TV Channel. “I’d say it is a matter of one week.”

Earlier Monday, Prime Minister Alexis Tsipras had told Greek industrialists that “we are now at the final stretch before striking a mutually beneficial agreement, after long and painful negotiations.”

Greece’s anti-austerity government has repeatedly expressed confidence a deal was imminent, only to be rebuffed by creditors seeking more concrete actions in areas including labor market deregulation and pension-system overhaul.

Even though Greece has made some progress in meeting its bailout commitments, “we’re not there yet,” European Union Economic Affairs Commissioner Pierre Moscovici said, just a few hours before Tsipras’s and Varoufakis’s assurances that an agreement is close. The country’s liquidity situation is “obviously tense,” and the time left to reach an agreement is “very limited,” Moscovici told reporters in...
Greek bonds tumbled on Monday, pushing 10-year yields up by the most since January. Yields on two-year Greek notes jumped 308 basis points to 23.99 percent. Greek bonds remain the best-performing sovereign securities over the past month, according to Bloomberg’s World Bond Indexes. The Athens Stock Exchange rose 1.6 percent, following a report that the European Commission is trying to broker a compromise deal. An EU Commission spokeswoman said she wasn’t aware of such a proposal.

Cash Crunch

The four-month standoff between Europe’s most indebted state and its lenders has triggered an unprecedented liquidity squeeze, which pulled the Mediterranean nation’s economy into a double-dip recession. Record deposit withdrawals, and the state’s increasing difficulty in meeting debt payments have sparked renewed doubts about the country’s place in the euro area.

Adopting a new currency is not “on our radar,” Varoufakis said in his Star TV interview, which started at 11:30 p.m. and was still dragging on at about 2 in the morning, in Athens. Euro-area member states haven’t made proposals to the Greek government to leave the currency bloc, according to Varoufakis.

After months of brinkmanship, Varoufakis said Greece and its creditors still disagree on budget targets, labor market regulations and pension system reform. Negotiations continue, and Greece has suggested streamlining its sales tax by setting a 15 percent rate for most goods and a 6.5 percent rate for basic goods, according to Varoufakis.

Technical Agreement

Greece hopes to conclude a technical agreement with creditors on Tuesday, with the aim of reaching political approval at a May 21-22 summit of EU leaders, government spokesman Gabriel Sakellaridis told reporters Monday in Athens.

This timeframe is optimistic as the country hasn’t made enough progress in its talks with euro-area authorities to seal a deal by this week’s summit in Riga, Latvia, according to two European officials familiar with negotiations.

Furthermore, any efforts by the European Commission to broker a compromise won’t succeed unless the International Monetary Fund is fully on board, said two other European officials. All asked not to be named because the talks are private.

“We will not default, and we won’t reach the point of not paying the International Monetary Fund,” Varoufakis said. “We contemplate actions leading to a breakdown, so that we can avoid a breakdown,” he added, citing the most recent payment to the IMF as an example.

“When we were not going to pay,” he said. “And the prime minister had announced this with a letter. And, as if by a miracle, IMF money was found to pay the IMF. Neither we nor they want a rupture.”

The funds for the repayment were taken from a Greek account at the IMF.