



THE Adviser

Bored of the Euro Crisis?

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So we now know the strongest football nations in the European Football Championships (I am writing this after England's painful defeat last night). It is interesting to see the four best nations are the PIGS. Portugal, Italy, Germany and Spain not Greece, who Angela Merkel took great delight in knocking out of the tournament. I concede that this element of Europe is far more fascinating than the long drawn out euro-crisis that again stumbles from crisis summit to crisis summit. Each one accompanied by a call to end the problems at a last chance saloon.

This week hosts another summit and it is Mario Monti (Italian Prime Minister) who tells us we have one week to save the Euro. The market clearly wants Eurobonds, where the debts of European members are combined so that everyone borrows at the same rate. Fiscal and banking union will be a necessary action for any move towards Eurobonds. Germany, however, doesn't want to consider this as it is akin to letting their naughty sibling off after living the high life and running up an exorbitant credit card bill.

Last week's Greek election did produce a Government, a coalition Government. Initially this boosted the stock markets, only for the gain to be erased approximately 90 minutes after they opened. The problems for Greece are not over. Clearly they wish to remain in Europe

but the fact they wish to renegotiate the austerity agreements will antagonise other Euro zone members. My view is that they will still be forced to leave by their own accord or be asked to leave by the others. Greece is broke with very few recovery prospects when they are locked into euro currency conversation. Some experts claim they would run a deficit even if all the debts were wiped out. They seem incapable of collecting tax revenue and clearly will not grow their way out of this. If you doubt this, take a look in your high street travel agents and see where the Bargain deals are.

I think the muted reaction to last week's election results suggest investors no longer care about a Greek exit. I just hope that policymakers create a firewall behind to prevent any contagion to the likes of Portugal, Italy, Spain et al.

