

Today I attended a presentation by Christopher Potts, Investment Strategist at Cheuvreux in Paris. It was a very insightful and different perspective on the Euroland troubles from a guy who is very plugged in.

His thoughts;

He believes that Euro markets are now bottoming and he expects a rally of 10% plus in the next few weeks. He noted that Euro stocks are very cheap, in many cases 50 year lows in terms of valuation. No other market in the world offers this kind of value.

The Euro Zone (EZ) will be a multi year story....there is no immediate quick fix. But there will be no revolution or catastrophe either.

And he was adamant that the EZ will not break-up. Europe is now too integrated to do so.

EMU mark II led by Germany will redefine the terms of the union going forward. And he stated that if the debtor countries say yes to the terms, Germany will agree.

He noted that current economic forecasts of EZ countries are invalid because the new definition is not yet in place.

A backstop does exist but much of the political agenda is not visible to financial markets.

We need to view the EZ crisis as a "culture wars" that actually began after WW II.....it is an agenda of control. And there is a cultural disconnect between the financial world and the political world.

The financial world says markets will decide, the political world says there are other more important issues.

The EMU was the response to German re-unification because otherwise Germany would have dominated and controlled Europe.

He stated there is no reasonable chance of a Greek default.

The markets are being used to force dramatic change within the EZ and there is only one shot at it. And the markets are effectively the knife at the throat. It is an ongoing process to effect this change and no debtor nation has said no at any stage so far.

EMU mark I was a credit bubble and not sustainable that had its roots in German re-unification.

He noted there is a new prosperity zone in Europe from Switzerland to Sweden that no one is talking about.

This zone has no need to de-leverage and has not seen any imbalances. This is the counterpoint to the debtor nations.

There is no going back to pre EMU....the countries are too integrated and it would lead to nationalization and protectionism and would be catastrophic.

The crisis is being used to force change now.

Ireland is the first to show real reform and it has early signs of recovery.

There is no organized political resistance in any debtor nation to this new agenda despite what you see on CNN and CNBC.

The debtor nations know that the future is defined by being in the EU.

My thought? This is certainly a very different take on the situation. We need to see this crisis from a political perspective rather than just a financial one. It is a process driven by Germany to re-engineer the EMU and they are using the markets to force dramatic change.

The challenges will not be solved overnight, but markets will eventually see that there is a solution and a way out. It is the current uncertainty that has caused the damage to global markets. But if he is right and the uncertainty begins to fade, markets will be set for a rally.

Michael