

View from

the trading floor



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An alternative to the euro doesn't bear thinking about



Henderson Global Investors' pan European fund manager Tim Stevenson talks about the recent developments surrounding the eurozone crisis.

Tension is clearly building with the second part of the French elections and the Greek elections coming up in the next couple of weeks. The main concern has to be with Greece, and whether they decide to vote rationally for somebody that will carry on with the plan, and co-operate with other European leaders. If they decline to cooperate, then it is quite clear that Greece will be exited from the euro in some shape or form.

My expectation is that the Greeks will vote rationally and that they will have some kind of solution that keeps them in the euro. This is a far preferable result for everybody concerned. Thereafter, I think there will be a very significant package of measures in the European area which will help solve the situation. This is going to be a combination of LTRO, which probably explains why the ECB did not cut interest rates last week as they were delaying any cuts in order to be able to make them in July. There will possibly be Eurobond issuing, but above all, there will be much closer fiscal integration. The thing that everybody is concerned about, and indeed what the UK has been concerned about for the last 25 years, is whether there will be a transfer of sovereignty away from an individual state to a central European body. This is what is upsetting a lot of people and may well cause a bit of concern when countries actually wake up to the fact that the whole European ideal does mean that they lose some of their domestic independence, especially in terms of how they can run their own economic policy.

In the meantime, Germany is under massive pressure to ease all this; to allow Eurobonds, to allow the Bundesbank - to print money, to support the ECB and basically bail everybody out. Merkel is under huge pressure within Europe and worldwide to do something. She is fighting that pressure very hard indeed, and she has to, both from a domestic political stance and also from a realistic point of view. Germany has done the right things, it's run its economy properly, why should they be allowing everybody else to misbehave while they pick up the tab? That simply won't happen.

As I've said a number of times, we all have to run our economies the same way. The US will find at some stage over the next 12 months we've all got to take measures to get debt down. We're all going in the same direction anyway, so I don't actually think this loss of sovereignty is such a big deal, but there will be a lot of noise made.

The programme of measures is clearly being discussed behind the scenes, but all we are hearing are snippets here and there rather than any specific details. This is exactly how it should be, because none of this can come out ahead of the Greek elections, as that would be seen as interference with the result.

It finally boils down to a package of measures. The euro continues to exist, because quite frankly there is no alternative that bears thinking about. Amidst all this tension, things will become much clearer over the next few weeks as to which way Europe progresses and this will have to be monitored closely.

Tim Stevenson is manager of the € 1.7 billion Henderson Horizon pan European Equity fund.