



European market update

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The forthcoming vote by the Greek Parliament has once again resulted in comments regarding the break-up of the Euro, an event which has been prophesied on a regular basis since the inception of the single European currency over ten years ago. Clearly the stresses and strains within the Eurozone are as high as they have ever been, but I still believe that there is a political will for the Euro and the European Union to continue to exist, with its current members included.

Ever since it was formed, sceptical commentators have predicted the downfall of the Euro. Many forget that it was Germany and France who were the first to break the deficit rules in the early noughties, and it was Germany who blocked greater powers for Eurostat, the economic monitoring body. As pointed out by former EU Commissioner Mario Monti last week - even the supposed good guys have broken the rules. European politicians demonstrated last year, when they set up the European Financial Stability Facility support mechanism that they are prepared to change the rules to ensure the continued existence of the Euro. I believe they will continue to do so and will provide the required support for Greece and the other problem nations, as the costs of not doing so are also huge. Core Europe's exposure to weak sovereign debt is considerable and any writedown would be very expensive and create other potential systemic problems.

I expect the political horse-trading to continue, pressure on Spain for greater reforms to continue and the headlines to verge on the hysterical, but underlying all this, European multi-national companies represent extremely good value.

Source: rlam as at 28th June 2011 unless otherwise stated.

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