



MarketReader

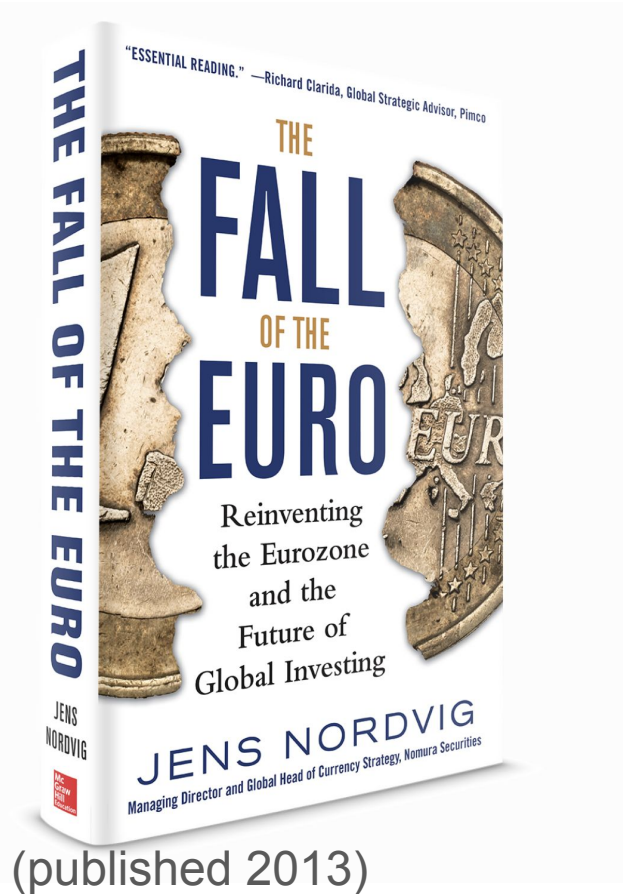
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Sustaining Europe in a New Era

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Co-Founder & CEO, MarketReader

November 2023

Status 10 Years After the Euro-Crisis



(published 2013)

Old Challenges

- Lack of fiscal integration
- Lack of 'backstop' infrastructure for sovereigns and banks
- Deflationary bias
- Sagging political support for Euro-project

What about fiscal integration?



Within the NextGeneration EU framework, Italy has received annual support around 1% of GDP in the period 2020-2022

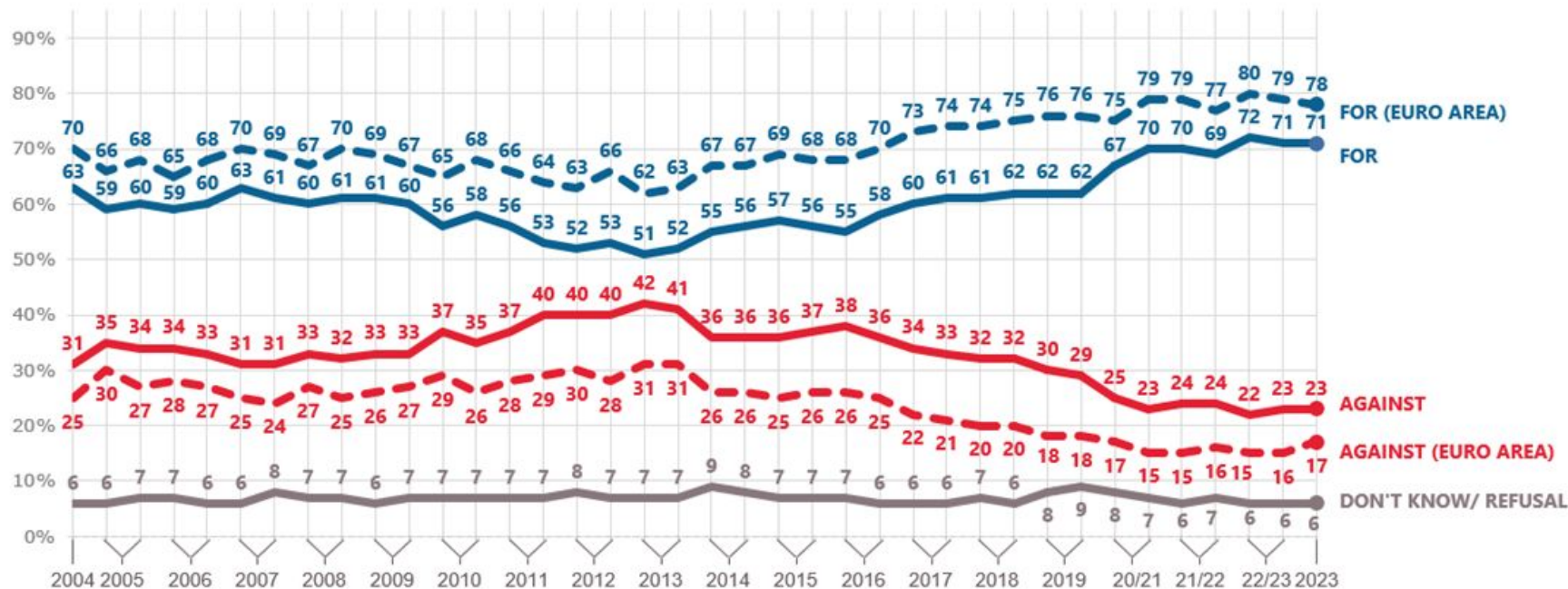
BTP Spreads have been contained (despite rising core yields)



Support for the Euro has bounced since the Euro-crisis

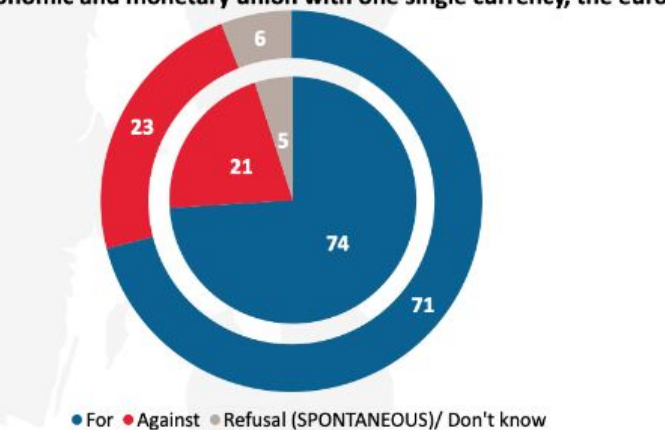
QB3.1 What is your opinion on each of the following statements? Please tell for each statement, whether you are for it or against it.

A European economic and monetary union with one single currency, the euro (% - EU)



Support for the EUR up in Italy too...(for now)

QB3.1. What is your opinion on each of the following statements? Please tell for each statement, whether you are for it or against it. :-A European economic and monetary union with one single currency, the euro (%)



EU27

IT

For	71	=	74	▼1
Against	23	=	21	=
Refusal (SPONTANEOUS)/ Don't know	6	=	5	▲1

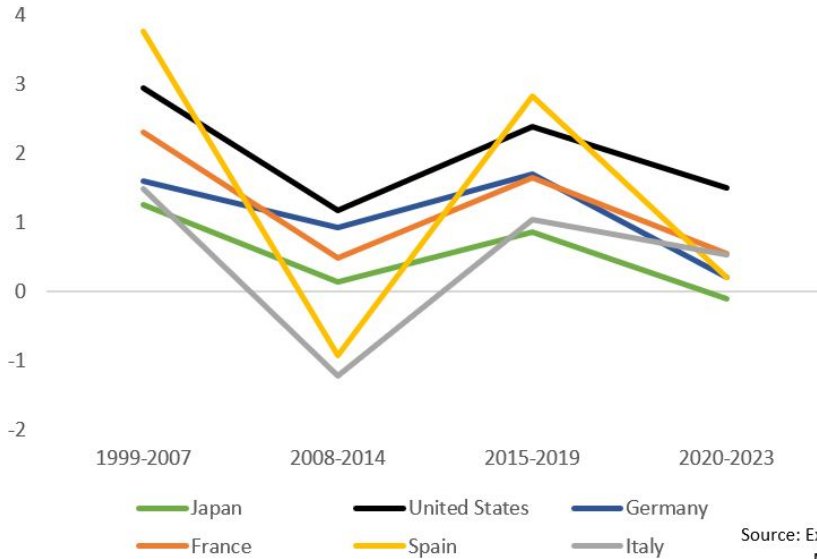
▲▼ (St99 May/June 2023 - St98 Jan./Feb. 2023)

During the Euro-crisis support for the EUR was down to 53%, (spring 2023 Eurobarometer).

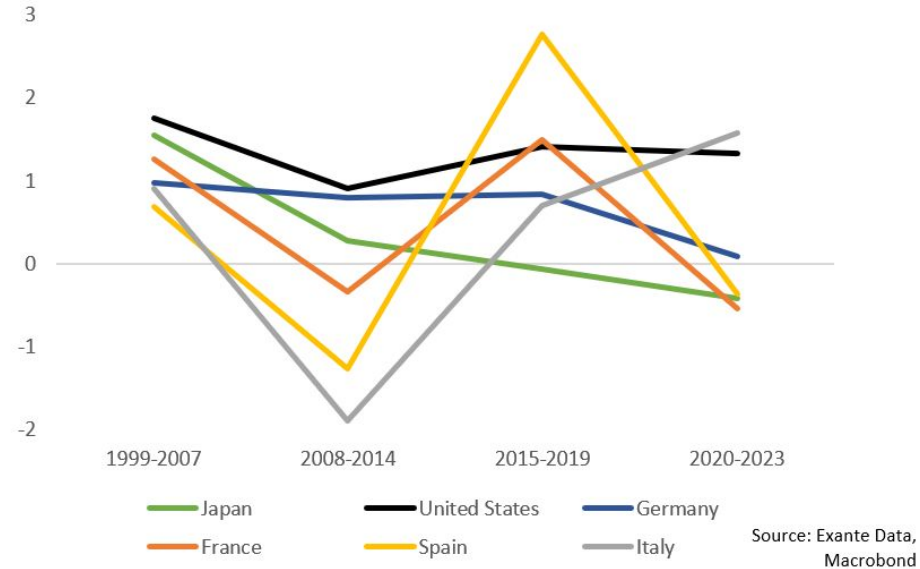
Now around 74% (vs 21% against)

But Eurozone Growth Continues to lag the US...

Average Annual GDP Growth by Period



GDP Growth minus Labor Force Growth by Period



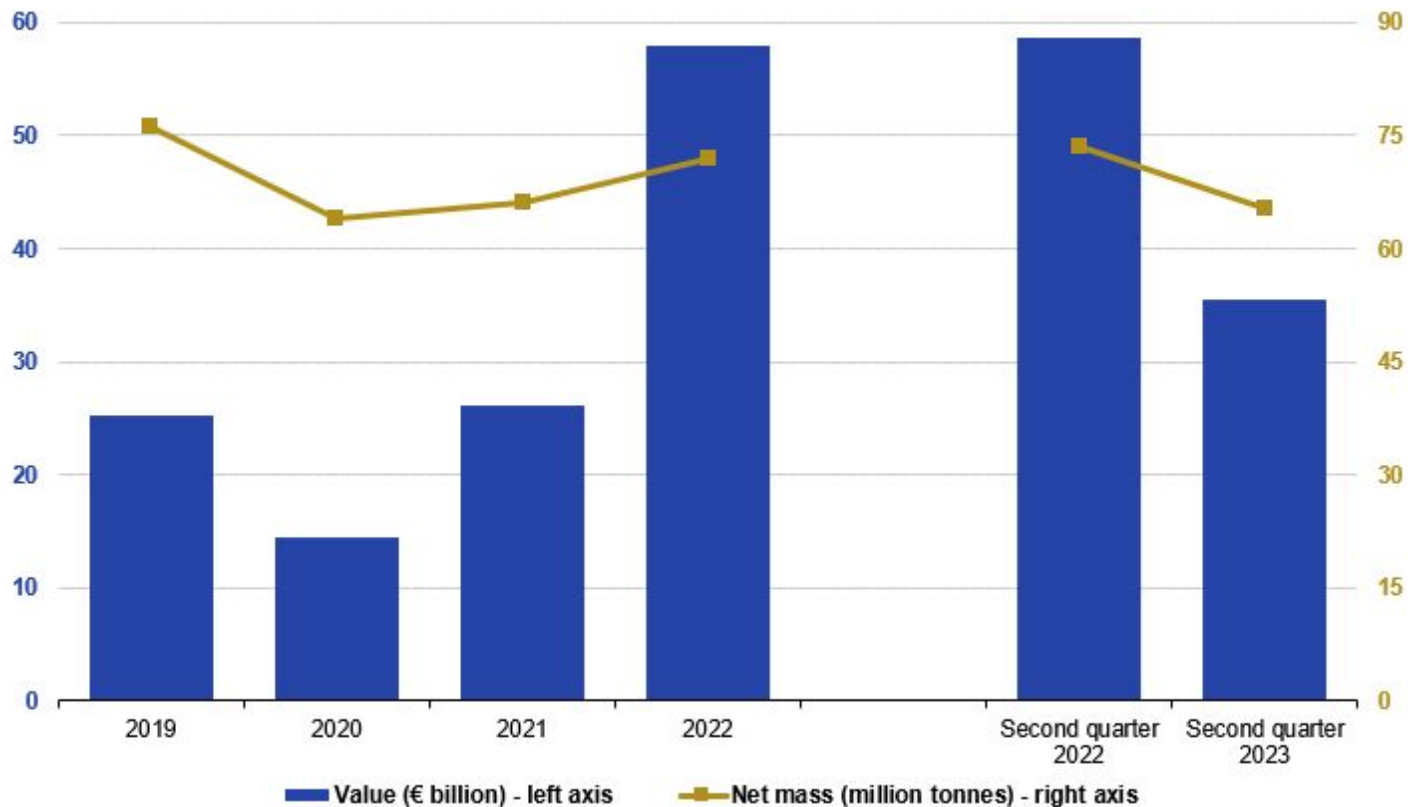
(even after controlling for demographics)

New European Challenges in a New Era

- Energy security
- Military Security
- Immigration Challenges
- Reserve Currency Status

EU imports of energy products, 2019 - 2023

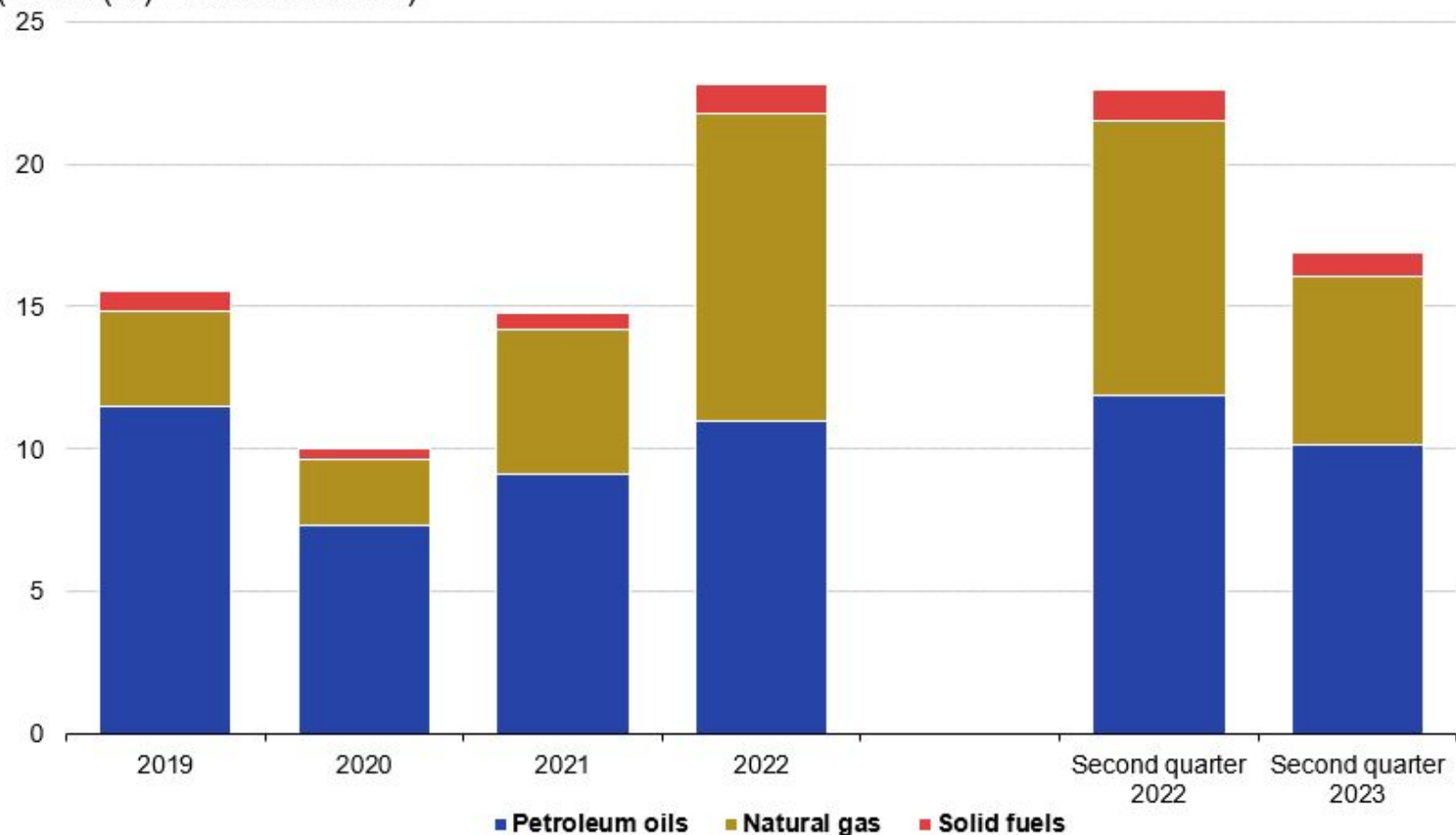
(monthly averages, € billion and million tonnes)



Source: Eurostat database (Comext) and Eurostat estimates

Energy products share in total EU imports, 2019 - 2023

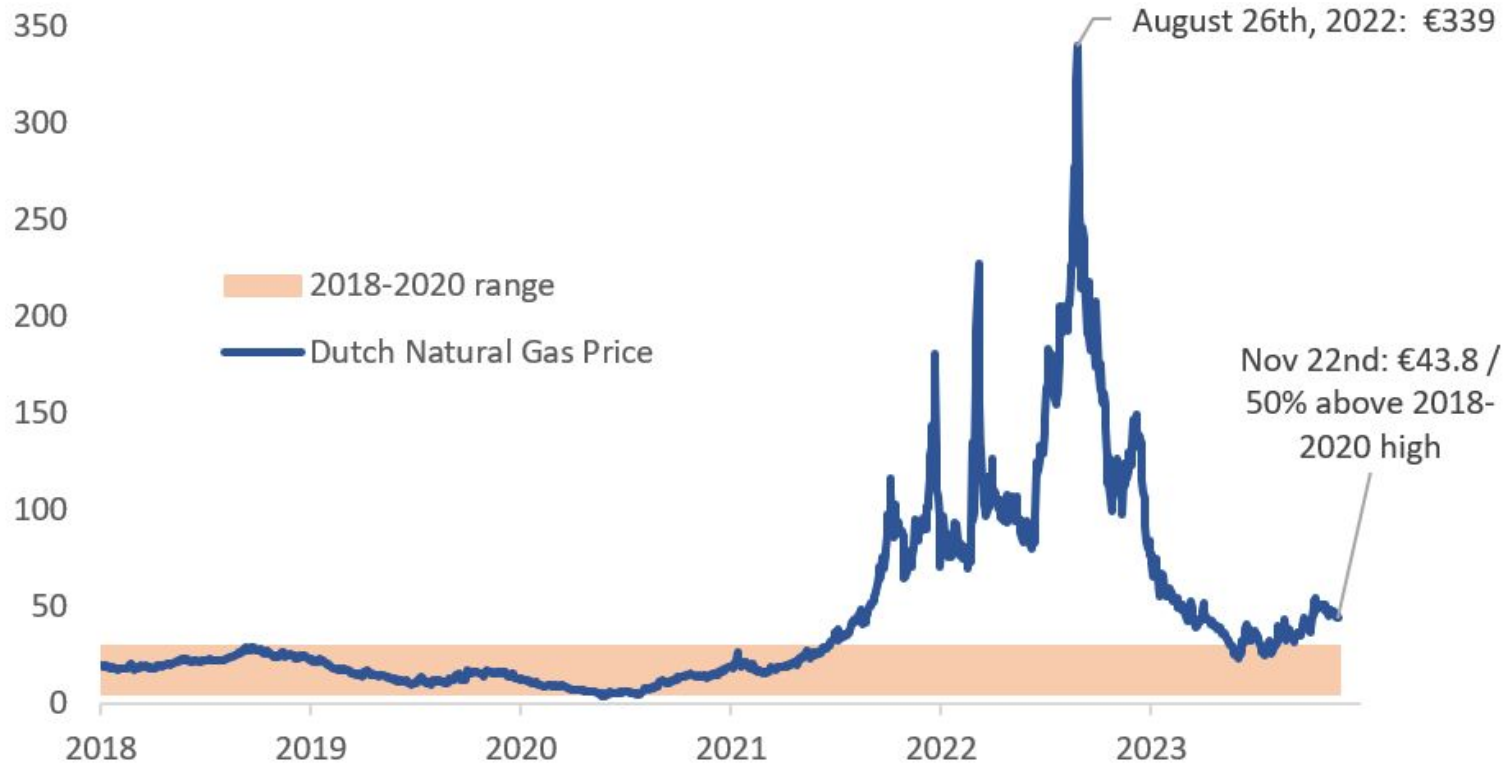
(share (%) of trade in value)



Source: Eurostat database (Comext) and Eurostat estimates

Dutch Natural Gas Price

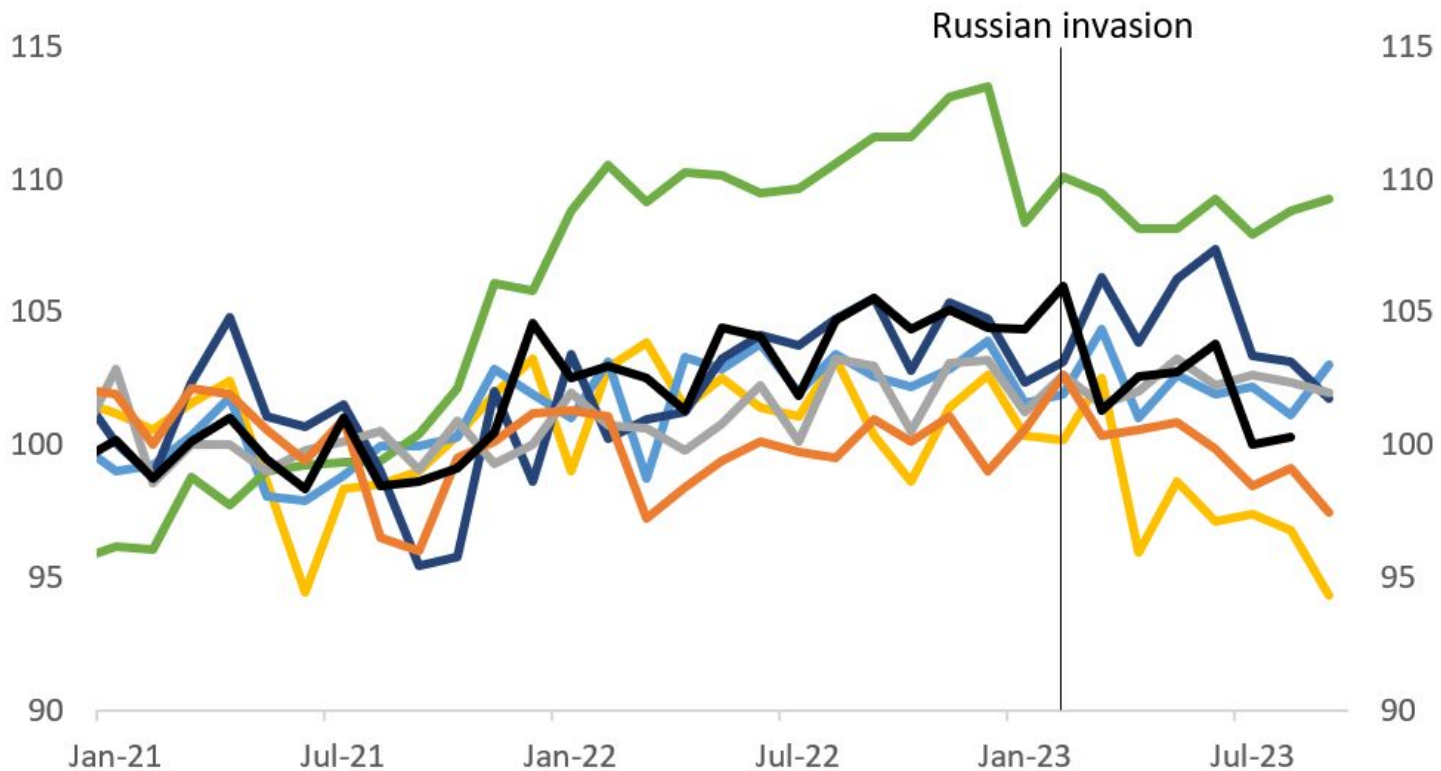
€/MWh, 1st futures contract



Source: Exante Data, Bloomberg

Manufacturing Production

2019 average = 100, SA



Portugal Spain Poland
Czech Republic France Germany
EU 27

Source: Exante Data,
Eurostat via Macrobond

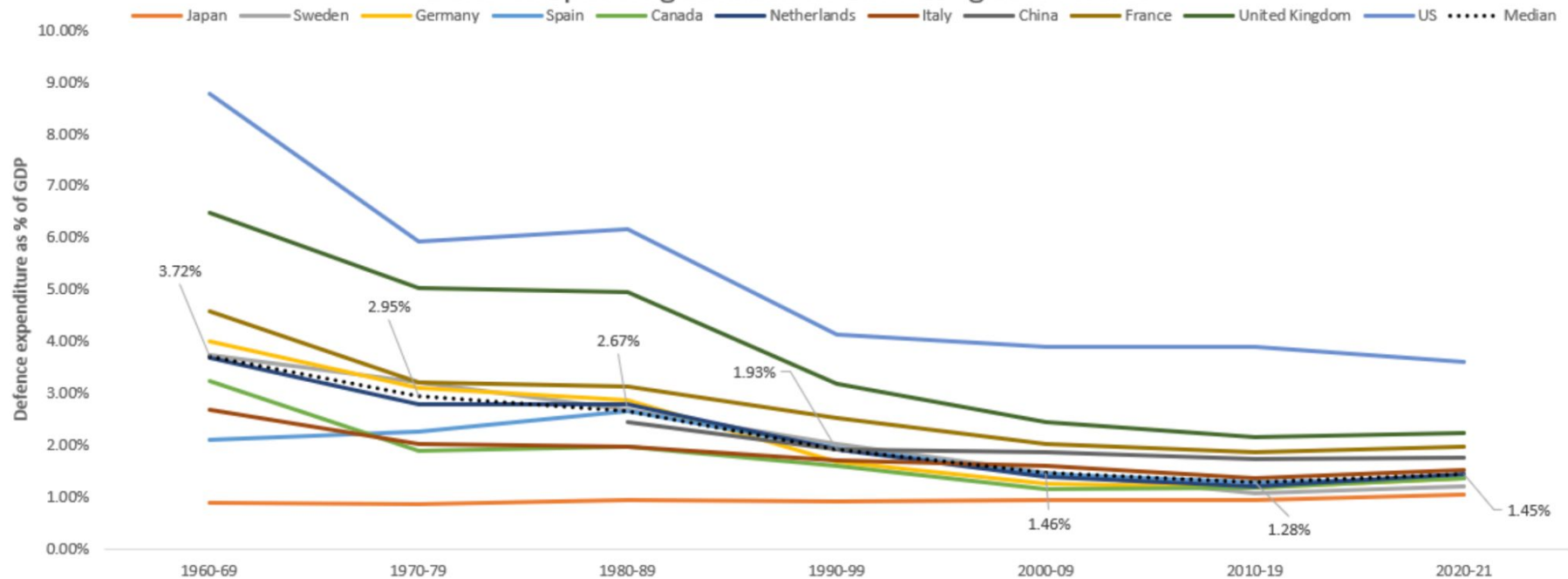
German Industrial Production

2015 = 100, SA



Source: Exante Data,
German Federal Statistical Office

Defence Spending as share of GDP: Long Term Trend



What's happening with the EU?

Figure 1. Total defence expenditure and 2% of GDP guideline (constant 2021 prices)

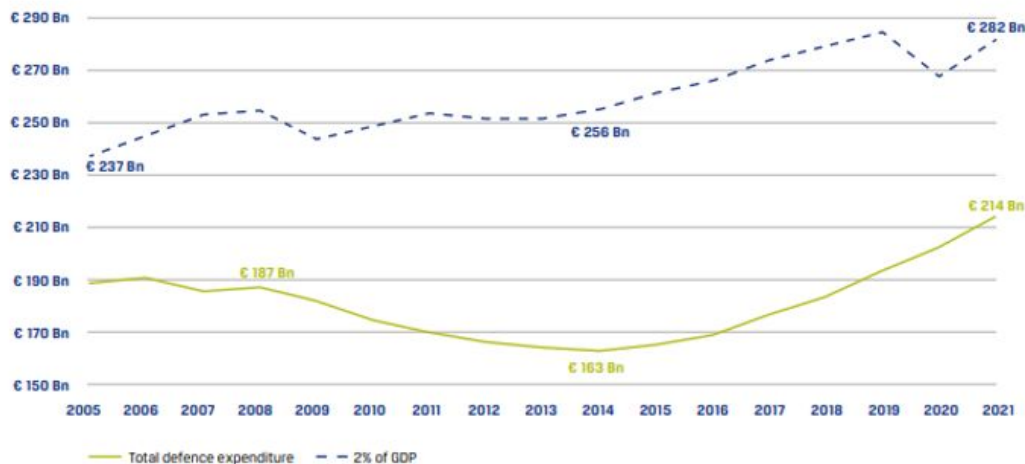
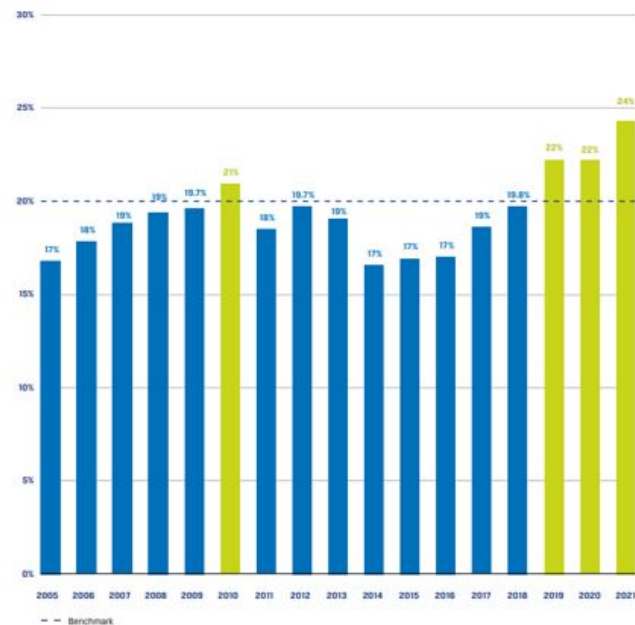


Figure 5. Defence investment as % of total defence expenditure

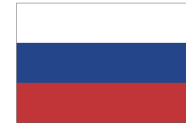


EU vs Russia



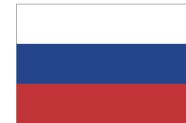
Population (3x)

450 million vs 140 million



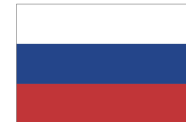
Size of Economy (10x)

\$18.5 trillion vs \$1.8 trillion

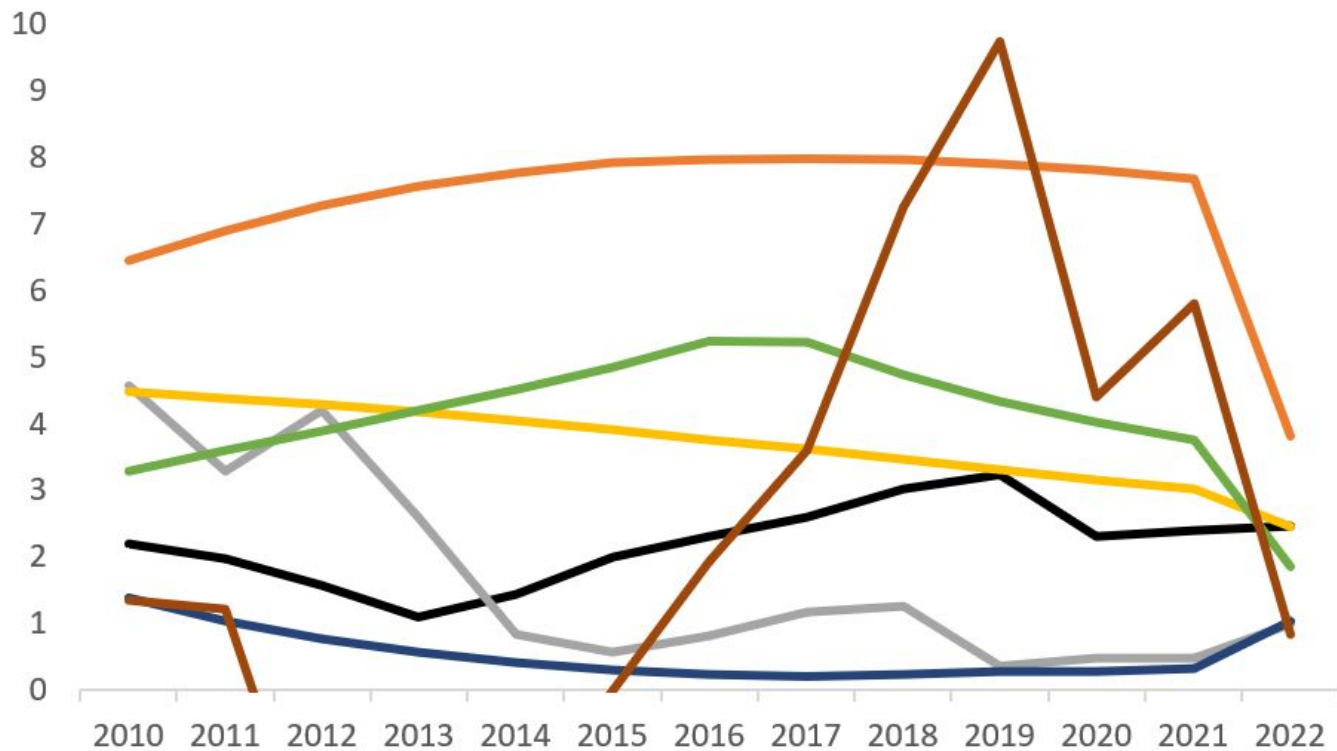


Military Spending (about the same)

\$185-370bn vs \$180bn

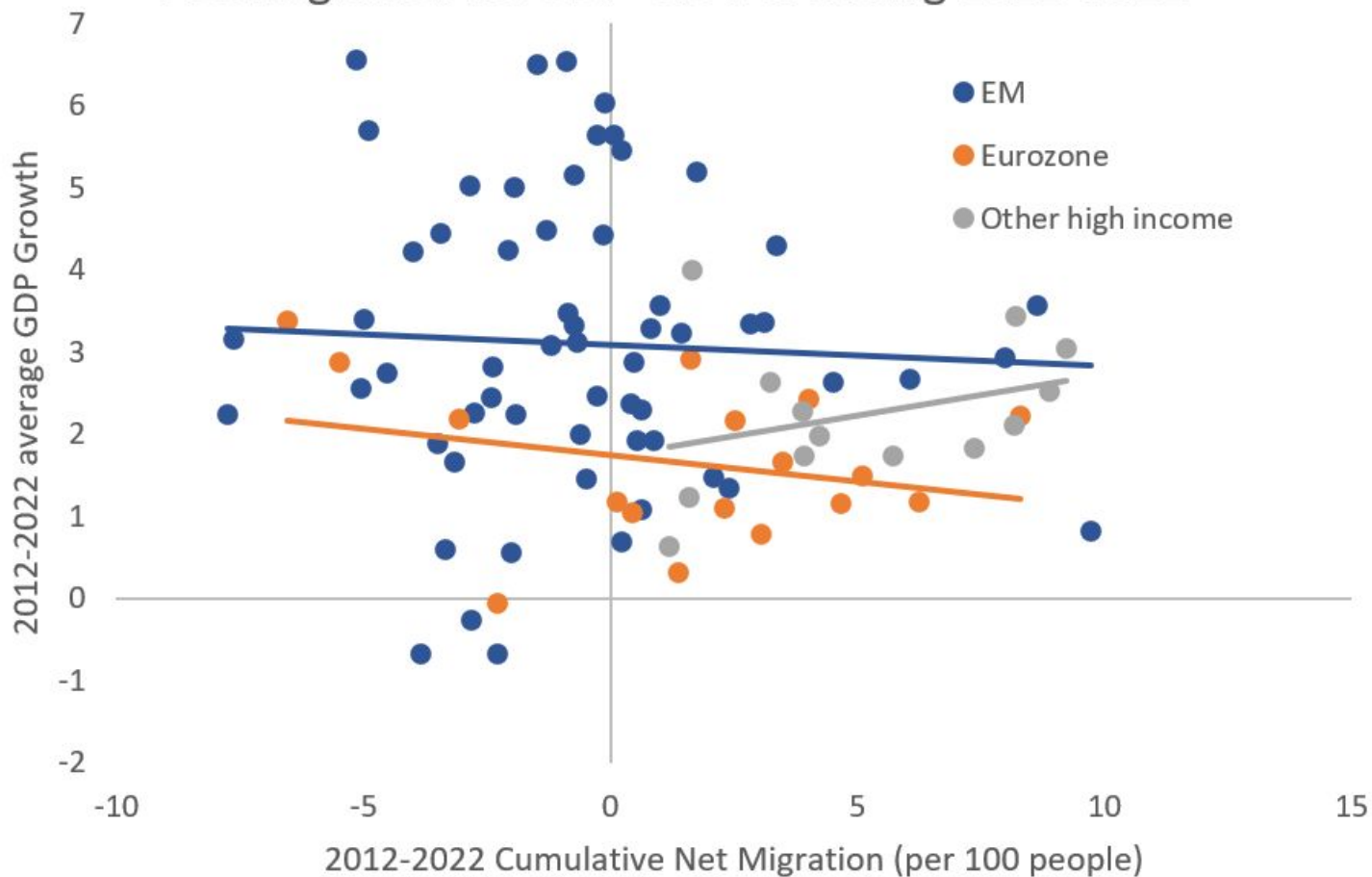


Annual Net Migration per 1,000 People



Source: Exante Data,
Macrobond

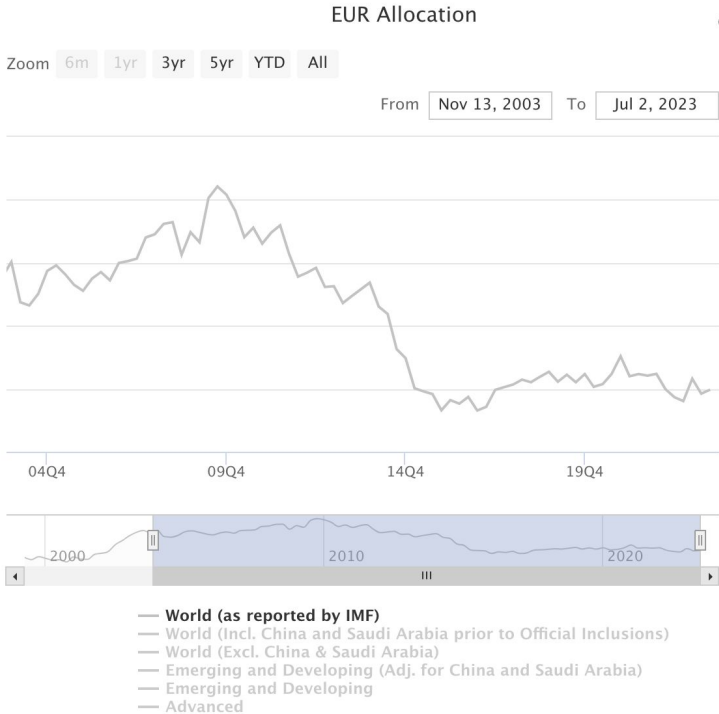
Net Migration vs. GDP Growth during 2012-2022



Note: local currency constant prices GDP

Source: Exante Data,
Macrobond

Reserve Currency Questions...

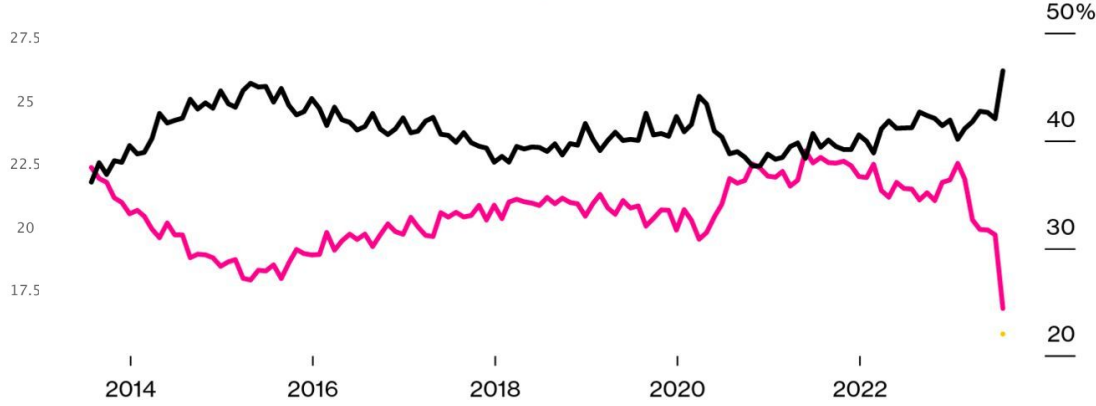


Chart

US Dollar Widens Gap With Euro

Gap widen to 22 percentage points in July

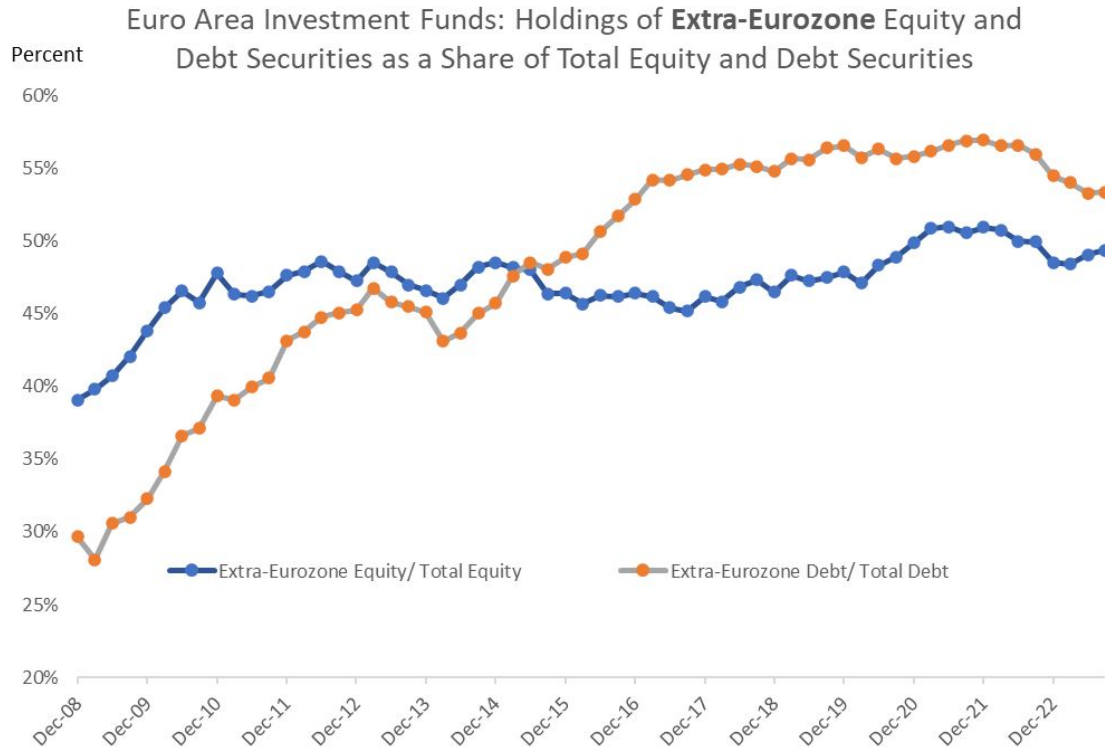
/ US dollar use for international payments
 / Euro



Source: SWIFT

Bloomberg

European investors: Lower home bias

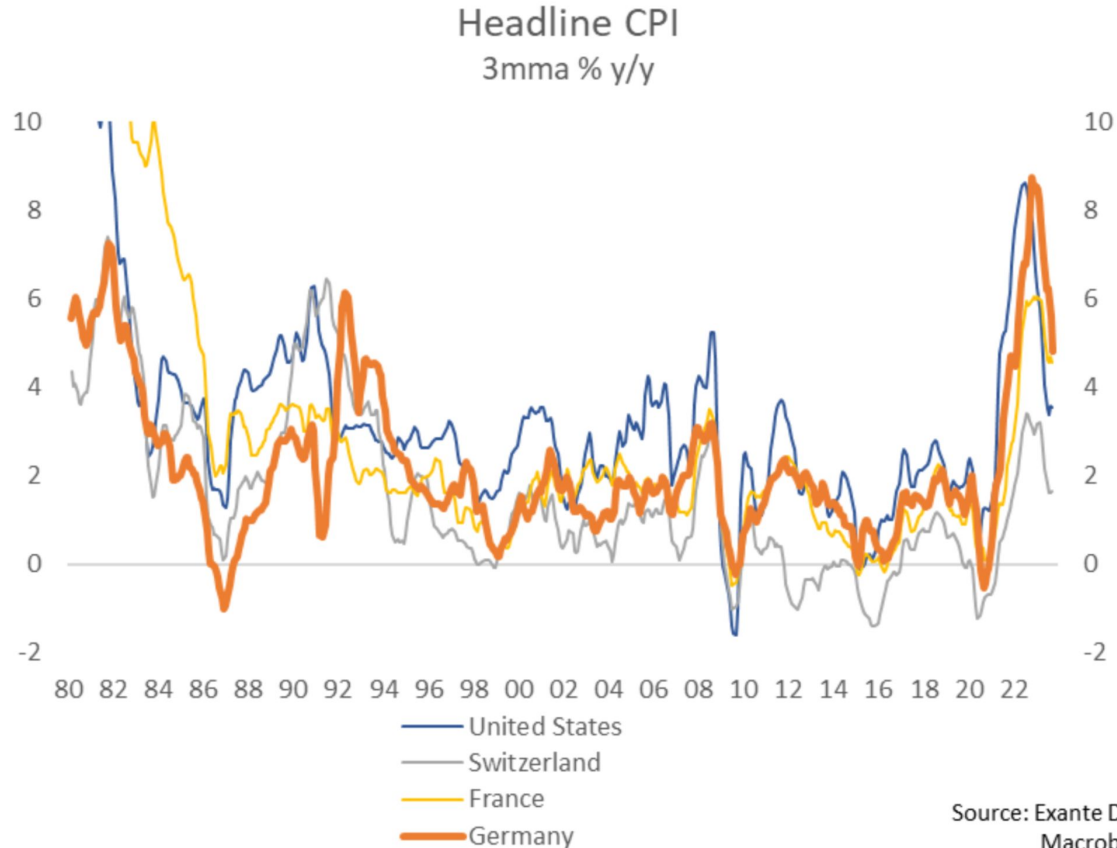


Eurozone investors hold more international assets in their portfolios

⇒

Their EUR share has declined...

German inflation: not like the old days



Conclusion

Since the Euro-crisis, we have seen:

- more fiscal integration / backstop efforts (QE)***
- public support for the EUR has bounced***

But entirely new, and bigger, challenges ahead:

- Immigration challenge (=> political feedback loop)
- Inflation challenge associated with weak EUR
- Costs associated with military/energy security

Fiscal integration path again in question
+ Immigration debate can dominate politics

=> **Rising Risk of
Euro-Crisis II**

Thank you!

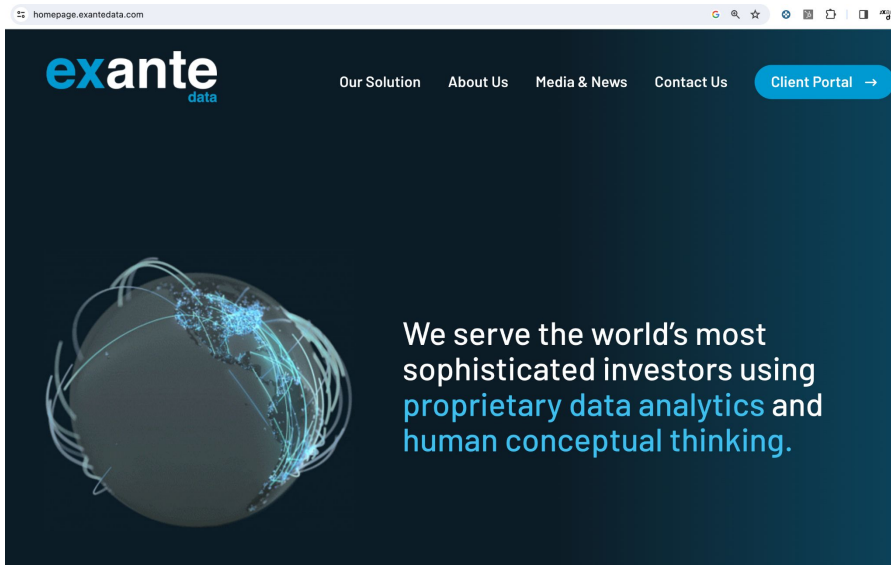
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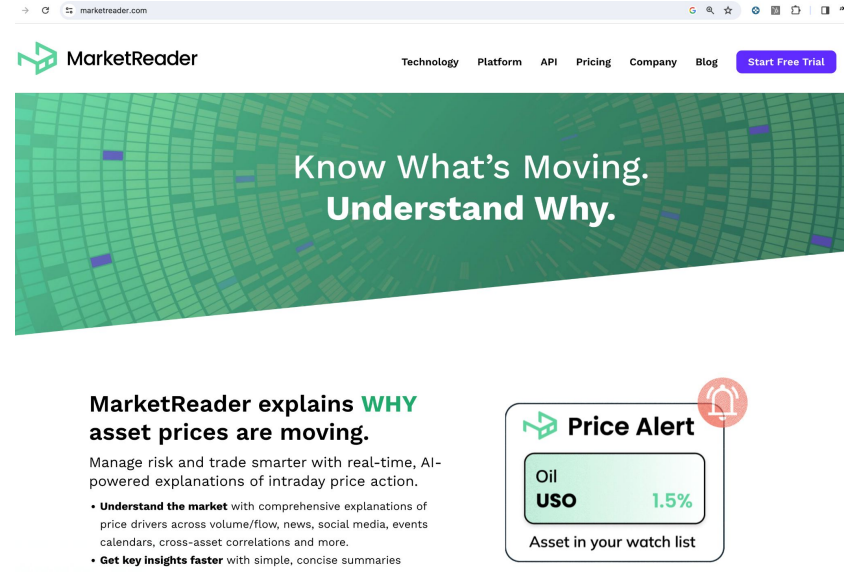
Substack: Money Inside & Out

exantedata.com



Screenshot of the exantedata.com homepage. The browser address bar shows "homepage.exantedata.com". The page features the "exante data" logo in the top left. A navigation menu includes "Our Solution", "About Us", "Media & News", "Contact Us", and a blue "Client Portal" button with a right arrow. Below the navigation is a large graphic of a globe with glowing blue lines representing data connections. To the right of the globe, the text reads: "We serve the world's most sophisticated investors using **proprietary data analytics** and **human conceptual thinking**."

marketreader.com



Screenshot of the marketreader.com homepage. The browser address bar shows "marketreader.com". The page features the "MarketReader" logo in the top left. A navigation menu includes "Technology", "Platform", "API", "Pricing", "Company", "Blog", and a purple "Start Free Trial" button. Below the navigation is a large green banner with a grid pattern and the text: "Know What's Moving. **Understand Why.**". Below the banner, the text reads: "MarketReader explains **WHY** asset prices are moving." followed by "Manage risk and trade smarter with real-time, AI-powered explanations of intraday price action." and a bulleted list: "• **Understand the market** with comprehensive explanations of price drivers across volume/flow, news, social media, events calendars, cross-asset correlations and more." and "• **Get key insights faster** with simple, concise summaries". To the right is a "Price Alert" notification box with a bell icon, showing "Oil USO" with a "1.5%" change and the text "Asset in your watch list".

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