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Selection and Introduction of Financial Products to Professional Investors

**Etsior Monthly Opinion 17 May 2010 – Pleading for the euro.**

Strange situation: the huge rescue package of the E.U. is now provoking fears of inflation, though it has not yet started to be implemented, causing markets as well as the euro to fall.

Let's consider first what is extremely important. The European Central Bank (ECB) has decided to accept all the government bonds from any Eurozone country. It means that the ECB is smartly doing its job, once again, by cooling off the markets, by avoiding a confidence crisis between banks leading to the drying off of credit and a potential worsening of this crisis in a panic mode. It acts as a central bank would have moved to rescue a bank the clients of which have lined up to withdraw their money. There is a time where one must show confidence and the ECB has done it. Should it have not done it, the interbank offered rate, the LIBOR, would have skyrocketed and credit would have been frozen. Accepting these bonds, the ECB creates liquidity in the market and of course takes the risk of inflation. But the ECB has all the tools to withdraw this liquidity when times come. Short term, the fire is extinguished.

And now what? I will vigorously defend the euro, although it is not perfect, because it is a step in the European construction. History has shown us that Europe has not a smooth evolution but sometimes needs crisis to move on. This crisis is one of these. Talking about Europe, it is utmost important to remember it has been created to establish peace and to anchor Germany as a strong part of it. Germany would not be tempted again by its old empire demon of a German Europe, which each time has been a disaster for Europe. This is why, whatever the governments, the German and French leaders end up acting jointly. The euro is nothing else as one of the elements of this construction, as a custom free market needs a single currency to avoid money based discrepancies.

Etsior selects strategies and funds that can bring an edge in asset allocation and portfolio construction.

Etsior focuses on funds that:

- Have an original strategy or approach
- Bring a real diversification
- Offer a good performance coupled with an acceptable risk
- Emerge from a strong idea, a forceful manager's personality or both

Etsior connects Fund Managers (Single Hedge Funds, Funds of Funds managers, Private Equity as well as Long only Funds) with Institutional Investors.

**Well introduced in the Geneva area, we are focused on an unparalleled level of service.**

Through our website, Etsior offers an easy access to reliable, up to date and accurate information on the funds we introduce as well as on third party funds.

Our selection is always put in the macro-economical perspective to exploit the short to medium term market trends.

The result of this crisis should be multiple: first we should see what I call an internal devaluation in those countries that have been under the protection of the euro but have spent without limit. Internal devaluation means that all prices, **not depending of imports**, should be lowered. Why not imagine a 30% or 50% drop of the real estate prices in Greece or in Spain? Why buying power should not be lower inducing lower prices for internally produced goods?

Then there is no doubt fiscal coherence and justice should be implemented in these countries, as there is absolutely no reason that only the lower and middle classes pay taxes. If this is not done, there are no plans which will be successful and ultimately these countries will be forced out of the Eurozone, as there is no free lunch.
All studies show that growth and health of public finances do not oppose. Just look at Germany or Switzerland. If not, it is living on credit. It lasts what it lasts, but never forever. The Maastricht criteria need to be enforced and that's it.

On the other hand, the countries with a high surplus should boost their internal consumption if only to create a wider market for the countries having to suffer from internal devaluation.

And as for the value of the euro vs. the dollar, well it can generate a little bit of imported inflation with higher euro expressed prices, but it will be a great help to European exporters, first in line being Germany.

***We care for you!***



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