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## Euro Fears in Perspective

*Currencies seem to worry investors no matter the level or direction*

Weakness in the Euro dominates the financial press and investor psychology. But it was not too long ago that the Euro was the king of currencies and well-off Americans were worried that someday they might not be able to afford a European vacation.

Curious about what the press reported in the days of Euro strength, we googled “fear of a strong Euro” and here’s what we found:

Deutsche Welle  
BUSINESS | 15.11.2004  
**Strong Euro Sparks Export Fears**



The euro is riding high---\$1.30 breached

**The euro is climbing from strength to strength.** On its flight of force, it briefly crossed the **\$1.30 threshold**, and is showing no sign of dropping back down to earth. But what are the implications for the economy?

So in 2004 \$1.30 was too high, then in 2007 we find this in the Times:

## 'Super euro' deepens fear of economic slowdown in Europe

By Mark Landler, New York Times  
Friday, September 21, 2007

**FRANKFURT** — Fears of an abrupt slowdown in Europe deepened on Friday, after the release of weaker-than-expected economic data and a new record in the euro's relentless rise against the dollar.

That was then, now a weak Euro is thought to be a threat to the world economy. Maybe. But we agree with those who believe that this crisis is a necessary prelude to real reform in Europe. We also think the rescue package announced last weekend will buy Europe the two or three years they need to restructure, either by ditching the Euro, modifying membership, or reforming on a continent-wide basis.

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Investors are skeptical that reform will happen---so are we. But investor suspicion that the liquidity pumping in Europe will fail reminds us of the US a year ago. Zero interest rates and a trillion new Euros will create problems down the road, but for now they are unambiguously bullish for stocks.

Meanwhile back at the economy, we are in the middle of a manufacturing boom. Take a look at the annual change in Industrial Production.



The super-strong profits reported in the first quarter will support stock prices in the near term and once investors realize that the Euro hasn't caused the sky to fall, stock prices will surprise on the up-side.

That's what we think today. Obviously we will stay tuned to the news and pay close attention to our proprietary sources of market developments and make appropriate adjustments to our portfolios.

Best regards,

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