

Applause - The EU got its act together

(Gamprin/Vienna, 2010-05-10) With the set up of an emergency package the EU was able to prevent its debt crisis from spreading at the last minute. If Europe would not have reacted then the Lehman collapse in 2008 would have seemed like a walk in the park; the European banking industry would have been gone by today. Europe would be devastated like after a 1000 metric ton nuclear bomb dropped over Brussels. There was absolutely no other choice.

With the Euro facing its strongest test since its debut in 1999 European politicians learned the market lesson the hard way. They have been forced into these unprecedented steps because of fear that the debt crisis could cripple Europe's banks and plunge the global economy into recession. At the same time the market made Politicians efficient. Since yesterday the European ministers of finance made it definitely clear that they have a common political goal in stabilising the Euro by sending a determined and unmistakable message to those who think that they can weaken Europe.

Investors reacted with relief today to the emergency package which was sufficient for stabilizing the markets and preventing further panic. For all intents and purposes the equity markets experienced a short squeeze; besides that the European banking sector is saved with the Euro giving a strong life sign for all the disbelievers. But in order to have a lasting impact on confidence there needs to be proof that the most heavily indebted European countries form plans and economy measures to cut their deficits to fix the underlying problem.

After this historic weekend Europe will never be the same. The good news is that risky assets are now flooded. – Buy risky assets!

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