

# Weak Euro Ahead

The Euro must fall. If the Euro is to be saved, and if there is not to be some messy bank default with a side order of contagion, the ECB will be engaged in debt monetization very soon. All the Germans are seeking before they will let loose the printing presses is some assurance that they will not be forever subsidizing the siesta in the Southern provinces of Europe. They should rest assured that they will not, not forever anyway. History has shown that the Fates are fair, if a little perverted. The day will come when Germany will be the one in need of some slack. In fact, what the Germans plan to do to the PIIGS is what the Allies did to the old Weimar Republic that forced it into depression.

This week will be the fourth time the Euro group meet to formulate a comprehensive plan for the Euro. I don't see what else they can pull out of the hat. What are the hard constraints? Well, the Eurozone needs to find some 3 trillion EUR to recapitalize the banking system. They need to find this from somewhere, either by borrowing it from some unsuspecting developing nation or by printing it. Earning it is ideal but that could take decades and these chaps have a few days left. That leaves printing it. But the Germans have conditions which they want met before they will allow the ECB to print.

Note that the ECB has already primed its printing presses. All Mario Draghi is waiting for is the go ahead from Angela and then its happy days. The only risk is that the German conditions are not met. So what are these conditions? They have not been clearly specified but you can bet on a stronger form of the Maastricht Criteria embedded in the EU Treaty. Well that's a relief then. These criteria were pretty much

violated by every member of the Euro including Germany.

However, it is now so crucial that the ECB be allowed to monetize debt that there will likely be brinksmanship and a grubby political bargain in the establishment of Maastricht II. Angela's hand is not as strong as one might imagine.

When the printing presses start to roll, you can bet that the Euro will be on a path of weakness. Just like the USD. But knowing how rational investors behave, that weakness is likely to be prefaced by a sharp spike up for no good reason.