



## **The Eurozone is blossoming! Also, drop those deflationary fears.**

Contra lingering doom-and gloom the most recent patch of high-frequency numbers indicate renewed economic energy in the Eurozone.

Not a single country reported manufacturing PMI below 50 in April two days ago, and today all the service PMIs were above 50. Only France had a little setback. (Who forgot to service Mr. Holland?)

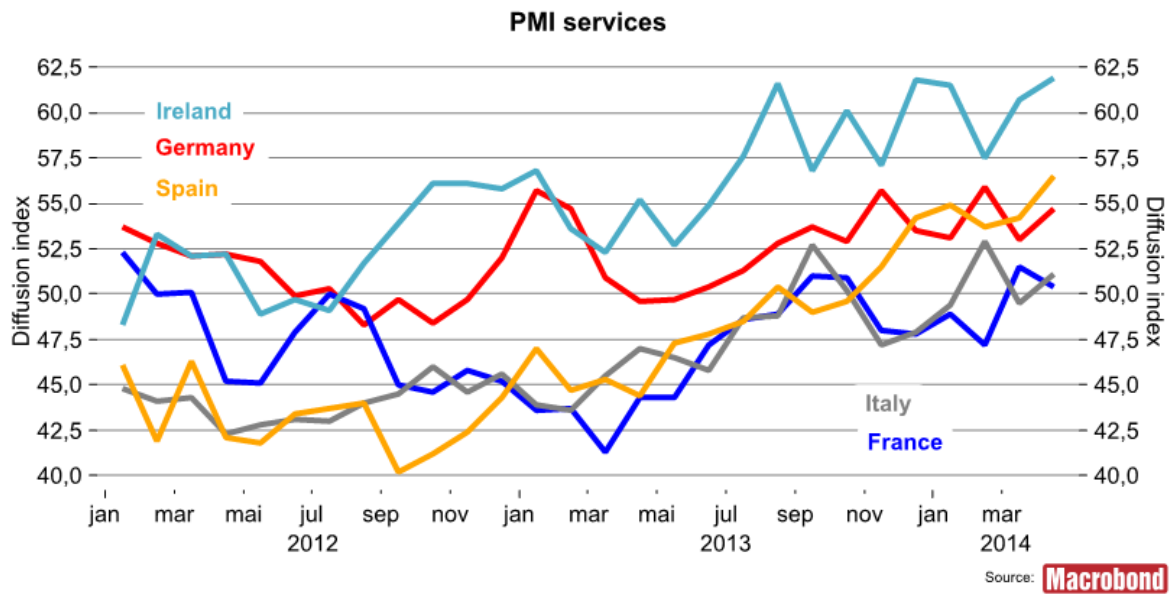
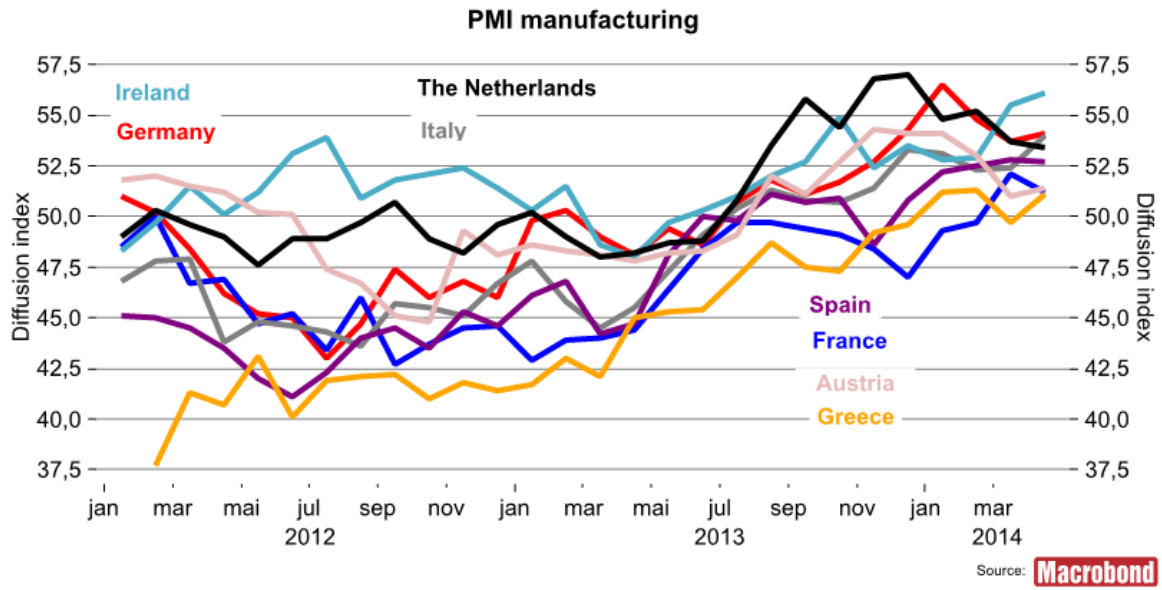
After years in the wilderness, the Eurozone as seems to be in from the cold. And this is just the beginning. It takes time for austerity and reforms to pay off but the rate of return on these efforts are high and sustainable.

Surely there is a lot more than could be done, such as freeing free up the labor markets and beginning to run sizeable primary surpluses that dwindle the debt to GDP ratio. More reform is also likely to come.

Hence, look out for a revitalized Eurozone. And I'm not just talking about the "core" – or Mrs. Merkel's purse – the boom is eventually going to encompass the blind side of Thessaloniki.

The new conventional concern? Deflation.

Come on. It surely might happen, but if it happens it's not going to a problem. Why? Because the root cause of deflation will be solid growth and zero interest rate policies. If the Eurozone catches the Japanese "disease", it will be a self-inflicted "wound". And it will really only hurt the pride of Mr. Draghi and his economists in their Frankfurt tower.



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