



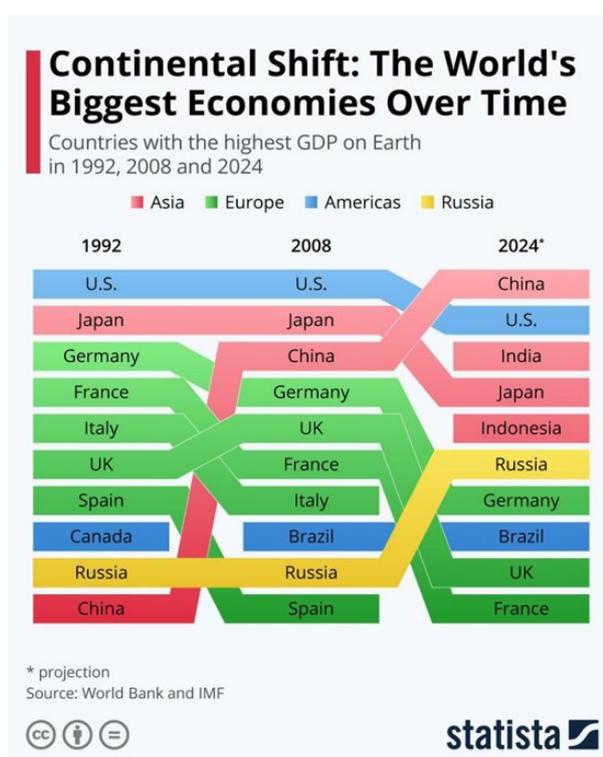
Friday Morning Coffee

Nr. 112 — Ode to Joy

I must admit that I felt a little nervous over the last weekend while following the EU summit. In the past, I have strongly argued that we should leave politics to the politicians and focus on finding and investing in good businesses. However this EU summit was of outmost importance for Europe. It was the moment for European leaders to stand up and show that the European Union is alive and well and that there is a collective will to find solutions to the pandemic and show solidarity amongst its members.

We understand the negotiations were of a rare verbal violence as national interests and local political interests were defended. One of the "frugal 4", Dutch PM Rutte, made the following comment to journalists which is in our opinion symptomatic for the current mood amongst European politicians: "We are here to do business for our own country," he will add later after one of the long nights. "We are all professionals."

In my humble opinion, this professional egoism is counterproductive and missing the point. The long term geopolitical and economic position of the European Union is sacrificed for short term political victories on the national arena. According to Worldbank and IMF, European countries have been losing economic steam and have been marginalized over the last 20 years at an alarming speed :



Source: Worldbank and IMF

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So, from a purely economic perspective, Germany would be the only European country remaining in the G7 in 2024 ?

Here European politicians could take some advice from the corporate world. In highly competitive markets, consolidation is sometimes the best strategy to maintain and protect market share and achieve cost efficiencies.

The landmark coronavirus recovery package and the European Commission undertaking borrowing on the capital markets for the first time is definitely a path in the right direction. It is not the moment to discuss the deficiencies of the common currency, the EU legislative apparatus and the structural problems of the Southern Countries. It is the moment to join forces, to look for the lowest common denominator amongst member states and to overcome diverging national interests. €750bn package aimed at funding post-pandemic relief efforts across the EU will help. There is no credible alternative to a strong European Union and a common European market.

I wish you a nice weekend,

Léon Kirch, CFA

Partner & Chief Investment Officer

July 24th, 2020

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