

## How consensus are you?

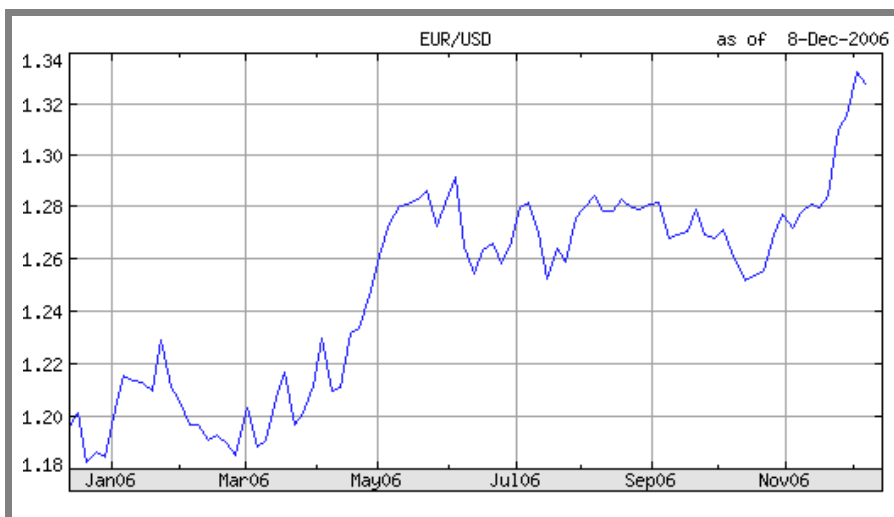
According to a survey by *TheEuropeanSide*, no one is bearish on the euro short-term.

The euro broke suddenly in late November above the 1.24/1.30 range that had been in place for six months, and soared to a temporary high of 1.3365. None of the analysts scrutinised by *TheEuropeanSide* think the cross will fall back into the old band. At least, not in the next quarter.

“Probably the cross is establishing a new range between 1,30 and 1.37,” comments **Gavin Friend** of Commerzbank. Your magazine reports a decisive consensus on what is supporting the single currency. First of all, the story is a story of convergence between the two sides of the Atlantic.

Says **Bob McKee** of Independent Strategy: “The US economy will slow to below-trend growth in 2007 while Europe will continue to have a robust expansion. Accordingly, demand for the euro continues to be strong.”

At the same time, “the European Central Bank is in a policy tightening mode while the Federal Reserve is on hold.”, argues **Philippe D’Arvisenet**, chief economist at BNP Paribas. “the ECB is



expected to rise interest rates at least once early next year,” echoes **Robert Sinche** of Bank of America. “By contrast, the Fed stays on the sidelines or could even cut the cost of money sometime in 2007. The opposite trends ought to leave the dollar on the defensive.”

In short, a narrowing gap on growth and interest rates, coupled with a US current

account deficit approaching 7% of GDP, should support a stronger euro. This is the almost unanimous market expectation.

Several experts also mention that the year’s end is seasonally a period of dollar weakness and euro strength. Writes **David Woo** of Barclays: “In the past six years, whenever the cross rose in November, it also went up in December of the same year (2000, 2002, 2003, 2004 *ed. note*). The average return of long EUR/USD positions during the final two months of the year since 2000 were just shy of 5%.”

Nobel prize winner **Robert Mundell** has also stated in a recent conference in Venice that “the euro has benefited from an acceleration in productivity gains compared to the US.”

If in the short-run, the analysts surveyed by *TheEuropeanSide* lean vigorously in favour of the euro, mid-term opinions are much more variegated.

Essentially, the magazine has recorded two schools of thought. The former says that a weakening dollar will persist all year long in response to the large current account deficit and the narrowing gap on growth and interest rates.

The latter says that the US will show more dynamism in the third and fourth quarter of 2007 and therefore the greenback will rebound from a bottom touched in May or June.

This is the consensus opinion and yours?

*Ferreo Babbila*

### How Consensus are you?

Largest Banks on the Continent	Analyst	3-month target	12 month target
Unicredito	Roberto Mialich	1.32-1.35	1.26
UBS	team		1.35
BNP Paribas	Philippe D’Arvisenet	1.35	1.35
Credit Suisse	Team	1.31-1.35	1.25-1.29
Société Générale	Carole Lauhere	1.32	1.32
Crédit Agricole	Oivier Bizimana	1.34	1.37
Fortis	Karel De Bie	1.34	1.40
Deutsche Bank	Team	1.32	1.35
Commerzbank	Gavin Friend	1.35	1.30
<b>Selected international players</b>			
Merrill Lynch	Alex Patelis	1.34	1.33
Morgan Stanley	Stephen Jen	1.35	1.24
Bank of America	Robert Sinche	1.33	1.25
Independent Strategy	Bob McKee	1.35	1.45
Barclay	David Woo	1.30	1.35
HSBC	Paul Mackel	1.32	1.40

Fonte: *TheEuropeanSide*

If conventional wisdom is right, the euro may appreciate a little bit more.