

# Europe's Nightmare Awakening the Gold Bull?



German Chancellor Angela Merkel won a fourth term over the weekend. She struck a deal with the Social Democrats (SPD) to form government. Two-thirds of SPD members backed the deal, despite the threat of a veto.

We're not surprised...

Although both parties want different things, those in power don't want to risk another election. The anti-immigrant party (AfD) won more than 12% of the vote in September. It's the largest opposition group. Another election could have been catastrophic for Merkel's plans.

Perhaps in four years' time...

Until then, Merkel will remain arguably the most powerful woman in Europe. That shouts 'more of the same'. Higher taxes, more regulation and austerity are the name of the game. Merkel is also a huge supporter of the European Union. That's an unelected and power-hungry establishment, mind you.

Europe would be very different without her direction.

Merkel is solely responsible for the European refugee crisis. She set a 'hard-line' approach on Greece in 2015 and lost support in the polls. To backtrack, she announced her 'open border policy'.

It was a disaster.

That's why we're seeing political change across Europe. It took Merkel six months to form government. There's a major divide between left and right brewing. Support for left-wing governments has collapsed to historical lows. And that's setting the stage for another gold bull market.

# Why Italy could leave the European Union?

BBC News reported yesterday:

*'The leaders of two anti-establishment parties have each claimed they have the right to govern Italy, after voters in Europe's fourth-largest economy did not return a majority to any single party.'*

*'The Eurosceptic, populist Five Star Movement was the biggest single party with a third of the vote.'*

*'But the anti-immigrant League said it had been endorsed to run the country as part of a centre-right alliance.'*

*'Forming a government could take weeks of negotiation and coalition-building.'*

*'Former Prime Minister Matteo Renzi has resigned as leader of the governing centre-left Democratic Party, which performed poorly, taking less than 20% of the vote.'*

Five Star Movement is an anti-establishment party. If it forms government with the anti-immigrant league, uncertainty should rise across Europe. Both parties want to renegotiate the country's policies with the EU. But, as discussed last week, the chances are slim. If the two parties form government, expect a referendum later in the year.

That spells trouble.

Italy could leave the Eurozone.

Italians have been ignored for too long. They are demanding change. The former socialist government, led by Matteo Renzi, kept raising taxes to pay the bills. It led to a major depression across the country. Europe's third largest economy has been in a depression since 2012.

The Italian economy is an absolute mess. The unemployment rate has stayed above 11% for nearly six years. Youth unemployment stands around 35%.

It gets worse...

Italian banks have more than €270 billion (AU\$424 billion) in non-performing loans. That's about 30% of the entire Eurozone bad debt load. A bad loan, as you know, is debt that may never be repaid.

Luigi Di Maio wants to restructure the banking system. He wants to make it easier for banks to recover their bad loans. But good luck getting a cent from people who can't buy bread. The problem is likely to get worse. An Italian bank could *easily* trigger the next sovereign debt crisis.

## Could Italy's nightmare be fueling the gold market?

Governments are bankrupt everywhere — not just in Italy. A banking collapse could set off a major crisis throughout Europe.

The European Central Bank (ECB) knows it...

For a decade, Mario Draghi, ECB Chairman, has kept interest rates at zero for that reason. He's 'cooking the books' to avoid a crisis.

But the clock is ticking.

Draghi can't print money or keep interest rates low forever. He can try. But it won't work. Eventually, the market will wake up and smell a rat. Draghi is, therefore, trapped between a rock and a hard place. When the monetary policy officially changes in Europe, it's pretty much lights out.

There's literally no way to avoid a bigger financial crisis than 2008. That's why you should take gold — and gold stocks — seriously today.

For more details, go [here](#).

**Regards,**

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Jason Stevenson is Markets and Money's resource analyst. He shares over a decade's worth of investing and trading experience across resource stocks and commodity futures and options.

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