

# EUR and Greece

A short EUR position has been a consensus trade for most of 2014. Recent EUR volatility and the contentious negotiations about Greece's finances challenge the consensus.

If Greece manages to stay in the Eurozone it will be by postponing its problems and continually deferring default and exit. The Euro would be weak under this scenario. Volatility would remain elevated with bouts of strength at each narrow escape. This is not rational but markets are often not rational. Greece's membership of the Eurozone should cheapen the EUR not strengthen it.

If Greece is removed from the Euro it would be positive for the currency. While short term reactionary price action is difficult to predict, one would expect a Grexit to promote EUR strength with the EUR heading perhaps to 1.30 to the USD. This could hurt European exports and growth.

Herein lies a trading strategy.