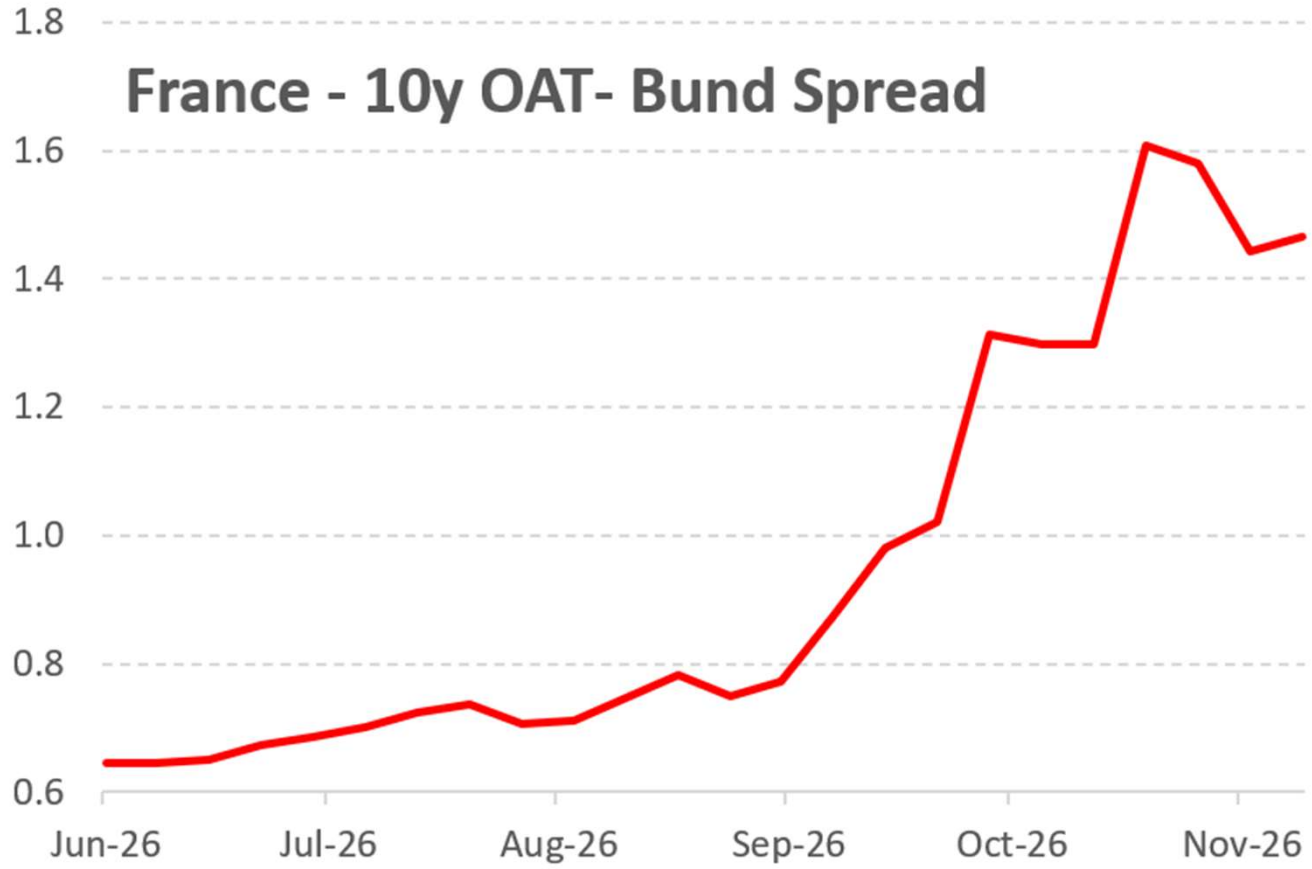
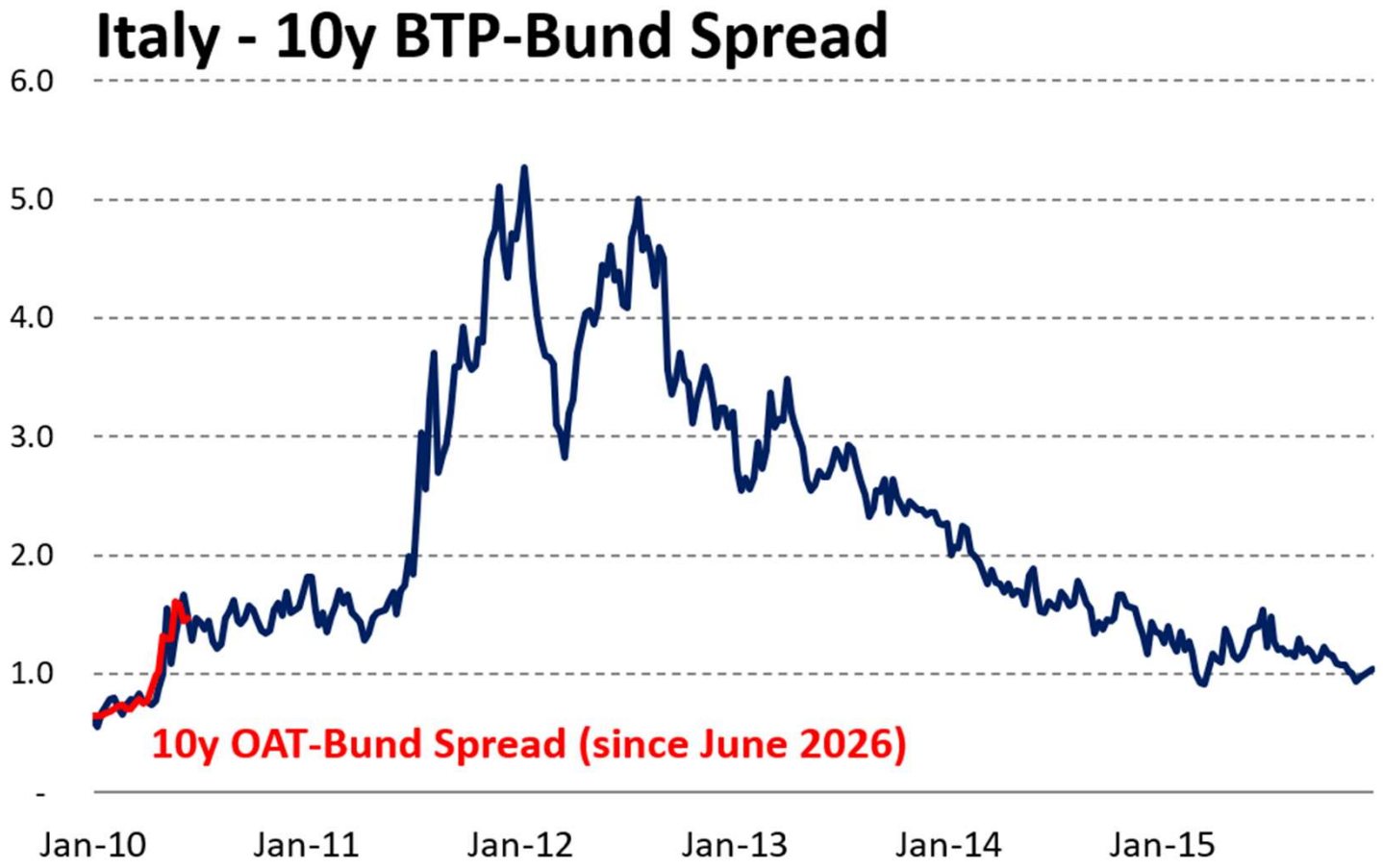
Is Another Eurozone Crisis Brewing?

Antonio Foglia

20.11.2026



Source: Datastream



Source: Datastream

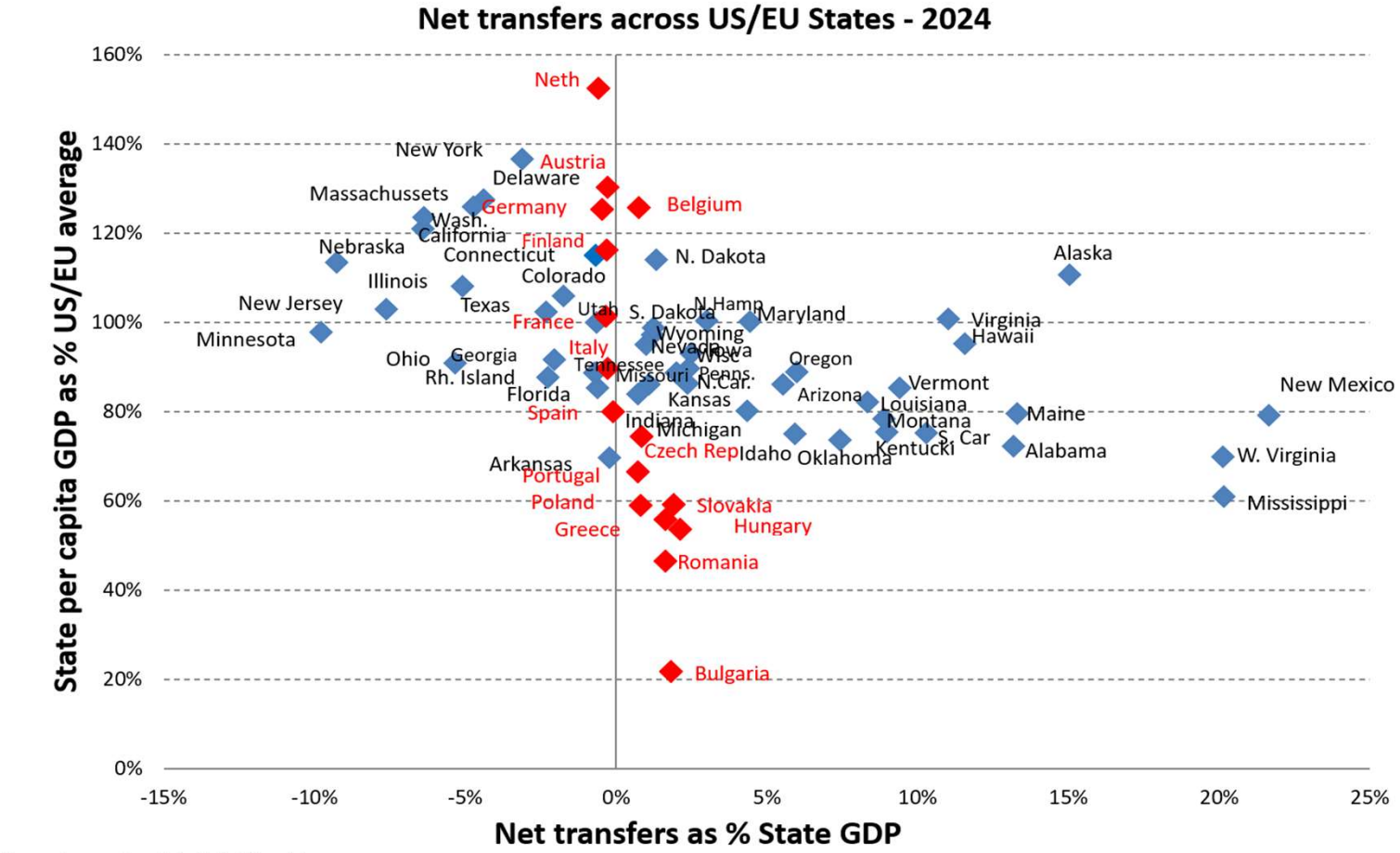
The Euro Is Similar the Gold Standard

The Euro enforces the discipline of the Gold Standard but with a flexible monetary policy. Designed as an ideal system… but with some important oversights:

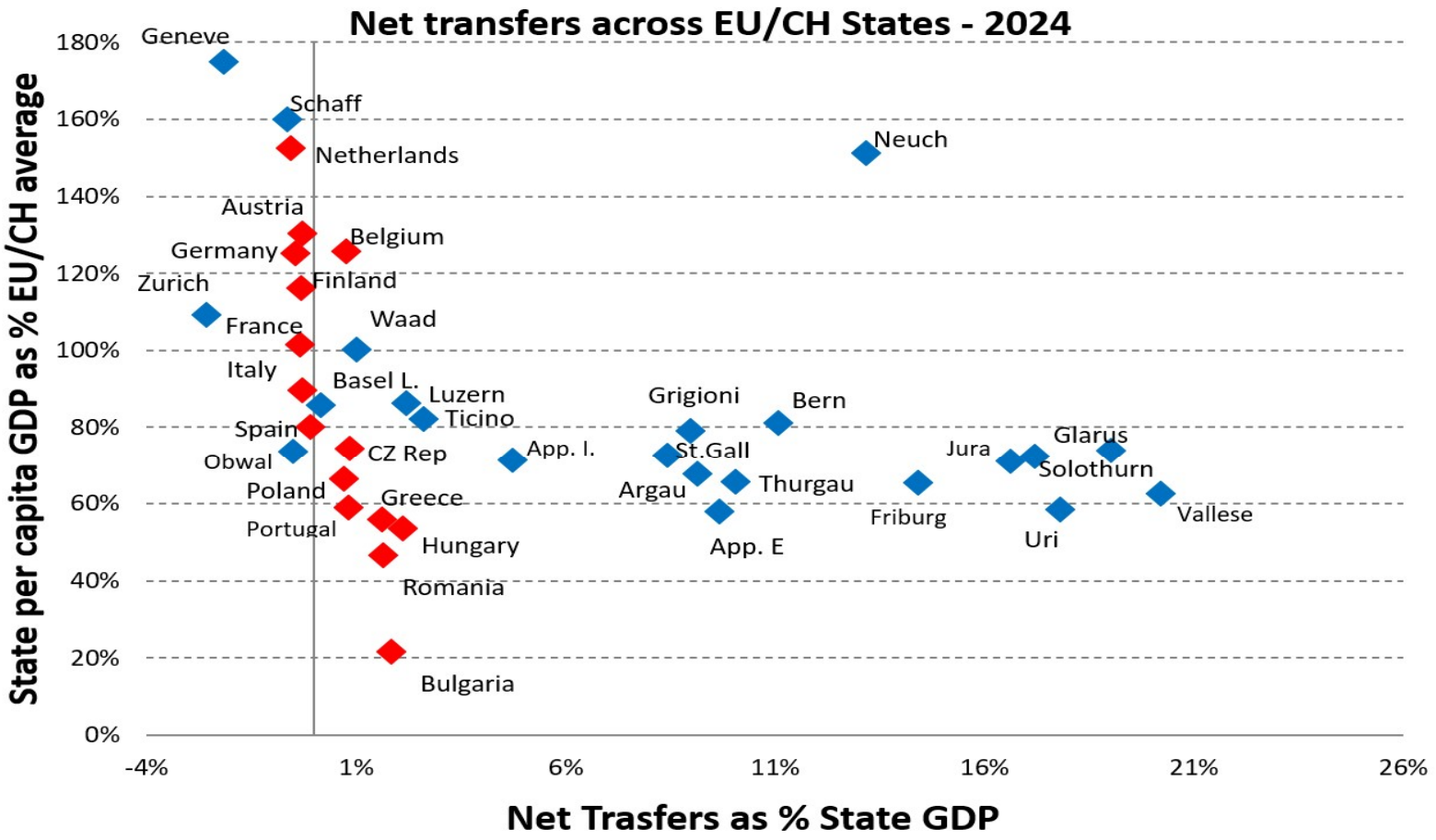
- Loss of Monetary Sovereignity means that a single interest rate (+spread) applies across the Eurozone. Solidarity in case of idiosyncratic shocks and structural differences requires international transfers since Monetary and Fiscal Policy are constrained.

- Balance of payments imbalances are settled through credits and debits, not moving Gold.

- Individual countries' public debt is effectively issued in a "foreign currency", since no single country can print Euros.

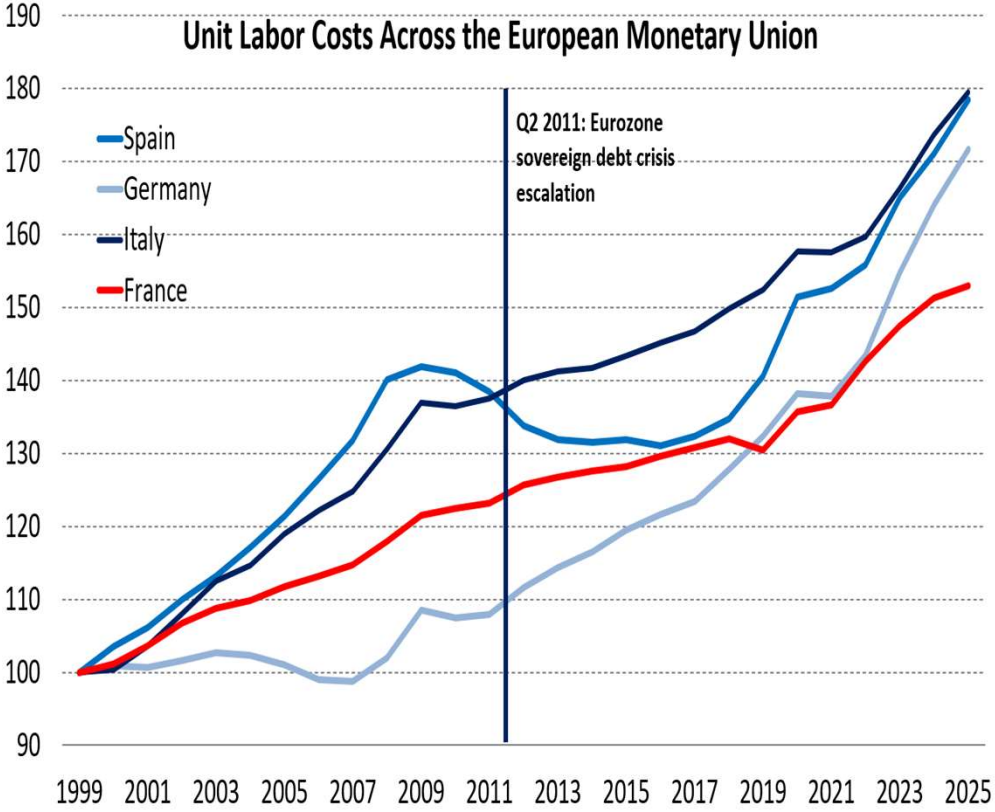


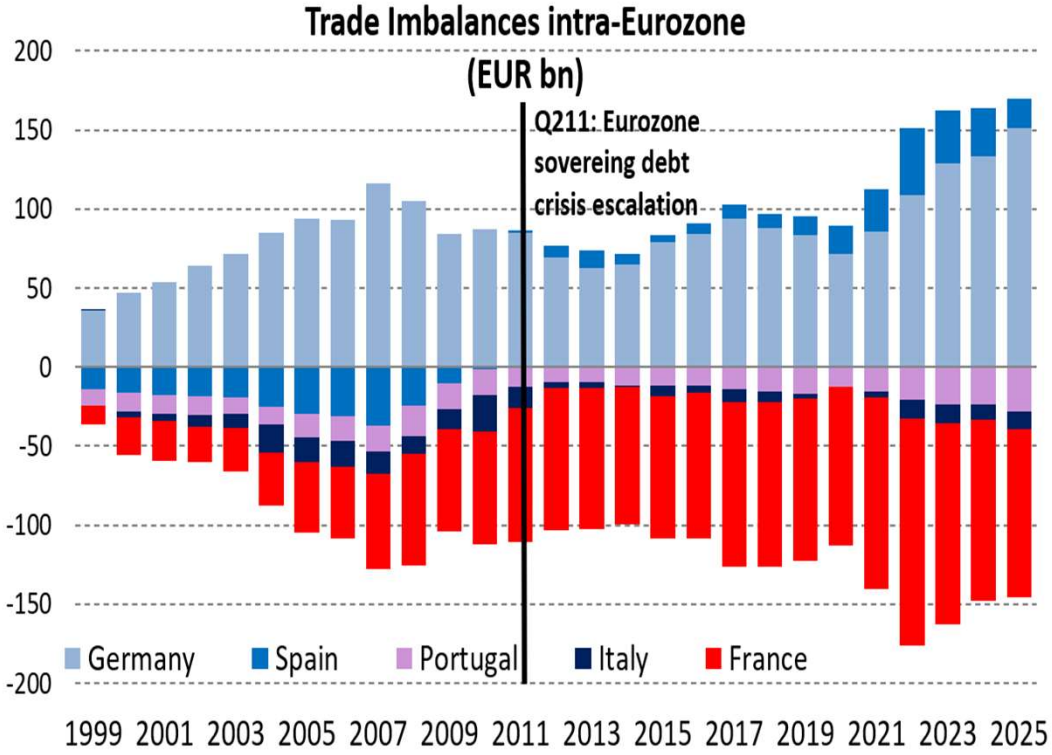
Sources: European Commission Budget, Eurostat
Internal Revenue Service and USAspending.gov., BEA, US Census Bureau.
Data elaborated by Banca del Ceresio



Sources: European Commission Budget, Eurostat
Swiss Confederation Statistic Portal.
Data elaborated by Banca del Ceresio

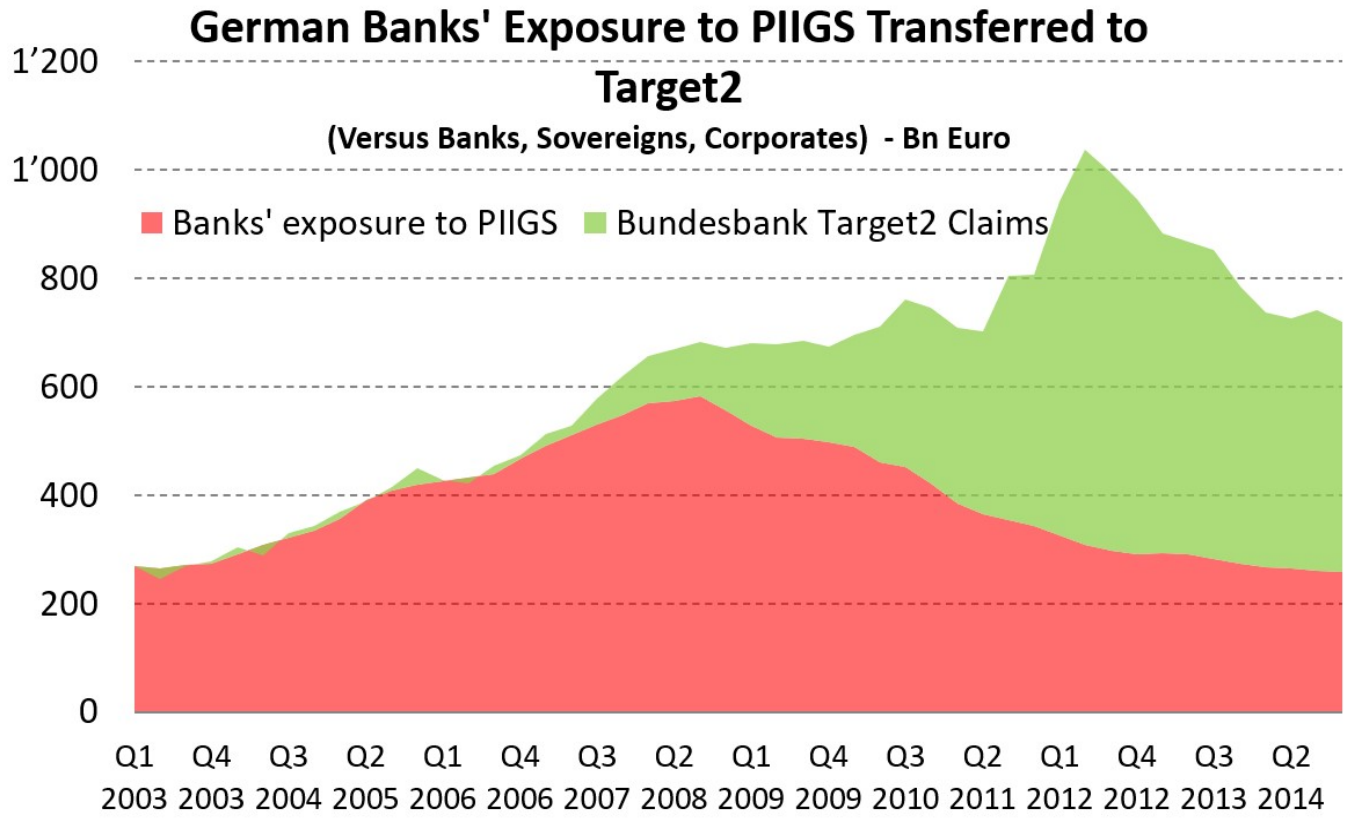
First Eurozone Crisis: Periphery Living Beyond its Means.





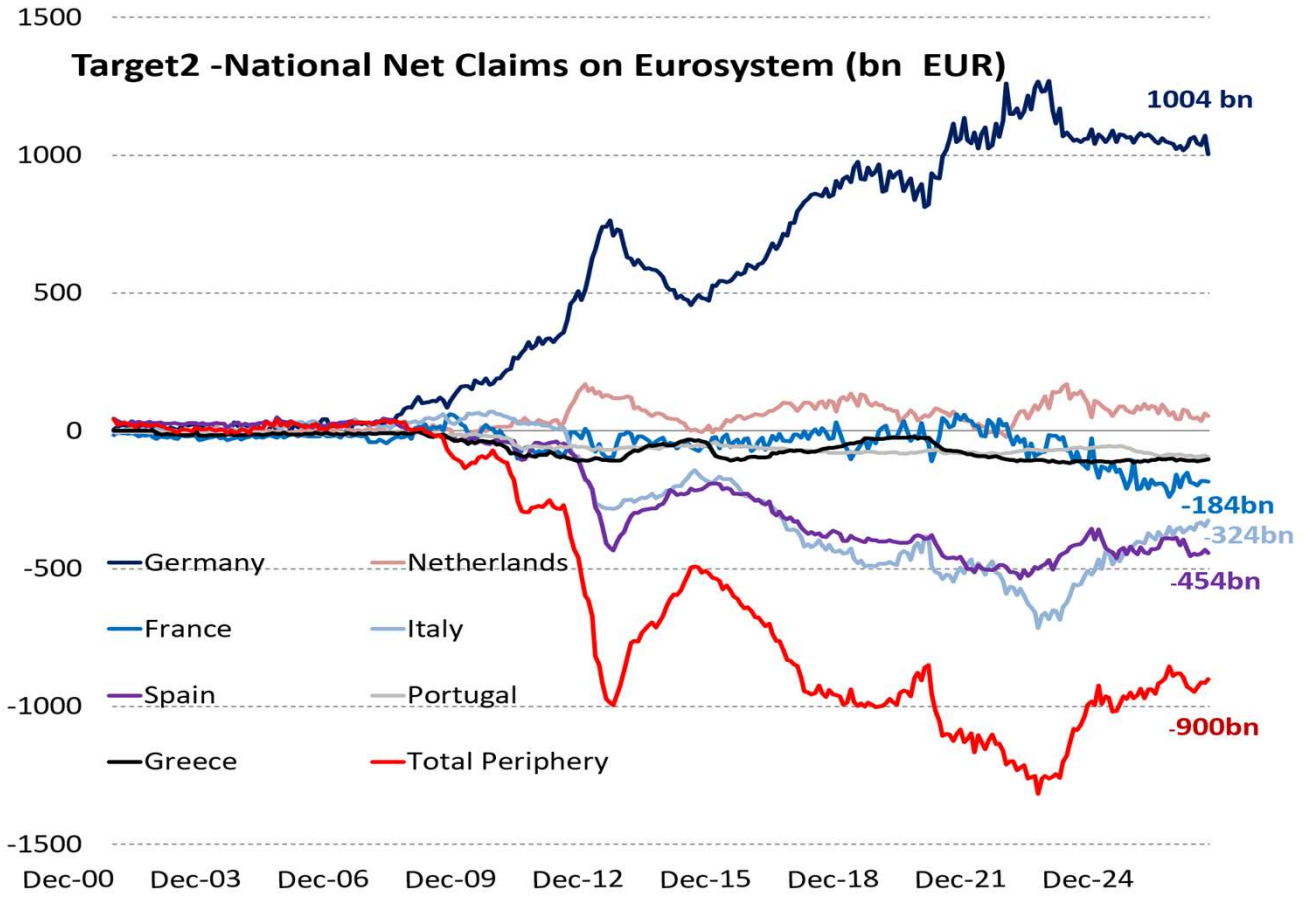
Source: OECD, National Statistics Offices

First Eurozone Crisis: Germany's Vendor Financing



Source: BIS, ECB

Failed Banking Union



Source: ECB

Fixes or Patches?

- EuroSystem Supports 
- EuroSystem Reform 
- Banking Union 
- Capital Market Union 
- Fiscal Union ?

The Eurosystem's flawed designs balkanised the banking system. A Euro in Paris or Rome is not an Euro in Frankfurt, and it matters in confidence crises.

EuroSystem Supports

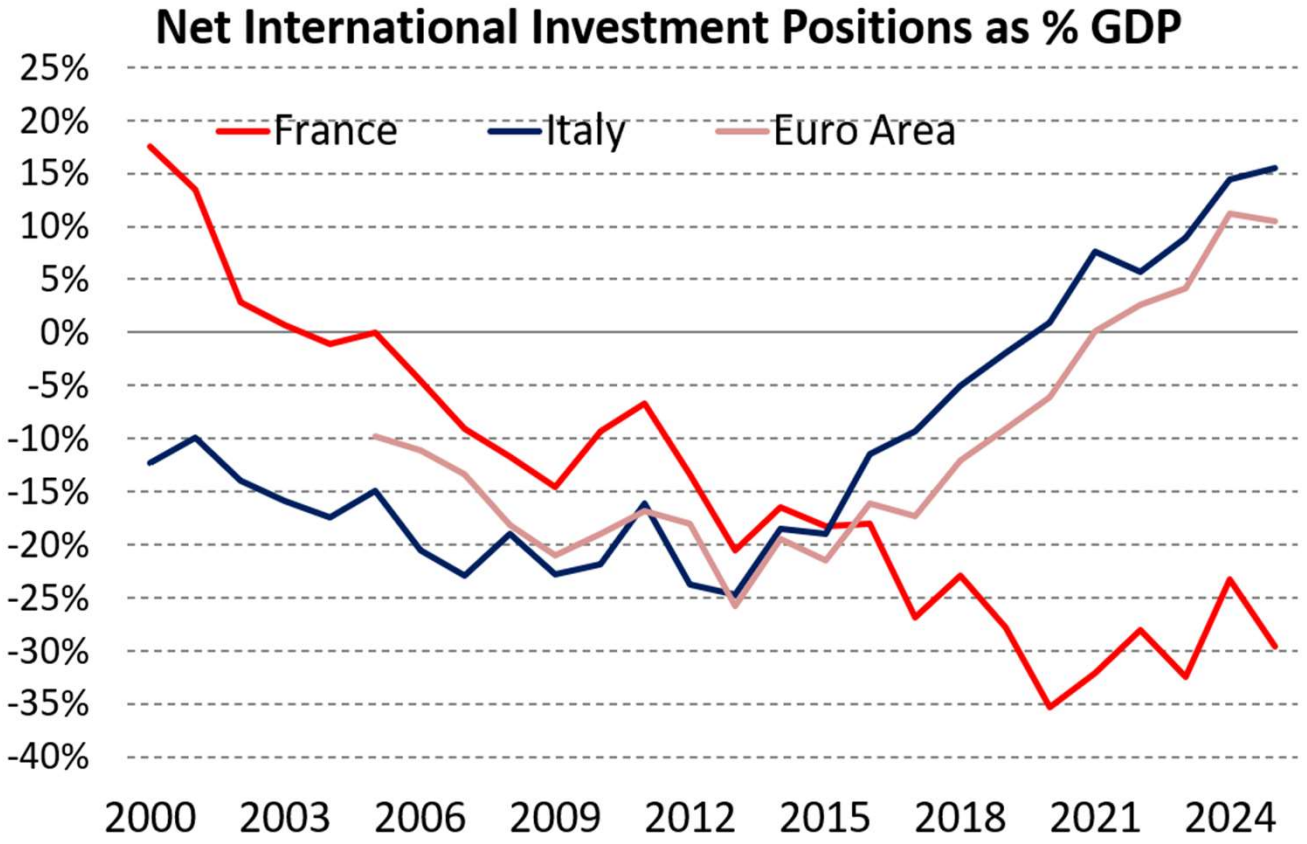
ECB has several backstops in the tool kit and a history of flexible implementations to support good fiscal behaviour and to stabilise significant liquidity contagion

Euro-area backstop toolkit and France constraints

Instrument	How it works	Constraint for France
ESM loans and credit lines	€500bn capacity; loans conditional on a memorandum of understanding (MoU)	Too small: c€420-430bn headroom vs c€3.5trn French debt; an RN government would not sign an MoU
OMT (2012)	Unlimited ECB purchases of short-dated bonds	Requires an ESM programme with strict conditionality – the same political red line
TPI (2022)	ECB purchases to counter 'unwarranted, disorderly' dynamics	Needs compliance with EU fiscal framework; election-driven widening arguably warranted; pre-emptive use would look political
PEPP / APP flexibility	Reinvestments or purchases tilted to stressed markets	PEPP reinvestments ended in 2024; restart needs a macroeconomic rationale, not a French one
Rate cuts, end of QT, LTROs	Conventional and liquidity policy for the whole euro area	Operable only with a euro area-wide macro justification
ELA	National central bank lends to solvent banks against wider collateral	Governing Council can restrict it – the lever used against Ireland (2010), Greece (2015)

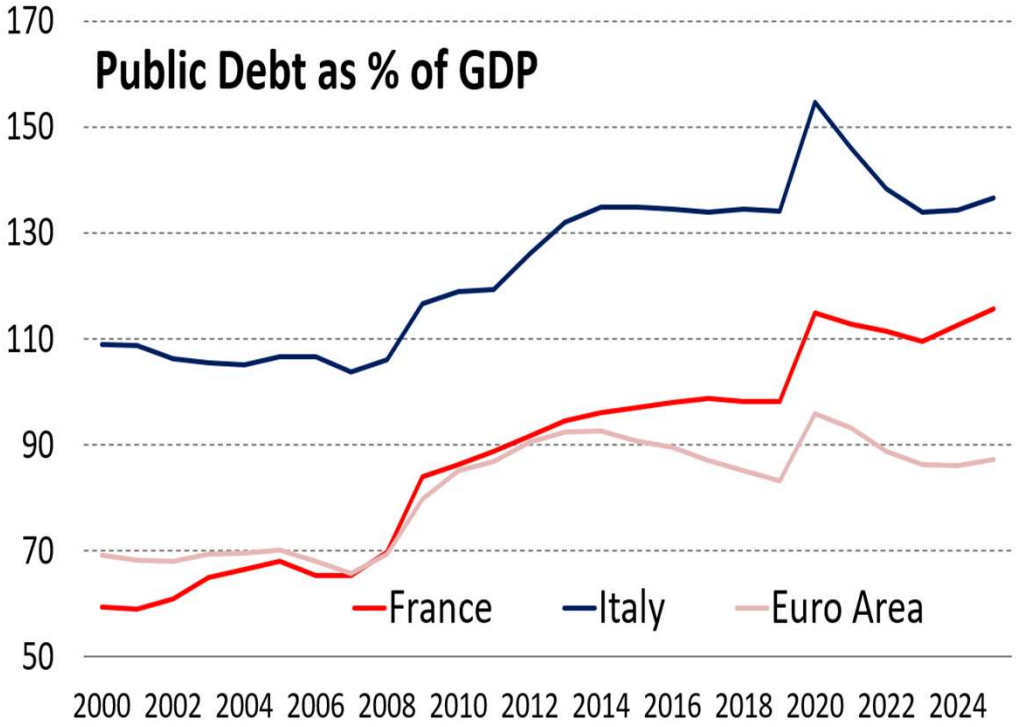
Source: Marshall Wace

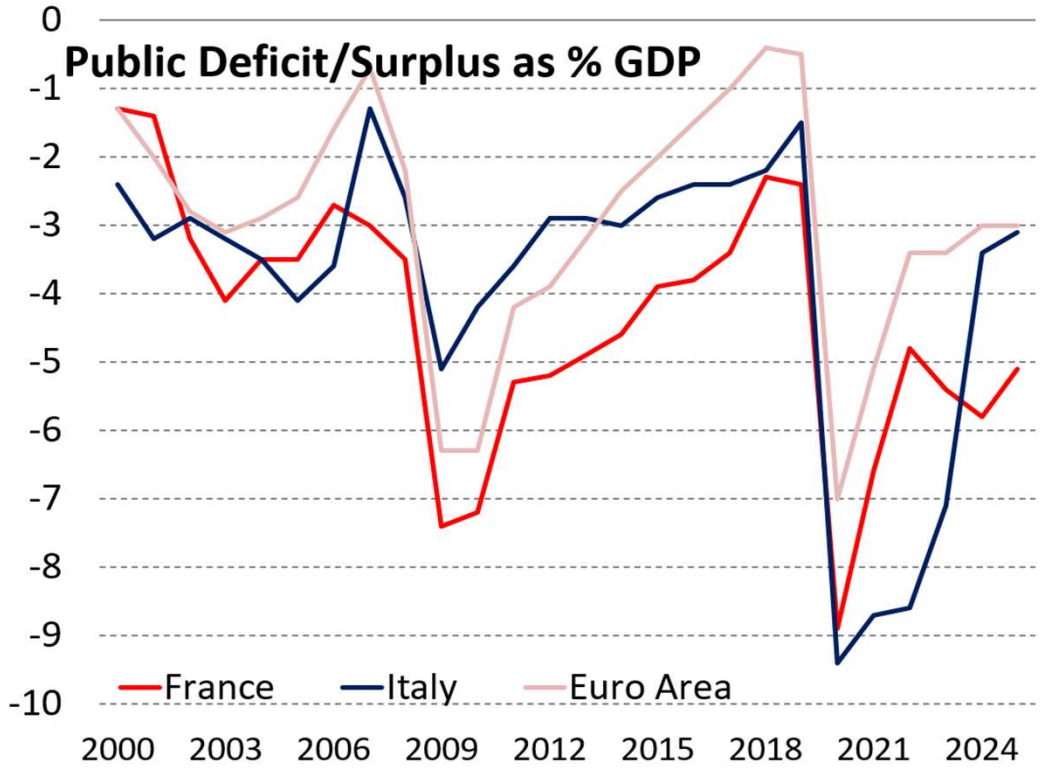
France Living Beyond Its Means



Source: National Statistic Offices, IMF

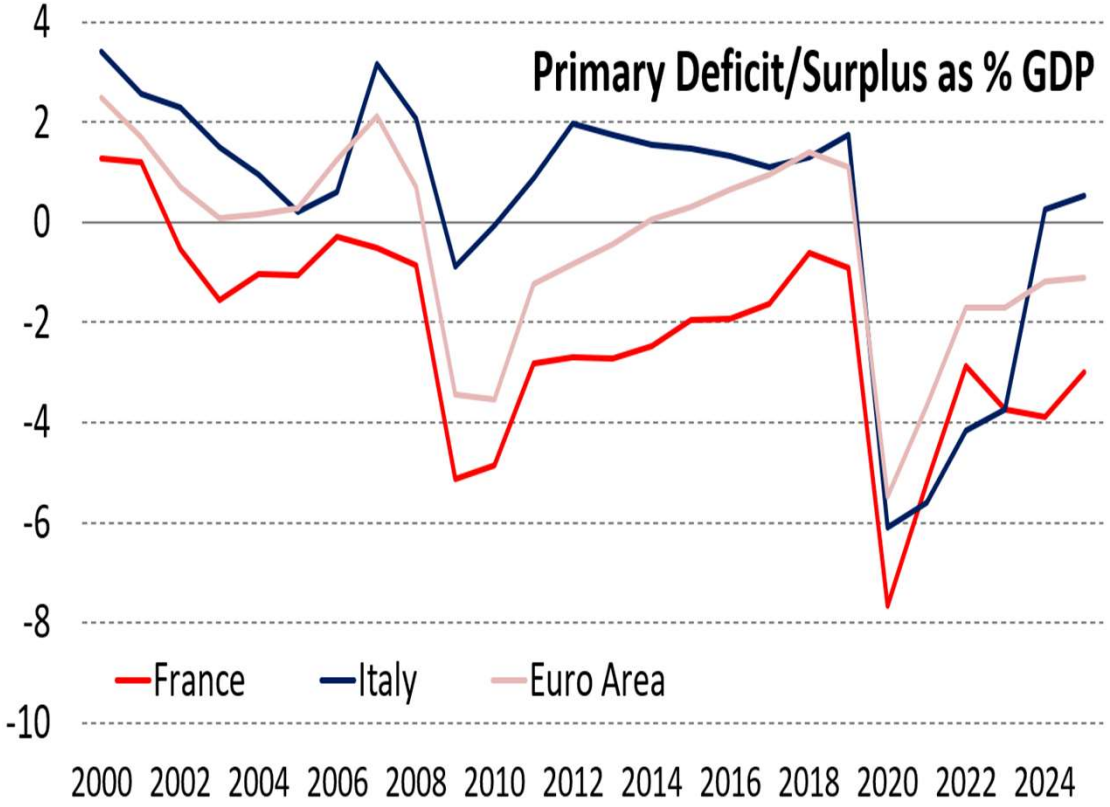
Persisting Vices





Source: Eurostat

Accelerating Deterioration



Source: IMF

Debt-to-GDP Ratio (the standard benchmark) for debt sustainability.

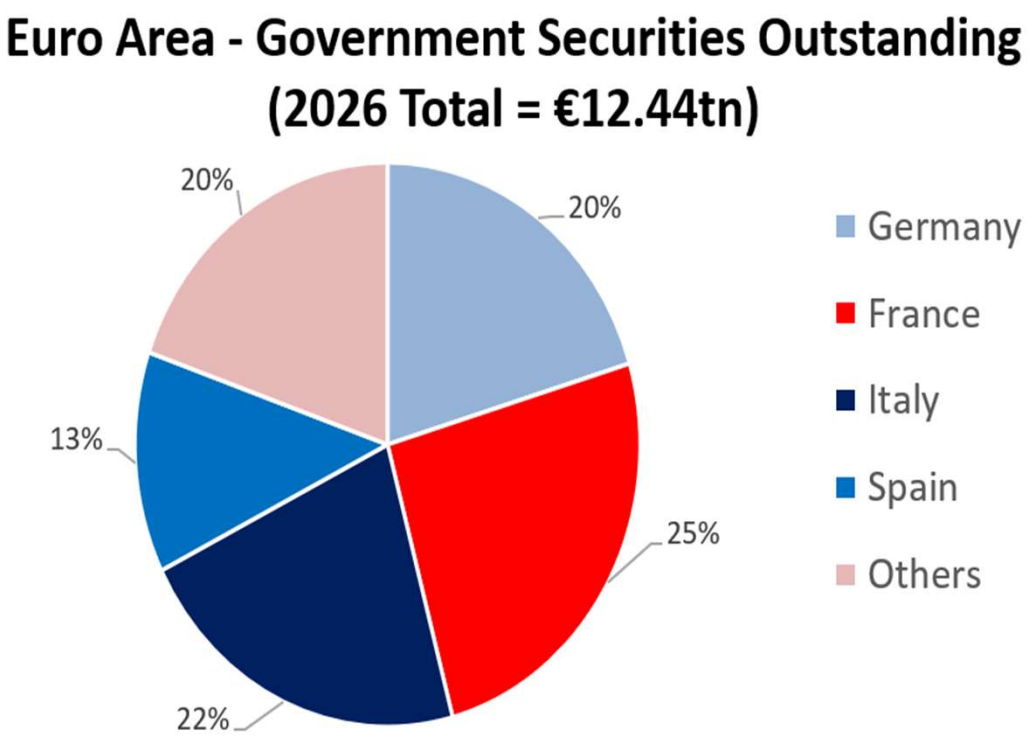
Debt as a share of GDP stays constant when:

Required Primary Surplus (% of GDP) ≈ (r-g) x b

Where r is the real interest rate, g is the real GDP growth rate and b is the prior Debt-to-GDP ratio.

In 2025, France's Primary Deficit (as % GDP) was -3%, whereas the Required Primary Surplus should have been ≈ 0.2% [(1.1%-0.9%)x110%]

Vulnerability

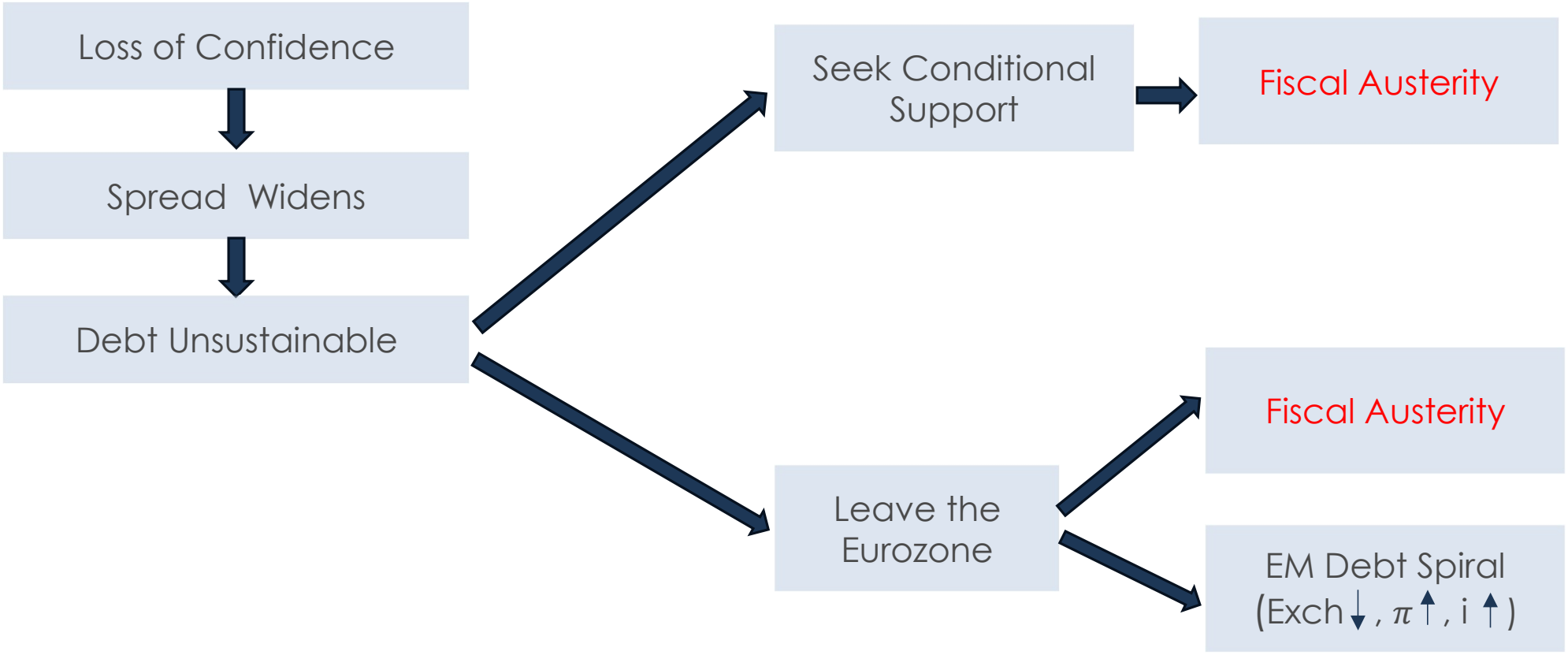


2025	Gov. Debt Sec. Held by Non-resident (%)		
	Total	EMU	Extra EMU
Italy	27.0%	16.0%	11.0%
Italy 2010	48.6%		
France	57.0%	26.0%	31.0%
Germany	56.0%	26.0%	30.0%
Spain	48.0%	33.0%	15.0%
Netherlands	39.0%		

Source: ECB, Marshall Wace

The Choices France Faces

Mapping a crisis in the Eurozone



Antonio Foglia is a Swiss and Italian Economist. Vice Chair of the Board, and shareholder, of Banca del Ceresio, a Swiss-family owned private banking group, with subsidiaries in London and Milan.

After earning a degree in Political Economy from Bocconi University in Milan, he worked in Tokyo, New York and London to complete his training. He has been professionally involved in Private Banking and with Hedge Funds since the mid-1980's. In addition to co-managing several leading multimanager Hedge Funds, Antonio Foglia, is, or was, also a director of several Hedge Funds, including George Soros' Quantum Endowment Fund.

Antonio Foglia is a member of the Swiss Society for Financial Market Research and of the Italian Financial Analysts' Association. He served three terms on the Foundation Board of the Swiss Finance Institute, was a member of the Scientific Committee of Italy's Confindustria and a Trustee of the Central European University and a member of the Steering Committee of the Bruno Leoni Institute.

Articles by Antonio Foglia appear on major media: Project Syndicate, Financial Times, Corriere della Sera, il Sole 24 Ore, Corriere del Ticino.

The author is grateful for research assistance provided by Chiara Casale. The views expressed in this presentation are those of the author only and not of the institutions with which he is affiliated.

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