

European asset bubble signs

European Central Bank President Draghi said last week that he did not see signs of a bubble in European asset prices, but one day before Deutsche Bank CEO John Cryan insisted that the local capital market had " sign."

Who is right? Looking at multiple markets in Europe, it can be found that at least some corner bubbles are forming.

The European Central Bank's prescription is to allow the eurozone to have ample low-cost funds and direct aid to the loan and bond markets through large-scale purchases of assets, in the face of the global banking collapse and subsequent volatility in the eurozone debt crisis.

The euro zone economy has finally responded this year and is currently enjoying the best growth since the euro was launched in 1999, despite inflation remains below the ECB target. European asset markets have also responded. Equity stocks, credit and property prices are accelerating, posing a challenge to the European Central Bank, forcing them to consider withdrawing the ultra-loose monetary policy before unsustainable bubble formation.

As shown, the current high-yield market in Europe is far higher than the long-term historical valuation range.

European high-yield market valuation: reut.rs/2jmpbzM