

Europe is booming

Strong growth and falling inflation means investors can continue to enjoy the Goldilocks environment.

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The preliminary estimate for third quarter eurozone GDP showed the economy enjoying unabated growth.

The economy is estimated to have grown in real terms by 0.6%, beating consensus estimates of 0.5% growth. This is a slight slowdown from the upwardly-revised estimate of second quarter growth of 0.7%, but nonetheless is very strong.

Fastest growth rate since 2011

Few details are available at present, but early releases from Spain and France also showed very good growth of 0.8% and 0.5% respectively.

On a year-on-year (y/y) basis, the eurozone is now growing by 2.5% - the fastest pace of growth since the first quarter of 2011.

Interestingly, this was the last time the European Central Bank (ECB) hiked rates, which is now considered to be a policy error and dubbed the "Trichet moment", after the ECB's president at the time.

Monetary policy to remain loose

There is little risk of the same error being repeated this time, especially as the ECB has just announced an extension to its quantitative easing programme.

Also, as highlighted by the latest inflation figures (down from 1.3% to 1.1% y/y for October), the ECB expects it will be some time before domestic inflation pressures rise to the point consistent with the ECB's inflation target.

Until then, monetary policy will remain loose, and investors can continue to enjoy the Goldilocks environment.

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