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Written By: Doug Ciocca

As the celebration of our country's independence wound down this weekend, the precariousness of Greece's membership in the European Union sped up.

Last week, the failure to come to an agreement on restructuring debt repayments to its creditors (multiple international entities that provided an economic life-line to Greece in the midst of the global credit crisis in 2008[1]) prompted the newly-elected prime minister, Alexis Tsipras, to call upon the Greek population to vote on whether their government should acquiesce to terms they felt were too onerous.

This *plebiscite*, as it's known, was called on Friday, June 27th. This plebiscite dealt with deal terms that would expire 5 days *before* the vote. Understandably, this plebiscite created considerable confusion[2].

In general terms, Greeks were unclear why they were voting and what the results of their voting would mean:

- If they voted to accept the terms of the expired restructuring plan, would it be resurrected and implemented?
- If they voted against the terms, would they somehow emancipate from the European Union and its Euro currency at a time when they need them the most, financially speaking?

The voting took place yesterday afternoon and the "No's" were the clear winners. The "No's" supported the recommendation of Alexis Tsipras and his in-power party, Syriza. The "No's" represented the faction of the Greek populace that feels fiscal oppression from the stronger European countries that lent them money in their time of need.

The hope of Syriza is to re-engage with their creditors this week, but in an improved bargaining position, courtesy of the demonstrated and wide-spread buy-in of their general population.

While this could be construed as positive by some, the financial markets are indicating otherwise this morning, as judged by the large drop in European stock markets and a more moderate decline here in the US.[3]

Financial markets tend to frown on ambiguity and the Greek debt tragedy possesses quite a bit.

While expediency in resolution would seem to be in the best interests of all parties, the case could be made that it is most important to the Greeks. Their banks are teetering. Capital controls (limits on daily withdrawals) have been in place for over a week and there are increasing incidents of social unrest.[4]

But as pointed out in the Wall Street Journal this morning:

"The answer to the problems of Greek banks is simple: stable government, a credible economic plan and the prospect of economic recovery. The resounding "No" in Greece's referendum might have given them the first, but the other two are as far off as ever.[5]"

So where do we/they go from here? In a nutshell back to the bargaining table. As pointed in Bloomberg BusinessWeek this morning:

"German Chancellor Angela Merkel will travel to Paris on Monday for talks with French President Francois Hollande to map out the way forward for Greece after voters upended more than five years of crisis-fighting by rejecting creditors' terms for rescue aid.

The trip, announced Sunday shortly after polls closed in Greece, is "to jointly assess the situation after the Greek referendum and to address the continuation of Franco-German close cooperation in this matter," the chancellery in Berlin and the Elysee in Paris said in separate e-mails. They will meet at 6.30 p.m. followed by a working dinner.

Merkel and Hollande held a call late on Sunday after projections showed Greeks had resoundingly sided with Prime Minister Alexis Tsipras and answered "No' to creditors. They agreed that the decision of the Greek people is ''to be respected,'' and called for a summit of the euro-area's 19 leaders to be held on Tuesday.

The leaders of Europe's two biggest economies will help determine the euro-region's response to one of the greatest challenges to face the common currency are. The other pillar, the European Central Bank, is also due to hold a meeting Monday with a decision pending on what to do about Greek lenders that are dependent on its emergency credit.[6]"

We don't consider it Pollyannaish to think that a deal that placates both the creditors and the debtors is possible, but the financial markets – in their elevated volatile posture – seem to be betting otherwise, at least in the short-term.

Short-term macro events can often obscure the long-term view of opportunity when making investments and it is important to attempt to differentiate risk from reaction.

Along those lines, the Wall Street Journal published a piece last week that gives a perspective on the reconstituted complexion of the Eurozone were Greece to no longer be a member country. A couple interesting insights from the article[7]:

- *There would be **3.2%** fewer people [in the Eurozone], but they would be younger on average. The mean age in the eurozone is **39.6 years,** while in Greece it's **42.3.***

- *The eurozone would lose only **1.8%** of its economic output. GDP per capita would actually rise **1.5%.***

- *If Greece were to exit the eurozone, government debt in the single currency area overall would be reduced by **3.4%,** but private debt by only **0.9%.***

We'll keep in close touch as this Greek drama unfolds and feel confident that its outcome will be anything but binary, arguing strongly for patience as part of the process.

[1]http://www.vox.com/2015/6/30/8867939/greece-economic-crisis
[2]http://time.com/3945677/greece-referendum-vote/
[3] Source: Bloomberg Market Data
[4]http://www.express.co.uk/news/world/588951/Greece-historic-vote-bailout-referendum-country-faces-social-chaos
[5]http://www.wsj.com/articles/greek-bank-vortex-threatens-deal-hopes-1436183437
[6]http://www.bloomberg.com/news/articles/2015-07-05/merkel-hollande-to-determine-european-response-to-greek-choice
[7]http://graphics.wsj.com/eurozone-without-greece/