



Market Commentary - The Greek Tragedy: June 30, 2015

Over the weekend, Greek Prime Minister Alexis Tsipras shocked European policy makers by announcing a July 5th referendum on whether to accept the latest offer from Greece's creditors. I have to admit, we felt that markets were a bit complacent heading into last weekend. We thought they were clearly of the opinion that we would emerge from the weekend with some short term can-kicking solution to the Greek tragedy. Instead, Greece awoke Monday morning to shuttered banks and newly imposed capital controls to keep money from leaving the country. In announcing the July 5th referendum on whether to accept the austerity measures demanded by its creditors in exchange for further aid, Mr. Tsipras has put the fate of the nation into the hands of its people. A 'No' vote to the referendum would likely mean a Greek exit from the Euro.

The History:

After years of working toward market-friendly reforms and finally starting to see some form of economic growth, Greece elected a far left government in January of this year. Since, it's economic and financial situation has deteriorated. Instead of trying to increase economic growth to pay its debts, the Greek government is saying it won't cut retirement benefits and wants to raise taxes on the private sector.

Since Greece no longer has its own currency, it can't simply devalue and cut pension benefits. Instead, politicians have to make tough choices, which they are clearly not willing to do. Instead they have put it back on the people for a vote on July 5th.

Fortunately, Greece is less like a public company and more like Detroit. When Detroit defaulted, Michigan and the U.S. survived just fine. Detroit wasted the money it had borrowed, and so has Greece. The only thing left is recognizing the loss, which will be absorbed by the IMF, EU, and ECB.

Regardless of how this turns out, we feel there is too much press coverage on Greece and any sell-off in US equities is a buying opportunity.

As always, we thank you all for your continued support and look forward to discussing any or all of our thoughts at your convenience.

Best Regards,

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