


Greece Update June 30, 2015

Perspective on the recent market volatility this week.

Later tonight, the Greek bailout package is set to expire without a deal in place with the ECB and IMF. Negotiations continue as last minute deals are proposed and a referendum is set for July 5th. Markets were spooked by the uncertainty on Monday (and the increasing but still unlikely potential for a Greek exit from the euro), with the S&P losing 2.1% and the MSCI EAFE Index down 2.3%.

Despite the market jitters, we don't believe this will have a large impact on US markets outside of some short term volatility:

- The macro fundamentals are much better in Europe, the US and Japan than they have been at any other point in the cycle.
- Even in a worst case scenario, Greece represents only a fraction of a percentage point (0.39%) of world GDP and only about 1.9% of Euro area GDP.
- This Greek drama is more contained than in 2012, when spreads on Spanish and Italian debt widened up to 300 bp, compared to about 30bps on Monday.
- Instead of crashing, as in prior episodes, the euro has remained relatively stable against the dollar and gold. 

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