

Forza Investment Advisory Weekly Newsletter

FROM THE DESK OF BOB CENTRELLA, CFA

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"Why All the Fuss About Little Old Greece?"

Dear Friends,

With the situation in Greece basically controlling the fate of the financial markets on a daily basis you may be wondering why all the fuss over this small country with only the 27th largest GDP in the world at about \$310 billion (less than half the size of Florida which is 5% of US GDP). Seems almost immaterial when you look at the world's economy. A valid question and one that I asked myself when this first started.

The problem is that Greek debt is spread all over the world so the repercussions are quite material. If Greece does not get its second bailout, it defaults on its debt and the list of who gets hurt is rather broad. Here is a rundown of who holds Greek debt and would get slammed if Greece defaulted:

Japanese Banks	\$500 Million of Greek Debt
Spanish Banks	\$600 Million
US Banks	\$1.8 Billion
Italian Banks	\$2.6 Billion
UK Banks	\$3.2 Billion
French Banks	\$19.8 Billion
German Banks	\$26.3 Billion
Other Eurozone	\$15.7 Billion

Other repercussions:

- ECB holds a significant amount of Greek Debt
- Banks in Europe have been working to cut their exposure but from the stats above still have a huge exposure
- 4 Greek Banks have been downgraded by S&P
- 3 of France's largest banks have been put on downgrade review by Moody's
- Romania and Bulgaria banks sectors are highly exposed to Greek banks
- Austria banks have significant positions in East Europe which could come under threat
- Greece's trading partners would be affected - Macedonia, Montenegro, Bulgaria, Albania

So as you can see the threat of a contagion is real and this is what spooks the financial markets. This is just a slice of the overall picture but I hope it helps put in context why

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all the fuss over little Greece. If you have any questions or comments feel free to give me a call or send me an email. Let's hope for a resolution to the problem. It's going to take time but it needs to start happening soon. Once an agreement for the 2nd bailout is reached, I think the markets will certainly settle down and get back to trading on fundamentals. Of course, that's a whole other issue...

Regards,

Bob

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