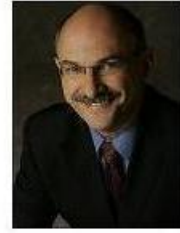


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FINANCIAL MANAGEMENT



“Is Greece a Trojan Horse?”

Last week’s crisis in Greece turned into a wakeup call for the rest of us. I think Americans have a tendency to ignore things that happen away from our shores, not that we don’t have enough of our own problems as it is, but when the stock market takes a 2% hit like it did on April 27th, it has a way of focusing our attention.

The issue of the day is Greece as I am sure you know and the fear that what goes on in Greece doesn’t stay in Greece. Standard and Poor’s downgraded Greece to below investment grade status, what we call junk in my world. Last December the rating agency reduced the rating from A- to BBB+, and then last Wednesday it slashed the rating again to BB+. S&P defines the BB rating as having speculative fundamentals with the security of future payments only moderate.

We also know that other countries like Spain, Portugal and Italy are having their own particular problems. Spain, a huge economy in the region witnessed a downgrade of their rating to AA. Unemployment tops 20% in the country. Many of the jobs lost were in the construction sector following a huge credit boom and are not likely to return. Real Estate is in a very bad state there and it is said that the debt in the private sector is 178% of the country’s Gross Domestic output, the labor markets are inflexible and Spain is not known for having much in the way of exports. The government has pledged to reduce the deficit to 3% of GDP in 2012, but many say that is an unreasonable plan.

All of this you have probably heard about one way or another, so what does it all mean to us?

This is important stuff, because it does and will continue to affect us in a few different ways. First we need to take a look at our own overblown budget. We will be something like 1.3 trillion in the red this year and this situation must be addressed or we may end up looking down the nose of a rating downgrade gun.

It ain't gonna be easy either. For example, 3.4 million Americans have been out of work for more than one year, and their unemployment benefits are starting to run out. 57,000 in NY and 130,000 in Florida have just received their last paycheck and Goldman Sachs predicts that 400,000 people per month will start losing benefits. Paying the unemployed is costing a lot of borrowed money and the question remains as to whether it is politically viable to continue to cut off so many voters from their checks.

Multiply this by so many situations which require the government to fund and stimulate our economic growth and you can get an idea of the difficult decisions which will eventually have to be made. If we don't, we may see some downgrades far into our own future.

The U.S. is not Greece or Spain or like any other country. We have a robust and flexible workforce, innovation and a growing population among so many other attributes, so I would never get too negative about our future prospects. As a matter of fact, I would be very careful not to fall into the trap of being permanently negative on America's future. That point of view can be very detrimental to your investment health.

All this being said, my commentary last week which centered on the idea that the U.S. economy and therefore the companies that operate in it, i.e. the stock market are in what I referred to as the summer season. This means that growth abounds and it is time to make sure that any investment seeds continue to get planted while the growing season persists. This idea was reinforced last week as the news came in that the U.S. economy had grown by 3.2% in the latest quarter. This makes three quarters in a row where we have seen economic growth. Also, this quarter's numbers were even more encouraging because much of it came from consumer spending, and company investment as opposed to government stimulus. Hallelujah.

So I know you all want to know what the stock market is going to do from here on out. I can't say exactly, but technically speaking the market is pointing us higher for the time being. However, what goes on in Greece is probably NOT going to stay in Greece. Expect a rocky period for a short time until this summer storm passes.