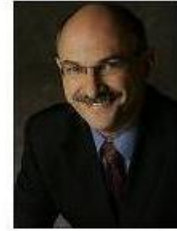


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FINANCIAL MANAGEMENT



## Is Greece A Trojan Horse...Update

Last week's crisis in Greece and the "fat-fingered" plunge of the stock market (someone may have typed a "b" instead of an "m" for million when placing a sell trade) turned into a wakeup call and a white knuckle moment for the rest of us. I think American's tendency to ignore events away from our shores, will end if we see any fallout from Greece and the other Mediterranean countries that surround it.

The issue of the day is Greece debt problems and the fear that what goes on in Greece won't stay in Greece. Standard and Poor's downgraded Greece's rating to BB --what we call junk in my world--and since S&P defines the BB rating as having "speculative fundamentals with the security of future payments only moderate" it just doesn't seem so bad on the surface. The problem is that the usefulness of bond ratings are almost no help anymore to those of us trying to make informed decisions for our clients.

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 and the debt in the private sector is 178% of the country's GDP. Not exactly sub-prime, but not exactly prime-steak either.

So what does it all mean to us?

It may be a harbinger of our own fate as we have our own overblown budget issues. We will be something like 1.3 trillion in the red this year and we may end up looking down the nose of our own ratings gun.

It ain't gonna be easy either. 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 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 other Governmental hand-outs and you get an idea of the difficult decisions which will eventually have to be made.

It's vitally important to remember however, that the U.S. is not Greece or Spain or any other country for that matter. We have a unique way of doing business and I would be very careful not to fall into the trap of being permanently negative on America's future. Being overly negative can be detrimental to your investment health.

All this being said, my idea that the U.S. economy is in what I referred to as the “summer-season”, means that economic growth is strong and getting stronger and we should continue to plant our investment “seeds” while the growing season persists.

We will have to watch to see if this investment summer’s season is shorter than most. If it is, we may have to harvest earlier than usual.

For the moment let’s hope that what happens in Greece stays there.