

Hello CFG clients . . . Brian here. Wow, so much news from last week that I'm not sure where to start. First, on Thursday (after hours when it's typical for negative news to be released), Realty Trac announced March foreclosure activity was up 9% over the prior quarter and up over 16% from the 1st quarter of 2009 ([see article here](#)).

Then, on Friday after the market had fared well all week long, the SEC announced it was filing a civil lawsuit against Goldman Sachs for defrauding investors ([see article here](#)). This sent the market into a tailspin on Friday, with the Dow tumbling 126 points while the S&P dropped 20 points.

Thinking this would be enough news to comment on for my weekly email, I scoured the non-mainstream media headlines one last time Friday evening only to find that **8 banks had been shuttered . . . one in Southeast Michigan** ([see article here](#))! This brings the total number of bank closures year-to-date to 50.

But the article/topic that has the greatest potential to directly affect you and me more than any of these other articles is that of Greece! One of the best explanations of how you and I can/will be affected by the Greece debt crisis is provided by Bryan Rich of Money and Markets (great first name . . . and last name, for that matter).

Greece Can Not Help But Have An Impact On You And Me!

The economic problems in Greece have made front page news for the better part of the past three months. And Bryan Rich, *Money and Markets* Currency Expert has written several columns on the ongoing drama and its influence on the global currency markets.

Bryan asks, "With all of this incessant talk about Greece, what does it have to do with you?"

That's a common question. And the answer: Potentially, a lot.

You see, Greece represents the growing mound of looming landmines in a global economy that has been damaged by the worst economic crisis in more than 80 years. And if there's anything that should have been clear from the collapse in global financial markets in 2008, it's that the world is a highly interconnected place, and so are its financial markets. So problems in Greece will likely mean problems for you and me.

Here's why.

In a fragile economic recovery, investor and consumer confidence plays an important role in repairing economies ... and likewise, restoring investment values and opportunities.

So a hiccup in investor optimism can be a huge blow to a fragile economy. It can make businesses more defensive and consumers stingier, thus sending stock prices lower and risk premiums higher.

In short, a lack of participant confidence can mean round two of a bear market in global stocks, and potentially a double dip recession for the global economy. And that's highly possible because a sovereign debt crisis is underway.

The European Central Bank Executive Board member Juergen Stark said this week that the global economy may be entering a new "sovereign debt crisis."

Respectfully, he's a bit late in admitting that.

Last November, Dubai sent tremors through financial markets by announcing it would be "restructuring" its debt. The government later offered its bondholders just 60 cents on the dollar for their investment.

Now, Greece's shaky finances represent a threat to the lifespan of the euro, the second most widely held currency in the world. And it stands on wobbly footing as the second domino in an unraveling global sovereign debt crisis. The other potential candidates include Portugal, Italy, Ireland, Spain ... even the UK, Japan and the U.S.

That's a lineup of suspects that, if under the gun of global investor scrutiny for their respective burgeoning debt problems, could mean *a lot* to you and me — and to the outlook of the global economy.

But the euro zone and the IMF stepped up last weekend and provided details of aggressive financial aid as a lifeline to Greece. And given the initial bounce in the euro and decline in market interest rates for Greek government debt, the hope was that Greece's default threat had finally been put to bed.

Not so. In fact the Greece problem is far from over.

Those initial favorable responses to the aid plan are already being reversed as Greece's bond yields and the euro are back to pre-rescue announcement levels.

For the near term, the rescue plan could plug the gap for Greece. It has 11.6 billion euros of government debt to refinance over the next month — and another 20 billion euros by the end of the year.

And funding from its fellow euro-zone countries could allow Greece to roll-over that debt, without having to pay the prohibitively high interest rate that global investors would require from such a high-risk borrower.

However, accessing those funds is no slam dunk. All sixteen member countries would have to agree to disburse the funds, and only if they deemed Greece unable to raise funds on its own.

Perhaps even more troubling, though, is if the euro lifeline gets extended, that opens up a can of worms. Because it means the euro-zone officials have breached the treaty guidelines upon which the euro was developed.

And it will also likely mean that Portugal, Spain, Italy and Ireland will be next in line for a handout — a recipe for a political and economic disaster in Europe and a potential break-up of the euro.

From there ... the other debt-burdened dominos in line could become even more vulnerable.

With the U.S. stock market climbing, almost daily, to new post-crisis highs and the U.S. economic data showing solid recovery, Greece sounds like a distant problem.

But as you can see, the drama in Greece is a big deal! Not just for Europe, but for the world economy — and for institutional and individual investors alike.

Unfortunately, the euro zone is in a no-win situation. The European monetary union countries, with damaged balance sheets and a bleak outlook for growth, are stuck. And with a one-size fits all monetary policy and currency, they lack critical tools, such as devaluation, to work their way out.

So expect the sovereign debt crisis to continue to build. And be cautious of a quick downturn in global risk appetite, which can send stock markets and global demand heading south, and global capital heading for safety.

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