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Caissa Wealth Strategies  
952-777-2270  
www.CaissaWealth.com

# UPDATE ON THE GREEK EXIT

## Grexit?

The Greeks bluffed and lost. They are now swallowing their pride and accepting a tougher austerity package than what they were offered a week ago, which they turned down. Following that, the ATMs in Greece all but dried up and there was literally no money to be withdrawn. Now the Greeks face the hard battle of pushing through punishing economic overhauls that their nation has never known before.

The Greek Parliament will need to pass new laws on tax hikes and pension reform. As of today, to get money out of an ATM you had to prove your taxes were paid and are up to date. People were racing to the bank to pay them so they could withdraw their money. However, Greece's economy is now extremely brittle and depressed. It will be very hard for its people to accept the new way of life. In the weeks to come, they will need to put the austerity package into effect or risk losing the almost \$96 billion of new loans. Many fear that the cuts will be too much for the country as they have already been trying to implement them for almost a half of a decade.

What does this mean to the U.S? The European Union is trying hard not to force the hand of a Greek exit from the Euro. There currently are no policies written for such an exit, and they certainly don't want to write those policies now and risk setting a precedent for Spain and Portugal to follow. It is best for Greece to tighten their belts and better their economy instead. As for the U.S., Greece's GDP (a measure of economic output) is about the size of Dallas, Texas. It really doesn't add up to much and it has little effect on our economy. We believe the headlines will keep adding volatility to the market but at the end of the day, will not have any direct effect on stocks in general.

We at CAISSA are using this market volatility to put cash on the sidelines to work on the dips that the headlines produce. We believe the markets will weather the political risks being taken and can use this time to our advantage. If you have any questions about how Greece might affect your portfolio, please give us a call and we will be happy to talk about it!

