

## Ignore Greece

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Don't let anyone tell you Greece is sticking up for its "dignity" by fighting "austerity." The current Greek government is sticking up for socialism by fighting reality.

After several years of working toward some very minor market-friendly reforms, and finally starting to see a glimmer of economic growth, Greece elected a far left government back in January. Its economic and financial situation has gotten worse ever since. Instead of trying to boost growth and pay its debts, by trimming government spending and reducing regulation, the government is saying it won't cut retirement benefits and wants to raise taxes on what little private sector it has left.

Since Greece no longer has its own currency, it can't just devalue and cut pension benefits by sleight-of-hand. Instead, politicians have to make tough choices. Greece finally ran out of other peoples' money. And, since private investors will no longer buy Greek bonds, it has to count on government entities. Fortunately, so far at least, the IMF, the EU, and the ECB have refused to support the status quo.

So what does the new government do? It blames the only groups willing to lend it money and refuses to cut spending. Then, it decides to have a vote, scheduled for July 5th, on the lenders' latest offer, which would combine higher taxes with pension cuts and some other market reforms. This referendum is all about politicians running scared. They don't want to make the choice themselves, so they put it to a vote, again.

But Greece has debt payments to make this week, before the vote, on which it's likely to default. Worse, the government is urging citizens to vote against the lenders' offer.

Meanwhile, Greek banks have seen massive outflows of deposits. To meet the demand for liquidity, Greek banks have been getting Euros from the Bank of Greece (their central bank), which prints them with permission from the ECB. But now that a debt default is a serious concern, the ECB has withdrawn its permission for the Bank of Greece to print more Euros.

So, the Greek government has declared a "bank holiday" until July 6, during which depositors can only withdraw 60 euros per day. Greece also imposed capital controls to try to keep Euros in the country. This is a travesty, and Greece is headed for a double-dip Depression.

Fortunately, Greece is not Lehman Brothers. It's like Detroit. When Detroit defaulted, the U.S., and even Michigan, survived just fine. Detroit had already wasted the money it had borrowed, and so has Greece. The only thing left is recognizing the loss. That does not damage the economy; it will be absorbed by the IMF, EU, and ECB.

What Europe wouldn't be able to absorb is if it caved to the Greek government, if it let them rollover their debts without insisting on reforms that will help Greece eventually repay its obligations. That would bring more Euro leftists into government and lead to even more stagnation and default in the future.

Regardless of how this turns out, it's getting way more press than it deserves. Any sell-off in US equities is a buying opportunity. Stay the course.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
6-30 / 8:45 am	Chicago PMI	50.0	<b>48.5</b>		46.2
9:00 am	Consumer Confidence – Jun	97.4	<b>97.8</b>		95.4
7-1 / 9:00 am	ISM Index – June	53.1	<b>53.2</b>		52.8
9:00 am	Construction Spending – May	+0.4%	<b>+0.3%</b>		+2.2%
afternoon	Total Car/Truck Sales – June	17.2 Mil	<b>17.3 Mil</b>		17.7 Mil
afternoon	Domestic Car/Truck Sales – June	13.6 Mil	<b>13.8 Mil</b>		13.9 Mil
7-2 / 7:30 am	Initial Claims - Jun 27	270K	<b>273K</b>		271K
7:30 am	Non-Farm Payrolls – Jun	230K	<b>228K</b>		280K
7:30 am	Private Payrolls – Jun	225K	<b>224K</b>		262K
7:30 am	Manufacturing Payrolls – Jun	6K	<b>7K</b>		7K
7:30 am	Unemployment Rate – Jun	5.4%	<b>5.4%</b>		5.5%
7:30 am	Average Hourly Earnings – Jun	+0.2%	<b>+0.2%</b>		+0.3%
7:30 am	Average Weekly Hours – Jun	34.5	<b>34.5</b>		34.5
9:00 am	Factory Orders – May	-0.5%	<b>0.0%</b>		-0.4%