



## The Return of the PIGS:

The U.S. stock market has traded sideways so far this year with 3% weekly swings. Despite the lack of market direction, the growing economic concern has been the potential Greek break away from the European Union (EU). This is not the first time Greece has been a concern for investors, with the most recent threat of bankruptcy and possible exit from the Eurozone occurring in 2012. However, the political and economic landscape has changed since 2012 leading to a potential showdown that could have ramifications across the global markets.

The Greek economy has been struggling under the weight of its debt and lack of growth. The nation's economy is down 4% from a year ago and its public debt is around \$280 billion or 175% of the country's economy (Chart 1). With Greece expected to run out of money in the next few weeks, the government has few options in order to maintain its funding needs and to make payments to creditors.

In the 2012 crisis, the European Central Bank initiated a bailout of Greece that provided it with a fresh source of money but forced additional debt and an austerity budget upon the country. This time a bailout seems to be in peril as the newly elected left-wing SYRIZA party has promised Greek citizens that it would end the austerity measures placed on the country and would institute new government spending measures to reinvigorate the nation's economy. To facilitate its new plans, the newly elected party has requested a \$10 billion bridge loan to cover its short-term cash needs until it can institute what it believes will be pro-growth policies. Unfortunately, Greece's reluctance to compromise with the EU may jeopardize its access to new funds and may lead to bankruptcy.

Why does Greece matter to a U.S. investor? There are several risks associated with the Greek situation that could lead to global market disruptions. On a macro level, the EU is the world's largest economy. Currently, the EU is struggling to sustain economic growth (Chart 2), so any disruption caused by a Greek bankruptcy or exit from the EU would likely slow the global economy. Furthermore, Greek debt is held by multiple entities in unknown quantities. It is possible a Greek default could result in a liquidity crisis similar to when Lehman Brothers filed bankruptcy in 2008.

Regardless of the final negotiations between Greece and the rest of the European governments, it will set a precedent for other struggling nations in the EU. Expect highly indebted nations like Ireland, Portugal and Spain to follow Greece if the resolution lessens austerity measures and/or allows for debt reductions. This potential contagion may force the EU regulators to maintain a strict stance in their negotiations with Greece, further jeopardizing a compromise.

With its potential survival at risk, the current negotiations could permanently alter the EU. While the end goal is to allow the highly indebted PIGS (Portugal, Ireland, Greece and Spain) more time to institute structural reforms and achieve economic growth, the lack of economic and political uniformity has prohibited success. It is still possible and likely the EU and Greece will achieve another round of compromises to postpone the debt crisis crippling Greece, but EU members ultimately need to determine if they are going to come closer together – similar to the individual states within the United States of America – or if they are going to downsize the collective union that was designed for broad prosperity and trade within Europe. The faster a long-term solution can be achieved, the better it will be for investors.

Cultivating Relationships

30 Years

1984 - 2014



VALICENTI ADVISORY SERVICES, INC.

400 East Water Street  
Elmira, NY 14901-3411  
607-734-2665  
Fax: 607-734-6845

350 West Church Street  
Elmira, NY 14901-2637  
607-733-9022  
Fax: 607-734-6157

24 West Market Street  
Corning, NY 14830-2617  
607-936-1203  
Fax: 607-936-0213

[www.valicenti.com](http://www.valicenti.com)

Asset management  
as individual as you

2014  
TOP  
100  
FEE-ONLY  
WEALTH  
MANAGERS



An on-line publication by  
The Investment Committee

Chart 1

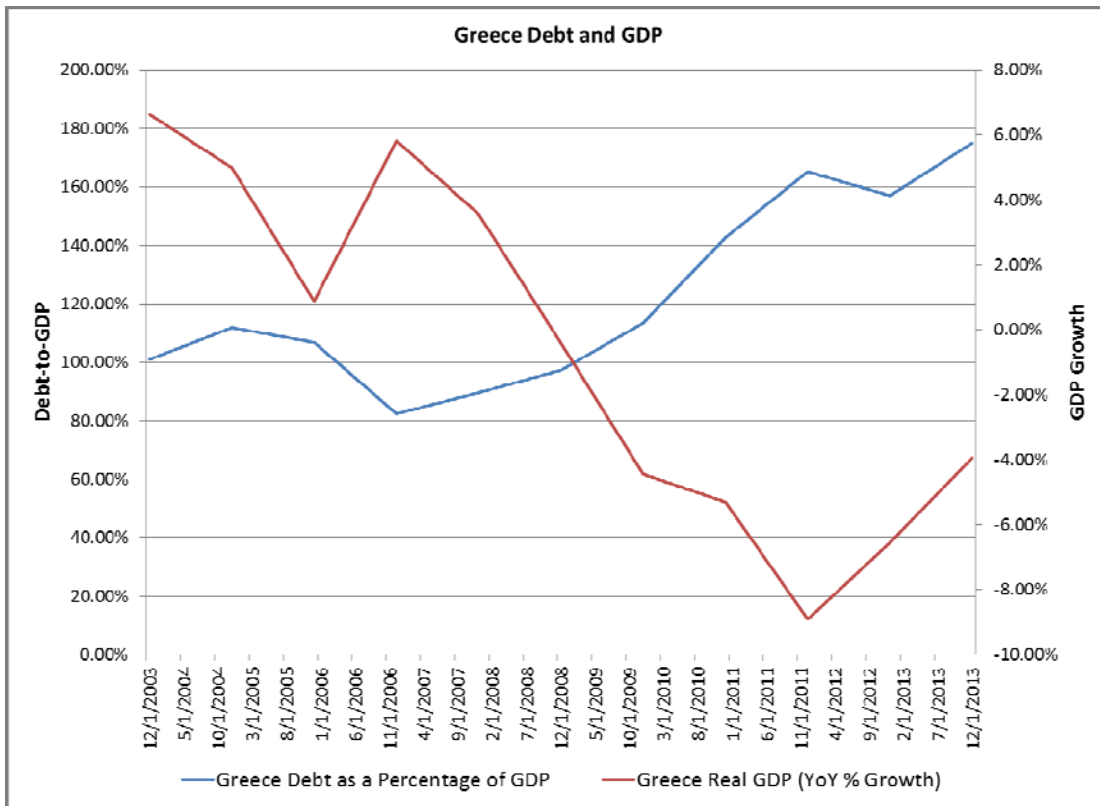
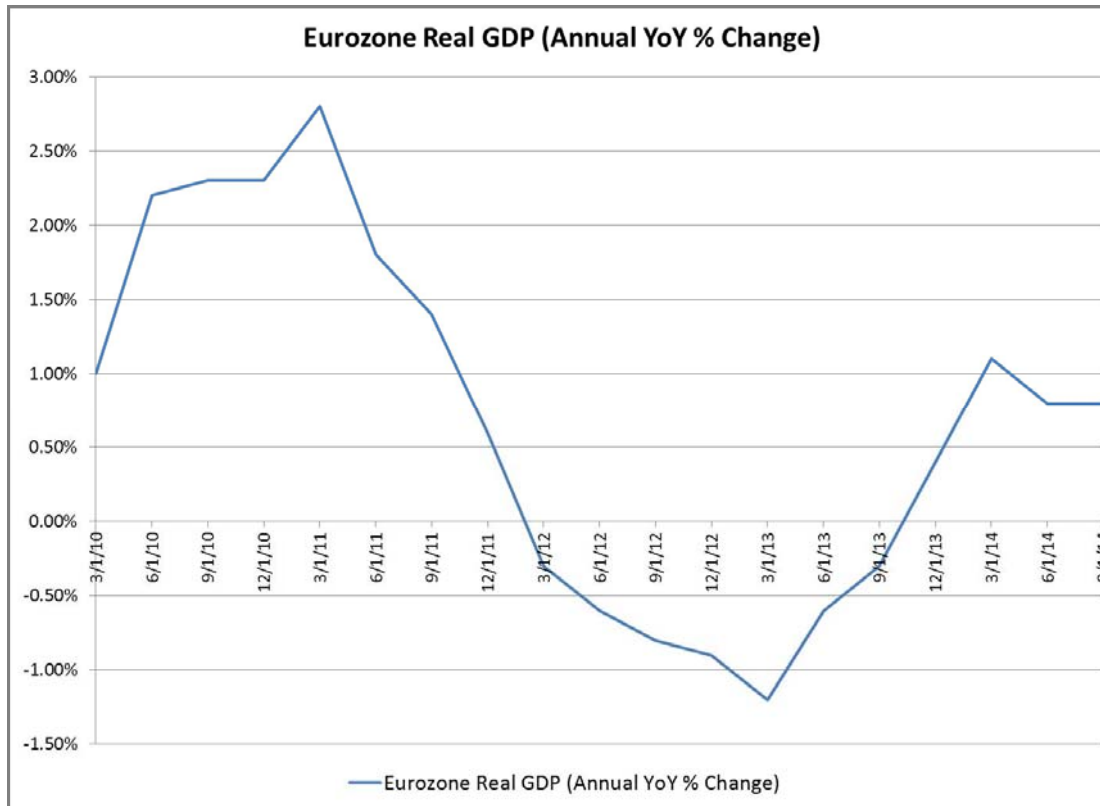


Chart 2



Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Valicenti Advisory Services, Inc.), or any non-investment related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from Valicenti Advisory Services, Inc. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. Valicenti Advisory Services, Inc. is neither a law firm nor a certified public accounting firm and no portion of the newsletter content should be construed as legal or accounting advice. A copy of the Valicenti Advisory Services, Inc.'s current written disclosure statement discussing our advisory services and fees is available for review upon request. Please Note: Fee-Based services. The Registrant provides investment advisory services on a fee basis. The Registrant does not receive any transaction/commission-based compensation for its investment advisory services. Rather, its only compensation is derived from fees paid to it by its clients as discussed on Part 2A of its written disclosure statement. However, because the Registrant is now affiliated with Valicenti Insurance, a NY insurance agency that is licensed to offer insurance products on a commission compensation basis, the Registrant cannot hold itself out as a "fee-only" advisory firm.