

# JUSTIN'S COMMENTARY

**SEVEN**   
Investment Management

Justin Urquhart Stewart is one of the most recognisable and trusted market commentators on television, radio and in the press. Originally trained as a lawyer he has observed the retail market industry for 30 years whilst in corporate banking and stockbroking, and has developed a unique understanding of the market's roles and benefits for the private investor.



**“DO NOT TRUST THE HORSE, TROJANS. WHATEVER IT IS, I FEAR THE GREEKS EVEN WHEN THEY BRING GIFTS”. VIRGIL’S AENEID, BOOK 2, 19 BC:**

So we finally come to what looks like the end of the poker game, and so far no one has blinked. One side bets that surely the other won't be so stupid and the other bets - well the same. If Greece defaults does this then become the next Lehman Brothers and all the tentacles of debt start to pull down the edifice of the Euro? Or has in fact most of the debt in reality been effectively written off by banks and other holders such that any such collateral damage (in this case quite literally collateral) will be minimised? Frankly there must come a stage when reality is faced with a single currency that if you are not going to play according to the rules then you will have to go. As it is the rules are pretty lax anyway with no real centrally controlled monetary or fiscal policy, so maybe this is the moment to get various parties to put up or shut up.

The potential default would create a major shock for the now 16 year old monetary union, but I would be astonished if the authorities had not already been creating contingency plans should nothing be agreed. There seems to be a distinct air of irritation at the methods of negotiation and frankly pretty confrontational behaviour, rhetoric and tactics. Whether the deliberate tweaking of the Eurozone leaders by visiting President Putin, or claiming progress with other leaders where frankly nothing was achieved, the result has been rising levels of annoyance.

One of the key problems for the ECB is of course contagion, in that if they are seen to be giving into one weaker nation, what is to stop any other member state electing an extremist party and demanding a similar bail out, support or assistance? By playing hardball it would at least (pour encourager les autres) mean that others considering the Greek route would be frightened by the imminent pain of banks running out of money and the country hitting a dramatic funding crisis where there would be quite literally no notes in the cash machines.

Just for the record here are some of the key facts. The Greek authorities are trying to find €2.4bn to pay pensions and civil servants' salaries this month. Thereafter it is scheduled to repay €203 million to the IMF by 1st May and a further €770 million on May 12th. Oh, and if that wasn't enough, a further €1.6 billion is due in June.

So what could the Greek government do? Well as I have mentioned before they could establish a parallel domestic currency (a Euro-lite or new Drachma) which would immediately devalue but at least provide a mechanism for day to day payments. However such an event needs careful planning and I doubt whether they have had the time to put such an alternative together. Potentially they could overprint the Euro notes with a Greek design in the short term but that would very likely be illegal as far as the ECB was concerned, but could be done. Either way it would mean a huge amount of financial and, I suspect, social disruption.

So this time there is no gift, there is no Trojan horse, so we should beware of Greeks bearing no gifts.

### Election headlines and headlights

One of the problems from the fixed term parliament and election is that companies, when concerned about what the election result might be, will have every excuse to delay taking decisions until the result is clearer (if it ever will be).

I picked up in the North West just before Christmas that various building projects appeared to be stalled or put on hold as companies held back on investment plans until after the election. Now Deloitte's 2015 CFO survey has shown that it is the election - ahead of deflation, emerging market issues and the Eurozone which troubles them the most. The survey covered 108 chief financial officers and showed that their risk appetite was weakening. Despite seeing a generally positive outlook, 63% of finance directors saw that the level of uncertainty was above normal - high - or very high! That was apparently the highest reading for two years, and were most concerned about post-election action being taken on regulation and taxation. To quote Deloitte: "on balance the expectation is that post-election changes will be negative for fiscal, monetary and labour market policies".

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**And finally...**A 'coup de grass' in France. A blind man has told a French court that it was he, not his guide dog, who bit a drug dealer selling him real grass rather than the stuff that gets you stoned.

"I bit him. My dog didn't do it. Guide dogs are not attack dogs," quoted the unnamed man as saying in the French newspaper Ouest France daily, who reported the story.

The 'lawn seller', as the newspaper dubbed the dealer, was sentenced to four months in jail for hitting the blind man. He will serve his jail sentence home with an electronic bracelet. The dog was not available for comment.

Now that couldn't happen in Shepherd Bush, as we may have grass but no sign of any lawns.

Have a good week.

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