



Frankly, I'm sick of hearing about the "European Crisis." In fact, this is just another media ploy to keep our eyes glued to the tube. Shocker, I know, but it is clearly working as the markets are trading in lock step with European news. The reality however, is that it we should all just forget about it.

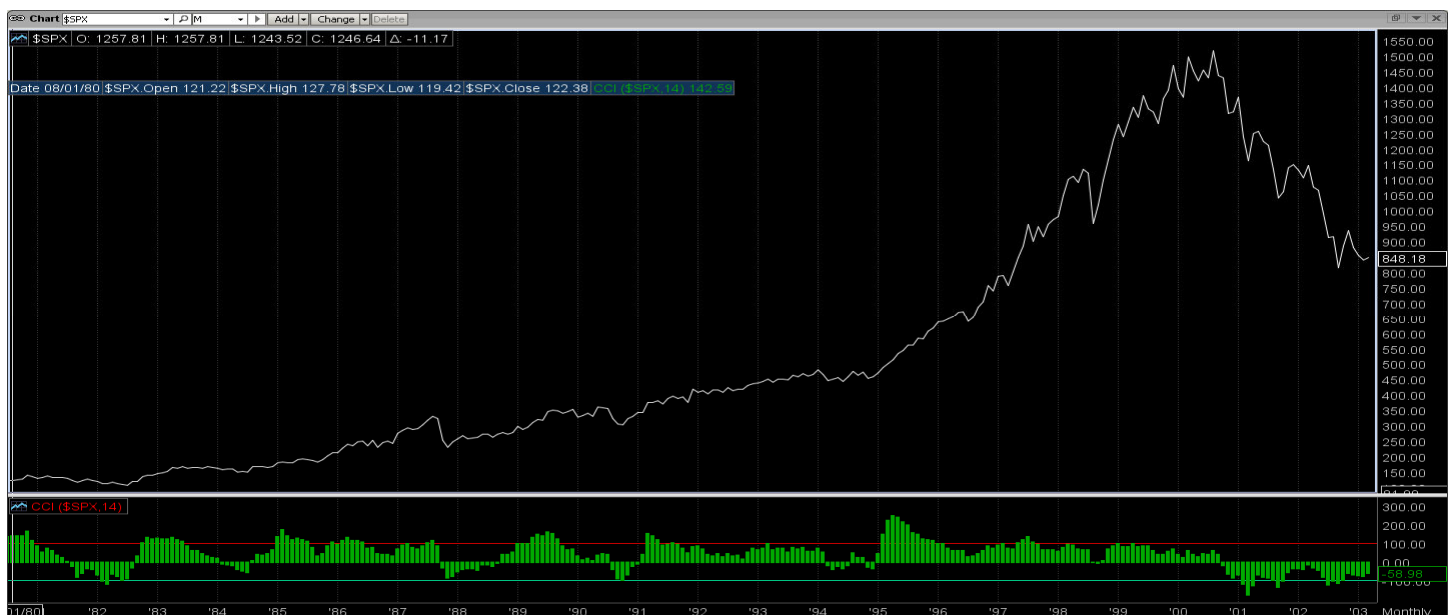
Now before anyone takes that last statement to mean that we find humor in the recent volatility, please believe me that we dislike it as much as you do. It puts everyone on nerve and definitely makes our day to day responsibilities more, shall we say interesting. But, our job, as purveyors of investment and financial advice is to keep your eyes on the traffic ahead, not what's happening in the lane right next to you. It is our job to steer you away from making decisions with a short term outlook.

So with that, let me share some information that may help put all this 'noise' into perspective.

- 1.) *"In 1981, the top 5 banks in the US were 263% exposed to South American countries that TOTALLY DEFAULTED! Zero! THANK GOD the word "contagion" had not been invented yet by some media Einstein. What happened next in the US? 20 year Stock market BOOM!" (Source: James Altchuer)*

For those of you that remember, or have read, about this crisis, or the currency crisis in the 1990's, you will remember that although it did cause short term 'panic', the markets worked through it quickly, and **LEFT THE U.S. IN A STRONGER POSITION**. Furthermore, our markets were among the best performers after such periods of dislocation. For those of you (specifically the countless authors of recent books) who don't see the U.S. maintaining our dominant economic position, I respectfully think you've bought the hype.

S&P 500 Index, 1980-2004, Source: MarketQ



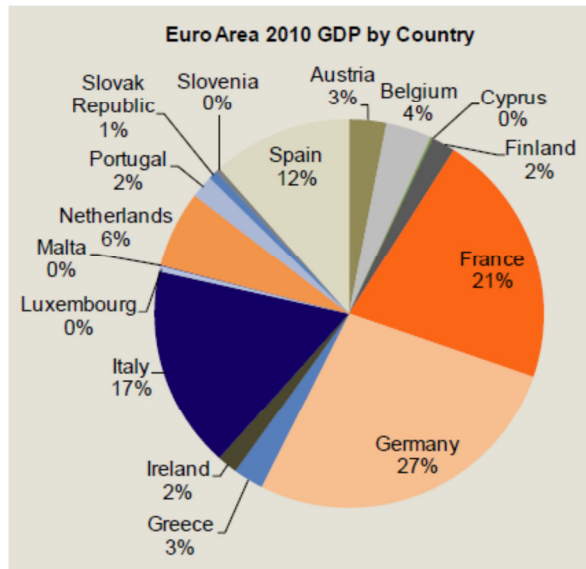
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- 2.) “So ok, what’s our exposure to not only Greece but let’s throw in Portugal, Spain, Ireland, Italy. Other than Ireland, all prior leaders of the world. Total exposure in the top 5 US banks? **8%** (**emphasis mine**) Glory Be! You know what this means……” (Source: James Altchuer)

It means it’s a non-event! The media is selling the bark, because the bite will most likely leave a scab, not a scar.

- 3.) Next, let’s look at the GDP (Gross Domestic Product) of Europe:

Euro Zone GDP



Greece makes up less than 3% of the euro zone GDP, but Italy and Spain are significant at 17% and 12% respectively.

Source: (ING Global Perspectives, 4Q 2011)

Greece, as a percentage of the Gross Domestic Product of the entire European Community, represents a whopping 3%. Absent being a tourist destination, making ouzo, growing olives, and inventing flaming cheese (absolutely delicious, but did they actually ‘invent’ this?) the world will survive with or without the Greek economy. That sounds cold, sorry. But really, all this stink over such a tiny skunk? Italy and Spain are the ‘bigger’ problem, and seems like we’ll be working through that mess next.

Here’s how I see this all playing out. I give a 50/50 chance of the Euro currency surviving at all, especially in its current state. If the European Union (i.e. Germany & France at this point) decides it is worth providing the poorer siblings (Italy, Spain, et. al) a temporary roof, then the only plausible alternative is to print money, AND I MEAN LOTS OF MONEY! Like \$2 to \$3 Trillion, with a T. Should be interesting to see if they can get that big rabbit out of a tiny hat.

Much like what we tried with TARP I, TARP II, twisting of the yield curve, and countless other fiscal and monetary endeavors, Europe will too. The effects of this will be a lower Euro against most other developed country currencies and a weaker export market for our manufactured goods and intellectual services; in addition to several more months of volatility. To be sure, at a minimum, our goods will be more expensive to those outside the U.S.

Let's end this musing the same way it started, **none of this will matter in the long-term**. The vast majority of the problem will reside within the borders of Europe, and any shock wave that hits our shores will be short lived. So, with that, to all you fans of travel, fine red wine, and European sports cars, you may find that in the not too distant future, your dreams may become an affordable reality!

Thank you again for your continued trust and allowing us to work on your behalf, we are infinitely thankful and grateful. Here's wishing you and your family a safe and relaxing Thanksgiving Holiday!

Also, be sure to follow us on twitter @nicholasbonn and feel free to pass our newsletter on to family, friends, and colleagues.

Sincerely,

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