



Touchbutton

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Greece is the word

The twists and turns of Greece's plight have been a significant distraction for markets this year, and as this is written the country continues to teeter on the brink of defaulting on its loans to creditors and being expelled from the eurozone. Whether it will survive or not is still too difficult to call, particularly when the leaders of Germany and France, the two most exposed countries to Greek debt, are quite rightly fighting to defend their own financial corners. But with the authorities making further reassurances that they will do all they can to protect the financial stability for Greek citizens, and both sides seemingly wanting Greece to remain a member of the euro area, then some deal will hopefully be struck soon.

What is the likely impact on stockmarkets? We expect stockmarkets to remain quite twitchy as the prospects of a satisfactory outcome wax and wane. However, these volatile conditions should allow the active stockpicker the opportunity to find cheap and attractive longer-term opportunities in a region where economic recovery is now gaining some solid momentum. It is reassuring, for example, that since the ECB began its Quantitative Easing programme earlier this year, European markets have largely detached themselves from the unfolding Greek saga, a sign that there is a deeper determination within markets to contain any contagion. Indeed, contagion risk is probably more psychological in nature than real: a Grexit in isolation is too small to derail the nascent recovery in Europe, and in the USA too, latest economic data point to accelerating growth.

This current bout of turbulence is not prompting us to make any changes in our asset allocation. In due course investors will refocus on the more positive aspects of the wider eurozone's economic revival and the generally benign outlook for world markets.

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