



## Greek Debt Crisis – CIBC Asset Management Portfolio Manager Views

Following the Greeks' resounding "No" vote against conditions proposed by creditors, we asked CIBC Asset Management portfolio managers for reaction to the current situation and what they are watching for next.



### Asset Allocation & Currency

**Vincent Lépine**

*Vice President, Global Asset Allocation & Currency*

- The "No" victory at Sunday's referendum was unexpected, implying that the risks relating to Greece will remain present and will continue to get a lot of media attention. The end result will likely be higher short-term financial market volatility.
- Fundamentally, however, the situation has not changed. Greece's negotiating position is difficult since it does not have the same negotiating 'leverage' it had in 2011/2012 when the eurozone was much more vulnerable to a Greek default and/or an exit from the European Union.
- How Europe and Greece decide to manage this process will continue to be the subject of intense and recurring negotiations over the coming months and years.
- We continue to believe that this process will remain within the context of the European Union as opposed to outside of it—that is, we do not anticipate a "Grexit" in our main scenario.



### Equities

**Stephen Carlin**

*Managing Director, Equities*

- This raises a number of uncertainties relating to next steps for Greek debt restructuring. The process will require political willpower on both sides to find some middle ground.
- We do not believe that Europe wants to see a "Grexit". The key will be just how far the two sides are from common ground and whether the troika ([European Commission](#), [European Central Bank](#), [International Monetary Fund](#)) remains comfortable with the concept of revised terms and conditions.
- Early signals will emanate from the European Central Bank (ECB) regarding whether it agrees to continue to provide the emergency funding necessary to allow Greek banks to re-open in the next couple of days.
- Markets in Europe today are down modestly, as some of this news is already reflected in stock prices. More importantly, the reaction is somewhat muted as there remains optimism that a revised deal can be found. Should negotiations fail to find common ground, we will expect further market weakness and central bank intervention.
- The ECB has tools in place to manage through the volatility; however, in the short run, we expect this will continue to place pressure on the euro and strengthen the U.S. dollar.



- U.S.-dollar-denominated commodities today are weaker, as expected.
- North American markets are less exposed to the Greek news; however, we recognize a modest level of volatility will arise from the uncertainty. On stock price weakness, there will be buying opportunities.



## Fixed Income

**Jeffrey Waldman**

*Managing Director, Global Fixed Income*

- Developments in Europe have triggered a safe-haven bid for North American bonds.
- North American bond markets have benefitted from the uncertainty in Europe as a result of the referendum result.
- The uncertainty in Europe has resulted in underperforming bond markets in Portugal, Italy and Spain. We will continue to monitor these markets for indications of any contagion.
- Government of Canada bonds are modestly outperforming other bond sectors, which is typical when there is a safe-haven bid.

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