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ViewPoint

All Eyes on Europe, Still.

Europe's debt crisis is playing out like dominos falling in slow motion. Stock markets around the globe rose in October as investors gave a sigh of relief over the Greek debt crisis. In November, attention has turned to Italy. Meanwhile, the U.S. economy continues to slowly gain momentum.


The Greek rescue plan consists of three major actions. First, Greece will immediately have new leaders. Second, bondholders of Greek debt are voluntarily accepting a 50 percent haircut. Third, the European Union is providing capital to banks to keep them from failing.



As the fourth largest borrower in the world, Italy relies on low rates to roll over its debt. However, this month a lack of buying interest in Italian bonds sent the cost of borrowing higher for that country. Nevertheless, **Italy is in a better economic situation than Greece.** Italy's economy is actually growing and its debt is lower when compared to the size of its economy.

To improve the situation in Italy and Europe, politicians need to come together and work on credible solutions. Interest rates on debt will also have to stay at sustainable levels so that these governments will have time to implement whatever solutions they can agree upon.

The United States has its own debt concerns. By Thanksgiving the budget "Super Committee" should have a solution. **While any agreement would be positive, the lack of a deal would not be as dangerous as the potential default from last summer. Without an agreement confidence may suffer.**

The U.S. recovery is underway. The labor market is improving. Consumers are spending more. What investors need now is for politicians to work together with patience for the good of the country. **It would also help Americans if Europe could avoid a severe recession and a disruptive breakup of the European Union.** Of course, there are no guarantees. 

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