

## Puppy Dogs and Rainbows for the Summer of 2011 - 06/30/2011

Well, the near collapse of the global financial system has been averted after many sleepless June nights! Syntagma square has firmly cemented its place in modern financial history, and the Greek people are now resigned to their plight of lower wealth and lower income as the public sector Ponzi scheme shuts down. As time goes on, and the asset sales begin, the Greeks will become more and more disenfranchised with the European project - and a movement to leave the EU will surely develop. If the transfer payments from the north are large enough, this movement will die, but if not, the Greeks will surely leave and Syntagma square will once again unleash its wrath on the global financial system. That of course is not a trade for 2011 as we have been saying all along. It's going to be a painful period for the Greece, but there is a chance (as I mentioned yesterday) that we are seeing something VERY positive for financial markets - the beginning of a teardown of one of the last vestiges of communism in the western world.

As for markets, we have maintained that the risk off moves in June were 99% about Greece. With the dust settled, we are now HIGHER in 5 year yields for the month of June and spoos are down less than 2% after being down over 7%. Hang on tight in July because there is NO Treasury short base, and a ton of risk assets have been dumped! As we price out the global Armageddon trade, and watch the temporary Japanese supply disruptions work their way OUT of the global economic data, it will get very sloppy out there. Get those "risk on" positions back on.....fast!!! Good luck trading.