



Global Views

Goodman on the Quarterly List

Michael Goodman,
Senior Global Markets Analyst

Penserra Securities LLC
20 Broad Street
New York, NY 10005
+800.456.8850

156 Diablo Road
Danville CA 94526
+925.594-5000

Contact:

U.S. Equity Sales & Trading
Robert Goddard | +925.594-5002
robert.goddard@penserra.com

Fixed Income Capital Markets
Ed Prado | +866.651.8947
ed.prado@penserra.com

Global Equity Trading
Jason Valdez | +800.456.8850
jason.valdez@penserra.com

10, 9, 8...

Another quarter has come and gone, and while the financial world waits with bated breath for mostly made up (pardon me, I mean aggressively accounted) earnings statements, we here at Global Views have decided to take a step back and look at the big picture. And what better way to look at the big picture than by making a list? So, in what will be the first of a series here at Global Views, we humbly present our Quarterly List. As each quarter kicks off we'll give you a list of the ten most important somethings in the world. For our inaugural edition we'll keep it simple, 10 most important countries to the world economy. So, without further ado, let's get to it, Letterman style.

10. Saudi Arabia/U.A.E./Qatar/Kuwait

The first entry of the first list and I'm already breaking my own rules. Well, it's my party and I'll group countries together if I want to. It doesn't take a genius to fire out it's all about the oil. The ongoing financial crisis has pushed the Arab Spring (which I like to think of as the Artist Formerly Known as the Jasmine Revolution) right off the front page, but even with the war in Libya kind of, more or less, unless you squint real hard at it, resolved there is still more than enough unrest to go around. While the current

chapter is centered in Syria and Yemen, and the major oil producers have remained largely insulated, thanks to their ability to throw money at unhappy people, if that were to change, and the civil unrest were to once again spread, well, you might want to make really good friends with somebody who owns a Prius.

9. France

Something feels right about France being important only by default. Their economy is strong enough that they aren't in danger of rapidly increasing sovereign debt borrowing costs submarining them. At the same time, they aren't Germany so they would probably benefit from E.U. expenditures to bail out Greece, backstop Italy and France and generally shore up European stability. But, to date they have not vocally taken that stance. In fact, if anything, they have capitulated to Germany and surrendered to Germany's hard line desires. I guess it's comforting to know that some things never change.

8. U.K.

The first big test case for austerity now has unemployment at 17 year highs and no growth in sight. But gosh darn it they are going to keep trying. Cameron and the conservatives are going to keep cutting away until they hit the bottom of the V and

Disclaimer All materials are provided for information purposes only and should not be used or construed as an offer to sell, a solicitation of an offer to buy, or a recommendation for any security. Penserra Securities LLC is not responsible for gains/losses that may result in the trading of these securities. All information is believed to be obtained from reliable sources, but there is no guarantee that the information supplied is accurate, complete or timely. There is no guarantee or warranty with regard to the results obtained from its use. There is no guarantee of suitability or potential value of any particular investment or information source. You acknowledge that your requests for this information are unsolicited and shall neither constitute nor be considered investment advice. Past performance is not an indication of future performance. Investors are encouraged to consult a registered broker or investment adviser before making any investment decisions. The interpretations and opinions expressed herein are solely those of the author and not of Penserra Securities LLC as an organization. Member: SIPC, FINRA.

come roaring back. Of course, who knows how far down the bottom is and how strong that V will really be.

7. EU Fringe

For that whacky 48 hour period when it looked like Slovakia was going to torpedo the world it became quite apparent how important all those little Eastern Europe type countries that almost nobody in American can tell apart are. In the Euro Zone all 17 nations on the Euro must approve any European Central Bank actions. Given that the Euro is being held together by spit, twine, and duct tape, the fact that a minority member of a governing coalition of a country with less than 6 million people makes a lot of previously ignored countries very very important.

6. Brazil/Russia/India

Those BRICs better keep buying stuff. Nobody else is.

5. Spain/Italy

If you are going to be debt crisis collateral damage then you might as well be a beautiful country on the Mediterranean. Both countries had reasonably robust economies before the Greek time bomb started ticking. Sure, Spain was dealing with a downturn in capital inflows and Italy was turning over lots of debt but neither of them was in anything resembling a precarious position - in fact Italy was actually running a surplus. Then Greece happened and all European sovereign borrowing costs shot up (yes Germany I know yours didn't, do you want a cookie? We'll get to you soon enough). Contagion folks, it ain't just a Matt Damon movie that sort of reminds me of Outbreak. Now Italy and Spain are looking suspiciously like dominos cowering behind Greece.

4. China

China is scary. They manipulate currency (more or less). They torture whoever they feel like (allegedly). They sell guns to people we don't like (we claim), and they have lots and lots and lots of people. Imagine how scary they'd be if we actually knew anything about them, or about what they were planning to do.

3. United States

We all know all the depressing, lack of growth, high unemployment, blame game stuff going on. What we don't know is how exposed the U.S. financial system is to Europe. And that great unknown is why there are two countries more important than the country that used to be the consumer of last resort for the rest of the world.

2. Germany

Somebody smart and funny once said, "There are two things every German knows about, football and the inflation rate." Obviously German's have good reason for hating inflation. But, that's the fundamental reason why the world hangs on Greece's every move. Any action which would effectively confront the crisis carries too big a price tag to be politically feasible in Germany. Even if they wanted to throw enough money at the problem to bail out Greece, recapitalize the European banking system and backstop the next at risk economies, it will never get through the government. It's the whole problem with the Euro in a nutshell.

1. Greece

Beware of Greeks bearing gifts. They managed to Trojan Horse the world again, this time by smuggling bonds they can't possibly repay into the world's financial system. It'd be funny if it wasn't so tragic. But then again, I guess that's Greek too.
