

The Greek Default: A Never-Ending Story

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Summary

- Greece has avoided default. Again. For now.
- The June and July debt repayments are too high to be repaid without a financial injection from the Eurozone partners.
- A deal with the Eurozone partners as well as the Greek bankruptcy represent an investment opportunity, only the time horizons differ significantly.

Greece hasn't defaulted. Yet. Although it had to use [€650 million](#) from its escrow account held at the IMF, they managed to repay €750 million to IMF. Although the Greek government [said](#) that it will face bankruptcy in two weeks without a bailout deal with its Eurozone partners, it is questionable how serious the risk of default really is, as Greece tries to unnerve its partners periodically. This is at least the fourth or fifth bankruptcy date "promised" by Greece over the last three months. None of them came to any fruition as Greece always managed to pay its obligations somehow.

The Greek share market represented by the Global X FTSE Greece 20 ETF (NYSEARCA:[GREK](#)) has bounced from its April lows as the investors expect that a deal will be finally done and Eurozone and IMF will release the €7.2 billion tranche of the bailout package. But the deal hasn't been reached yet, due to the insufficient reform efforts of the new Greek government. The GREK share price has a lot of room to grow if a deal is reached. On the other hand, it will crash hard if Greece defaults.

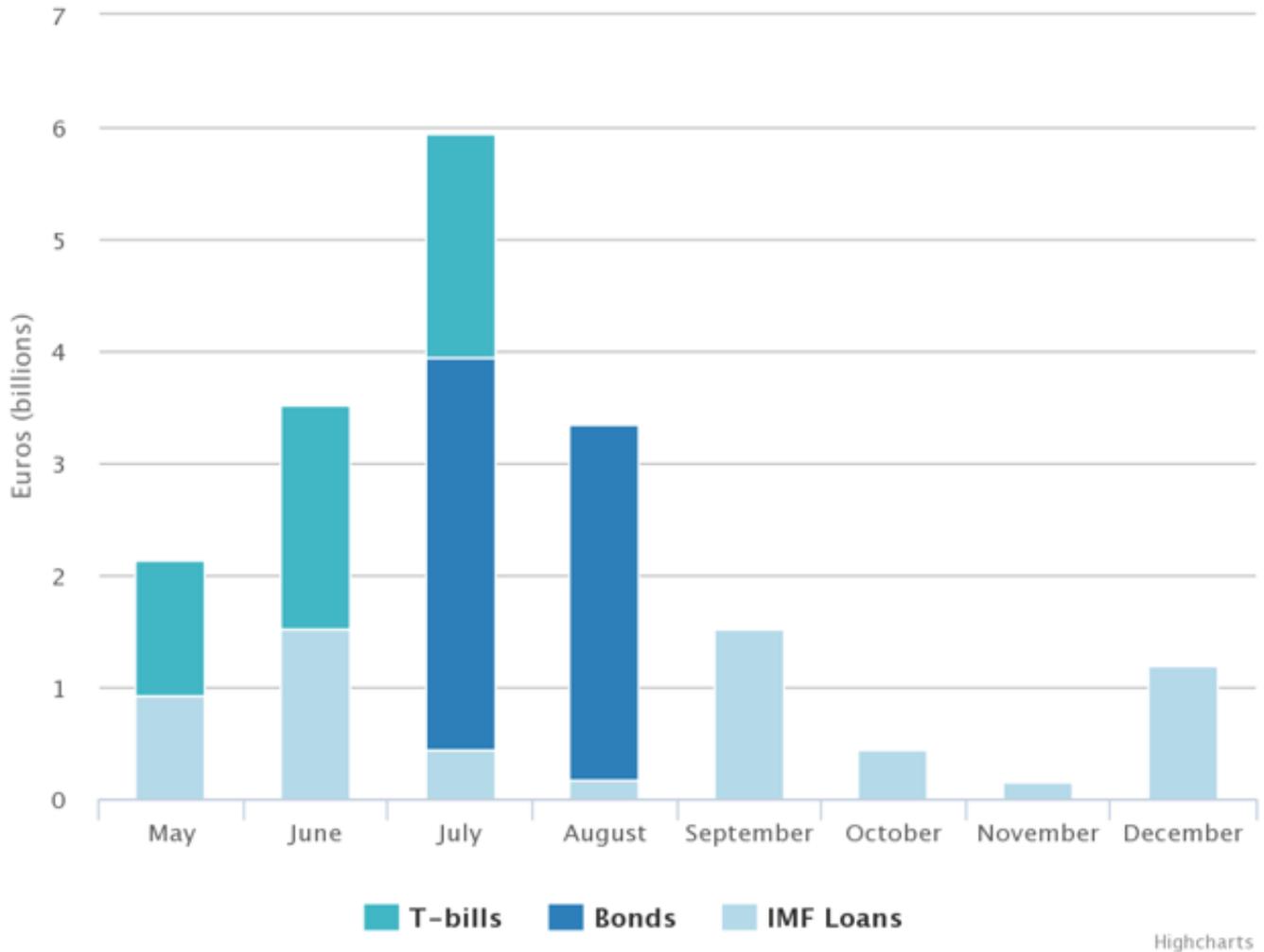


Greece will have to pay approximately €1.5 billion to IMF in June. It will have to repay €3.5 billion to its bondholders in July and in August. Moreover, Greece will have to repay T-Bills worth approximately €1.5 billion in June as well as in July. I doubt that Greece will be able to make the June payments without a cash injection from its Eurozone partners.

(click to enlarge)

The Greek cash crunch

Sources: IMF, Datastream

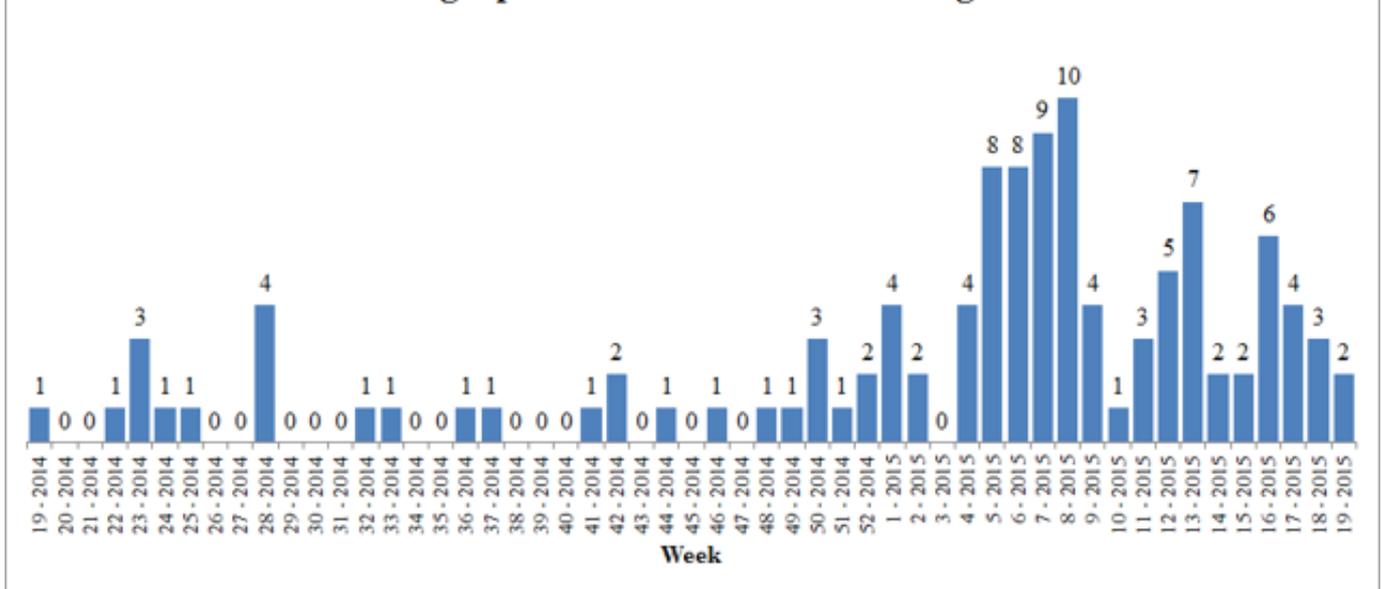


An unconventional look at the Greek crisis

We can follow the development of the Greek "default story" also via the SeekingAlpha coverage. The chart below shows the weekly count of SeekingAlpha Greece-related articles in the "Breaking News" section over the last 52 weeks. As we can see, the number of articles started to grow in December 2014 and it peaked during February (the 5th, 6th, 7th and 8th week) 2015, when there was more than one Greece-related "Breaking News" article per day. It seems that the topic is slightly less popular lately, although the numbers are still significantly higher compared to 2014.

(click to enlarge)

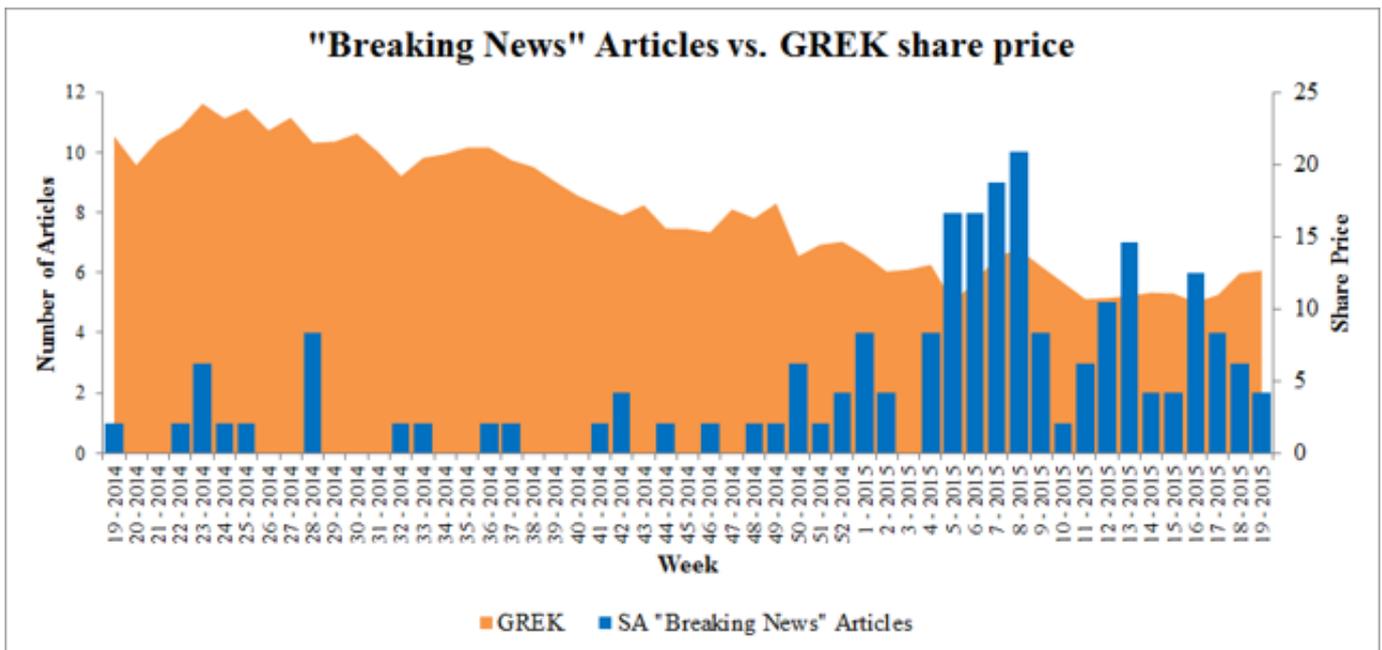
Number of SeekingAlpha Greece-related "Breaking News" Articles



Source: Own processing

What is more interesting is the relation between the coverage of the Greek topic and the development of the GREK share price (chart below). The chart shows that although the coverage started to intensify in December 2014, the GREK share price started to decline in June 2014 and most of the decline occurred before December 2014. In other words, the Greek share market was flying (in this case diving) under the radar. We can also expect that the number of articles will decline significantly, as the situation around Greece calms down and the GREK share price growth will take place under the radars, just like its decline did.

(click to enlarge)



Source: Own processing

Conclusion

It is expected that "the Greek question" will be resolved in the coming weeks. Similar expectations are on the table for more than two months, with no results so far, but this time it is really different. The June and July debt repayments are simply too high and the situation will be resolved by the summer. In one way or another. [As I wrote](#) back in April, if there will be a deal, GREK will start to grow rapidly and it has potential to double in a couple of months. On the other hand if there is no deal, in other words, if Greece goes bankrupt, there will be a panic selling and GREK valuation will decline significantly. But this decline will mean a significant investment opportunity for

patient long-term investors.