Northern Trust | Wayne Bowers: The Greek Odyssey Continues

As the Greek crisis continues, we'll look at the volatility the situation has caused in markets, the best case scenario from yesterday's referendum result, and what this may mean for investors. With a decisive no vote from the Greek referendum comes more political and economic uncertainty. Yes, markets are reacting to the continuing drama from Athens overnight, but we did see market prices last week prepare for the reduction in clarity caused by either result.

Today, European stock markets have fallen, but the major indices are still higher than they were at the start of the year. And again, volatility has also been seen in European bond markets, especially with eurozone periphery countries. But this has not been as dramatic as last week's changes. And finally, the euro, currently down against the dollar, but still trading above its 52-week low.

The referendum has made it clear to the Greek government that they have a mandate to reject further austerity measures which were being asked for by its creditors. This scenario takes all institutions and investors into uncharted territory.

But it's important to consider that the threat of contagion is lessened by the fact that the European economy is on a much stronger economic footing than it was in the initial financial crisis. And broader political will in the region seems to be unified. With further discussion happening today and tomorrow between the leaders and finance ministers of the eurozone, we would expect a coordinated and strong response to any new proposals made by Greece.

A pledge made by the Greek government was to open banks on Tuesday. So the ECB's actions in the next 24 hours are vital for this to occur, whilst remembering a continuation of capital controls will need to be maintained for the foreseeable future. In coming days, the focus for both negotiating parties will be on establishing common ground to identify if there is a political will to keep Greece in the eurozone family.

Further down the road, new negotiations and a high probability deal would need to include a form of debt restructuring to ensure sustainability of Greece's overall liabilities. The days ahead are fraught with tough negotiations and multiple outcomes, remembering that the Greek government has been reinforced with a clear mandate from the people, versus a group of creditors short on patience. We would expect the creditors to maintain support for Europe's broader continued economic repair, albeit a toxic mix for Greece.

We suggest that forward-looking investors will still focus on longer-term macro country risks for wider Europe, versus the short-term volatility caused by current events. It's important to consider the Greek economy is only a very small proportion of the total eurozone GDP, whilst the wider Europe maintains a positive growth picture, as evidenced by the most recent PMI report. If the ECB's QE program is enlarged or accelerated for broader Europe, this will undoubtedly support risk asset valuations. Remember, short term worries can mask the longer term picture.