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Today's decline in market values, and particularly in the financial sector, has to reflect more than new employment data. I'm thinking that market participants are coming to see that the risk of at least one sovereign debt default is higher than previously thought. A realistic assessment of the risks and potential impacts on the Euro, world economic activity, and the financial sector is sobering.

I believe the probability of at least one sovereign default is disturbingly high, and the financial sector will be hard hit if one or more sovereign defaults materialize. Bailouts will only postpone the day of reckoning, and a delayed reckoning will be more difficult.

We'll be lucky if that is all we see. Multiple defaults are not out of the question, and the riots in Greece show how difficult it is to cut government spending. Any social disturbances will only increase the economic pain and delay the ultimate recovery. Multiple defaults too will exacerbate the economic problems.