



Brexit and you

Clearly the world is experiencing tension on a number of fronts. World financial markets are stretched, social tensions are increasing and political uncertainty is on the rise. The recent developments in the United Kingdom, colloquially referred to as Brexit (i.e. the British public voting in favour of Britain exiting the European Union) is only the first in a series of significant political re-adjustments that may occur, globally.

The initial polls on Brexit suggested that Britain would remain in the European Union. The market expected that sanity would prevail, but the people of Britain proved it wrong - 52% of the votes were in favour of a Brexit.

The strong returns from the European markets during recent weeks suggest that the market expected that Britain would remain in the European Union. The final result was therefore unexpected and negative for markets worldwide. Earlier today the Nikkei was down by 8%. The S&P 500 futures lost 4% and locally the JSE All Share Index opened 5% lower. There was a flight to safe assets such as the US Dollar and Gold. Initially the Rand weakened to 15.60 versus the Dollar but recovered to 14.88 earlier this afternoon. The Pound depreciated against most currencies.

The short-term implications of a vote to leave include: significant market turbulence, a weakening Pound, less M&A activity and a general flight to quality assets. It is however difficult to quantify the full extent of Brexit.

The exit is very complex and a highly technical process that can take up to 10 years to implement. When originally negotiated and agreed, the rules around a European member's exit were intentionally made complex to discourage a break-up of the Euro Zone. Exiting the Euro

Zone is therefore not an immediate process and how this is actually going to occur will only become clear within the next year or so. It is therefore difficult to ascertain the impact on both the British economy as well as the global economy.

Central Banks across the globe will try to stabilise financial markets. The Bank of England already communicated prior to the referendum that they would do whatever was necessary to ensure both financial stability as well as economic stability post the vote.

In these volatile times we wish to remind all our clients and stakeholders: Stay calm - investing was never designed to be easy nor a short term activity. We will continue to monitor the political-, economic- and financial- environments and will manage our clients' assets in a prudent and well thought through manner, as we always do.

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