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POST EU REFERENDUM COMMENT

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Whichever way you voted, 23 June 2016 will be remembered as a momentous day in the history of not only the UK, but also Europe and beyond. After months of uncertainty and market volatility, the people of the UK voted to leave the European Union (EU) by 51.9% to 48.1%, after 43 years of membership.

The decision inevitably brings some uncertainty and confusion to the markets, sterling and the political landscape. Events will continue to unfold at a rapid rate. What is unclear is how long that uncertainty and confusion will continue.

IMMEDIATE REACTION

The UK's vote to exit the EU sent shockwaves through financial markets. After a week of positivity in the markets, the outcome came as a surprise to the City, which clearly expected a Remain vote.

David Cameron, who campaigned ardently for the UK to remain in the EU, announced that he will stand down as Prime Minister by October, following the election of a new Conservative party leader. The Prime Minister has said that Article 50, the formal request from the UK to leave the EU, will be activated when his successor is in situ, triggering two years of formal exit talks. However President of the European Parliament, Martin Schulz has suggested that the UK should begin negotiations imminently.

What is clear is that voter turnout was high – 72.2%. What's also apparent is the huge regional and generational divide. Voters in Scotland and Northern Ireland resoundingly chose to remain in the EU, the breakup of the UK is a distinct possibility with Scotland expected to hold another independence referendum. Whoever the new Prime Minister is, they face an immense challenge to reunite the country.

The focus for investors is now on the short and long-term macro implications.

STERLING AND THE MARKETS

The morning after the vote the FTSE 100 index tumbled 8.7%, paring back some of the losses later, following reassurance from the Bank of England with Mark Carney pledging to do whatever it takes to protect Britain from financial crisis. It closed on Friday 3.15% lower at 6138.69.

Equities across the globe also fell sharply, while perceived safe haven assets – including gold – rallied. Sterling fell against its major trading currencies to touch a 31-year low, but recovered from the initial shock, the pound bouncing back 4 cents against the dollar to $1.3642.

International ratings agency Moody's downgraded Britain's creditworthiness from stable to negative.

EUROPEAN IMPLICATIONS

Brexit brings serious implications for the EU itself. Brussels has demanded that the UK start talks to leave the EU immediately, but the 'Leave' camp are resisting Brussels' call to go quickly. With the EU increasingly concerned about the potential spread of contagion to mainland Europe, meetings and discussions will be ongoing over the coming weeks and months.

INTERVENTION OF POLICY MAKERS

The Bank of England's statement offering liquidity and determination to ensure financial stability, helped soothe the markets. The reaction of central banks and policy makers will be instrumental in limiting the downside and calming fears over the economy.

THE BOTTOM LINE

With the result undoubtedly a surprise for the markets, we find ourselves in unchartered territory. What 'leave' really looks like is still unknown. The UK faces an extended period of uncertainty and market volatility, during which time it is important to maintain investment focus.

We remain composed and professional and will continue our considered, measured approach to carefully navigate these challenging investment conditions.

Volatility is an inevitable part of investing. Movements can be extreme and it is natural to feel concerned about the investment climate. It is essential to consider longer-term timescales instead of focussing too closely on short-term volatility. However concerning market fluctuations may be, it's important to remember that we have jointly worked hard to formulate a financial plan which is in-line with your own personal requirements and will continue to do so.

Financial advice is obviously key, so please don't hesitate to get in contact with any questions or concerns you may have.

WHAT THEY SAID AFTER THE BREXIT POLL

"We urge the authorities in the U.K. and Europe to work collaboratively to ensure a smooth transition to a new economic relationship between the UK and the EU, including by clarifying the procedures and broad objectives that will guide the process. We strongly support commitments of the Bank of England and the European Central Bank to supply liquidity to the banking system and curtail excess financial volatility. We will continue to monitor developments closely and stand ready to support our members as needed."

Christine Lagarde,
Managing Director, International Monetary Fund

24/6/16

"It will take some time for the United Kingdom to establish new relationships with Europe and the rest of the world. Some market and economic volatility can be expected as this process unfolds. But we are well prepared for this. The Treasury and the Bank of England have engaged in extensive contingency planning and the Chancellor and I have been in close contact, including through the night and this morning. The Bank will not hesitate to take additional measures as required as those markets adjust and the UK economy moves forward. These adjustments will be supported by a resilient UK financial system."

Mark Carney,
Governor, Bank of England

24/6/16

"To those who may be anxious, whether at home or abroad, this does not mean that the United Kingdom will be in any way less united, nor indeed does it mean that it will be any less European – that this decision involves pulling up a drawbridge or some sort of isolationism. I think the opposite is true. We cannot turn our backs on Europe. We are part of Europe. We can find our voice in the world again, a voice that is commensurate with the fifth-biggest economy on Earth. I believe we now have a glorious opportunity. We can pass our laws and set our taxes entirely according to the needs of the UK economy."

Boris Johnson MP,
Vote Leave campaign

24/6/16

"I still believe that our country is better off within the European Union, but there is no doubt that London will continue to be the successful city it is today. Our city and our country will continue to be the best place in the world to do business. And we will continue to look outwards and trade and engage with the entire world, including the European Union. Although we will be outside the EU, it is crucial that we remain part of the single market. Leaving the single market of 500 million people – with its free-trade benefits – would be a mistake. I will be pushing the Government to ensure this is the cornerstone of the negotiations with the EU."

Sadiq Khan,
Mayor of London

24/6/16

"We are carefully monitoring developments in global financial markets, in cooperation with other central banks, following the results of the U.K. referendum on membership in the European Union. The Federal Reserve is prepared to provide dollar liquidity through its existing swap lines with central banks, as necessary, to address pressures in global funding markets, which could have adverse implications for the U.S. economy."

The Federal Reserve

24/6/16