

Brexit – The fallout



Global shares made positive gains today (Tuesday) after Britain's decision to leave the EU sparked a two-day sell off. The reality is that it will be late 2018, at the earliest, before the UK could legally exit, and it could in fact be considerably later than that. Already Boris Johnson has stated that there is no rush to exit, in hindsight he may have never expected this to happen. More than likely there will be a general election in the UK due to the change in leadership with Cameron's exit. With a new government elected who would bet against a fresh referendum on the UK exit once the ramifications of last week's vote filter through over the coming months?

Longer-term

It would be foolish to think that financial analysts or so called financial experts have any greater insight into the implications of Brexit than the majority of individuals. But, for what it's worth, my personal view is that the UK and EU will find a compromise, most likely work out their differences and end up trading as before. After all, there's nothing to gain by either side in damaging trade. The EU needs to trade with the UK as much as the UK needs the EU.

Market turbulence

Volatility in the markets is going to be a factor for the foreseeable future until some clarity on the direction the UK exit from the EU will take. Due to the uncertainty it causes in the short-term it is logical to conclude that UK business investment could slow further and consumer spending decline. A recession in the UK is a high probability. It is reasonable to conclude that any recession is likely to be modest and short-lived. The decline in sterling gives the UK economy some necessary flexibility on the export side and should improve its trade position (which is currently in a deficit).

The impact on Ireland

The real issue from an Irish viewpoint is the direct impact on our exports to the UK and how Brexit will affect the border area and foreign investment North and South of the island of Ireland. The implications of last week's vote from an Irish perspective won't be known most probably until 2017 or 2018 at the earliest but knee jerk reactions by investors are ill advised.

Looking through the eyes of an investor does Brexit really matter? Undoubtedly, yes, in the short-term but questionable in the medium to long-term.

Historically there have been many difficult times in economies, whether the cause was recession, inflation, technological change, war or natural disasters. It's doubtful that Brexit will rank on these levels. Yes, there will be a short-term negative effect but life goes on. From an investment perspective, I would reiterate the core ethos of a **diversified portfolio**. A multi-asset approach to investing can help lower the volatility of returns over time while giving the potential for growth.



Warning: The value of your investment may go down as well as up. You may lose some or all of the money you invest depending on the level or risk involved. Past performance is not a reliable guide to future performance. Investments denominated in a currency other than your base currency may be affected by changes in currency exchange rates.



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