Foster Victor
WEALTH ADVISORS

Brexit: The Only Certainty is Uncertainty
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Last Thursday night the UK voted to leave the European Union. The polls leading up to the vote were very close, but the general consensus was that the UK would ultimately vote to stay. Because of this general opinion, the Dow rose 230.24 points on Thursday and the S&P 500 rose 27.87 points. On Friday, after it was announced the UK had voted to leave, the Dow dropped 611 points and the S&P 500 lost 75.91 points.

What will the market reaction be going forward? Historically, with big economic news like this, the initial market reaction is overreaction. We only have to look back in time to last Thursday and Friday to see this overreaction (Dow shoots up 230 points on news deemed as positive, then Dow drops 611 points on news deemed as negative).

These are unchartered waters for the UK and the EU. It will be a while before this move can be classified as a positive or a negative. According to the EU rules, the UK has two years to negotiate their exit. A big part of these negotiations will be trade treaties with other countries. Some economists believe that there is a scenario where it will take longer than two years for the UK to negotiate their exit, and then extra time will only be allowed if all 27 EU states agree. In this two-year time period there will be other, fresher, economic news that will impact market movement.

How does this affect my plan? One thing we cannot control is the daily movement of the stock market. Two things we can control: having a true, written financial plan and having a strategy to manage your portfolio.

Your financial plan, and overall portfolio, was built with your overall goals in mind. The allocation of your portfolio was built based on two things: what allocation gives us the best chance at giving us the returns needed to meet your goals, and how can we reach this return by taking the least amount of risk. Our philosophy and strategy is to stick to math, stick to an equation of actively managing your portfolio by buying assets that are low and selling assets that are high. We look at these market swings as OPPORTUNTIES to buy assets that are on sale.

I came across two quotes by Warren Buffett that I think are very relevant:

“Wild swings in share prices have more to do with ‘lemming-like’ behavior of institutional investors than with the aggregate returns of the company they own.”

“Be fearful when others are greedy, and greedy only when others are fearful.”

Please feel free to reach out to us if you have any additional questions or concerns. We really appreciate your trust in us, and we do not take it for granted.

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