DT Dewhurst Torevell

EU Referendum

Yesterday a majority of voters opted to leave the European Union.

By a quirk of fate, the official result of the EU referendum was announced at Manchester Town Hall, a few hundred yards from our office. The final result was 51.9% to leave and 48.1% to remain, a majority of around 1.3 million votes or 4% for the leave campaign. There were significant regional differences. London, Manchester, Leeds and Liverpool voted to remain as did the majority of voters in Scotland and Northern Ireland but large areas of the UK voted overwhelmingly to leave.

The implications of the decision will not be known for some time, but the result has taken investment markets by surprise. The first major movement has been in currency markets with Sterling falling by 10% against the US Dollar overnight (from $1.50 to a 30 year low of $1.33) and by over 5% against the Euro.

Investment markets do not like uncertainty and, having risen over the last week on the expectation of a vote to remain are likely to fall. We've already seen some signs of this in Asian markets overnight and with the FTSE 100 index falling to around 5,800 in early trading.

It will take months if not years for the full implications of yesterday's decision to become clear, but we're not recommending any immediate reaction as markets have a tendency to overreact in the immediate aftermath. In the short term it is possible that assets perceived as safe havens will rise and we have already seen a sharp rise in the price of gold. Yields on US and German government bonds have fallen with the yield on German 10 year bonds falling to a record low of minus 0.14%. At the same time yields on peripheral Eurozone bonds have risen to reflect fears that other countries might opt out of the European Union.

The equity investments we manage for you tend to focus on well managed multinational companies which typically earn the majority of their revenues outside the UK. Over the medium term the fall in Sterling should boost the value of non UK assets, but in the short term we are expecting equity markets to fall until investors are able to assess the impact of the result. This process may take many months to complete and we expect markets to remain volatile while negotiations are ongoing.

In times like these it is important to hold sufficient cash reserves to enable you not to have to sell investments whilst they are down in value. For investors with cash available to invest we would expect there to be opportunities to buy into good quality assets whilst prices are depressed.

We will continue to monitor markets very closely and will keep you updated with regular valuations and commentaries over the coming months

If you have any questions please contact us.

Martyn Torevell

Issued by Dewhurst Torevell & Co Ltd, 5 Oxford Court, Manchester M2 3WQ. Tel 0161 281 6400. www.dewhurst-torevell.co.uk. Dewhurst Torevell & Co Ltd is a company registered in England 3279315 and is authorised and regulated by the Financial Conduct Authority (FCA number 183210).