

# Brexit triggers gyrations but basic trends continue

By Brian Shaw June 22, 2016

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Uncertainty about “Brexit” is firmly in control of the markets and thus presenting both opportunities and dangers for investors.

Stocks, currencies and even some commodities – most notably gold – have been gyrating in recent days over fears about what could happen if British and other United Kingdom citizens vote in Thursday’s referendum to exit the European Union even though a yes vote would merely trigger years of negotiations over how to do so.

All other economic factors are in the background. Interest rates are staying low supported by negative interest rates being announced throughout Europe.

Rate hikes in the United States are on the back burner as 10-year yields have fallen to a 1.52% low. Government Long term bonds are now six months into a strong up trend.

Oil industry stock prices generally have been trending sideways as new supply is continuing to keep the uptrend from taking hold, with prices seemingly capped around \$50 a barrel.

The price of gold peaked at US\$1,316 early in the week but more recently has declined due to opinion polls lowering expectations of a yes vote, with the mourning over the murder of a prominent “Remain” MP perhaps also tending to diminish Brexit fears.

But if the U.K. does still vote to leave the EU then the price of gold will spike on Friday and be followed by extensive volatility in the rest of the market.

If the vote is to stay there will be a short-term downdraft but economic fundamentals will take over shortly afterwards; I expect Gold to shift higher over the next few months.

There are still lots of quality stocks positioned well for upside breakouts in coming weeks, which can be seen quite clearly in numerous stock and commodity charts and then confirmed or negated by basic research into their fundamentals, which we do routinely for all of our clients before making investment decisions.

Gains of 20% in recent months have been fairly common for stocks coming up off their bottoms and gains of 100% over the coming year are quite plausible in selected corporations.

The newest uptrend appears to be in the Oil and Gas Services sector, where several companies are very busy regardless of oil price swings.

Other sectors newly re-emerging are Gaming, and Engineering, which could move up regardless of the Brexit decision.

In any case it's going to be an interesting ride.

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