



How the Brexit Can Boost Your Portfolio to a New High

Description

The United Kingdom voted this week for Brexit—the term coined to refer to the country leaving the 29-member economic bloc. While the exit from the E.U. will more than likely take several years to be fully negotiated and implemented, the ramifications are already being seen in markets across the world as stocks tumble, currencies flop, and both traditional and digital stores of wealth soar.

Where does this leave investors? Here's a quick look at how this impacts your portfolio.

Gold prices are on the move

The impact of the Brexit result on the precious metals industry was immense. Gold shot up in price by more than US\$50 per ounce to over US\$1,300. Gold is traditionally viewed as a store of wealth, and when the market shows more volatility—as it is now—investors move assets into gold, which drives the price up.

By extension, this is also having an impact on gold producers.

Barrick Gold Corp. ([TSX:ABX](#))([NYSE:ABX](#)) soared on news of the Brexit result. The stock shot up by nearly 7% as fearful investors moved into gold and gold-producing stocks to shelter their wealth in something tangible. Barrick was already up significantly for the year thanks in part to the company's efforts to rein in debt and become more efficient, as well as the boost in the price of gold.

If the current trend continues with gold prices remaining at current levels or rising more, Barrick and the company's competitors will see impressive boosts to revenue come earnings time.

Some stocks aren't faring so well

On the other end of the spectrum, **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) and other banks didn't fare too well on news of the Brexit vote. Royal is down over 2% on the news as both investors and banks contemplate the ramifications of the vote.

Another financial stock hit hard by the news is **Manulife Financial Corp.** ([TSX:MFC](#))([NYSE:MFC](#)),

which is down over 5%, much like the rest of the market.

Banks in particular that operate out of the United Kingdom and have clients from other E.U. nations are scrambling to determine the appropriate course of action; some have already stated that moving offices from the U.K. to an E.U. member state will be required.

What does this mean over the long term?

For the immediate term, it means nothing. Emotions, which are running high on the news, will settle, and the jitters being felt in markets around the world will eventually stabilize. Banks are capitalized and markets will remain open.

Over the long term, there will be ramifications for the U.K.'s economy more than anywhere else as decades of trade, taxation, immigration, and border agreements between the U.K. and the bloc are untied.

As an investor, the current situation represents a significant opportunity to buy into some stocks at a significant discount. The aforementioned Royal Bank and Manulife stocks are great investments, regardless of what the dip in stock prices may suggest, and any dip in prices at the moment is more than likely just a temporary blip.

CATEGORY

1. Bank Stocks
2. Investing
3. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. NYSE:MFC (Manulife Financial Corporation)
3. NYSE:RY (Royal Bank of Canada)
4. TSX:ABX (Barrick Mining)
5. TSX:MFC (Manulife Financial Corporation)
6. TSX:RY (Royal Bank of Canada)

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