



Brexit: 5 Positive Effects on the Stock Markets

Description

As people feel greater uncertainty in the global economy, triggered by the Britain exit (Brexit), the global stock markets have been more volatile than usual. The market's initial reaction is to sell first.

However, the Canadian stock market held up better than the U.S. market because the former has greater exposure to precious metal-related stocks.

Specifically, the **iShares S&P/TSX 60 Index Fund** ([TSX:XIU](#)), which is representative of the Canadian market, declined 1.9%, and the **SPDR S&P 500 ETF Trust** (NYSEARCA:SPY) declined 3.7%.

1. Gold- and silver-related stocks climbed

Gold and silver prices rose because precious metals are seen as safe havens as uncertainty rises. The **SPDR Gold Trust ETF** (NYSEARCA:GLD) and the **iShares Silver Trust ETF** (NYSEARCA:SLV) rose 5% and 2.4%, respectively.

Because precious metal prices climbed, precious metal-related stocks also rose. Precious metals mining stocks such as **Goldcorp Inc.** (TSX:G)(NYSE:GG) and **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) showed greater strength over precious metals streaming companies such as **Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW).

Goldcorp, Barrick Gold, and Silver Wheaton rose 6.4%, 7.9%, and 4.2%, respectively.

2. Utilities held up

A flight to safety occurred in the utilities sector. Utilities are viewed as being safe stocks with safe dividends. So, utilities generally held up better than the market. Top utilities such as **Fortis Inc.** ([TSX:FTS](#)), **Canadian Utilities Limited** ([TSX:CU](#)), and **Emera Inc.** ([TSX:EMA](#)) actually rose 1.6%, 1%, and 2%, respectively.

3. REITs held up

Real estate investment trusts (REITs) generally held up well because, like utilities, REITs are viewed as stable investments that offer high yields. Their cash flows from rental revenue are pretty stable.

Most notably, residential REITs with assets in stable regions rose as investors chose safety and quality. Namely, **Canadian Apartment Properties REIT** ([TSX:CAR.UN](#)) and **Milestone Apartments Real Estate Inv't Tr** (TSX:MST.UN) both rose about 1.2%. However, investors should be careful with valuation and aim to not overpay for any company, no matter how high quality they are.

On the other hand, REITs with European exposure declined slightly. For example, **Dream Global REIT** (TSX:DRG.UN) fell 1.2%.

4. Better valuations

With the general market declining, investors should review their watch lists to update the buy price ranges for the companies they want to own.

For instance, the Big Five Canadian banks are quality businesses with long-term track records of profitability and dividend payments. They all declined 2-3% in a day, making them more attractive.

5. Higher dividends

Dividend investors should celebrate. Lower stock prices lead to higher starting yields. Of the Big Five banks, **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) pays the highest yield of 4.8% after its decline.

However, cash is precious. Investors should see if they can get at least a 5.2% yield on the Canadian bank as more volatility is likely to come.

Conclusion

The initial reaction to the Brexit has been more selling than buying, as the stock markets ended up in the red on Friday. And some money flowed into safe havens such as precious metals and related stocks and stable dividend stocks such as utilities and REITs.

No one knows the real effects of the Brexit to the economy, and we can only analyze it as it unfolds.

It's good to be cautious and wait for the dust to settle. However, I don't think selling quality companies is the right move, especially if they pay safe dividends and are priced at a discount.

In the meantime, investors should review their watch lists to determine their desired buy price ranges for the companies they want to own, so they can take a bite when the opportunities arise.

CATEGORY

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

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. NYSEMKT:GLD (SPDR Gold Trust)
4. NYSEMKT:SLV (iShares Silver Trust)
5. TSX:ABX (Barrick Mining)
6. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
7. TSX:CM (Canadian Imperial Bank of Commerce)
8. TSX:CU (Canadian Utilities Limited)
9. TSX:EMA (Emera Incorporated)
10. TSX:FTS (Fortis Inc.)
11. TSX:WPM (Wheaton Precious Metals Corp.)
12. TSX:XIU (iShares S&P/TSX 60 Index ETF)

Category

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

Tags

1. Editor's Choice

Date

2025/08/15

Date Created

2016/06/27

Author

kayng

default watermark