



Is the Market Fallout From the Brexit Overplayed?

Description

Markets went into shock this week as the people of the United Kingdom voted to exit the European Union. While the exit itself could take upwards of two years to be negotiated, the vote result did have an immediate effect on a number of segments of the market. By some estimates, the Brexit vote result effectively wiped out US\$3 trillion from worldwide markets in just two days.

As we finally come to the end of this crazy week, here's a look at some of the impacted areas and what they mean moving forward for investors.

Winners from the Brexit

Gold producers have, for the most part, enjoyed the Brexit vote.

Uncertainty over the Brexit has resulted in investors shying away from the market and turning to the traditional store of wealth: precious metals. Gold prices were already riding high on a rally this year, and the Brexit result gave gold producers that extra boost to drive prices even higher.

Some of the biggest gainers in this segment include **Goldcorp Inc.** (TSX:G)(NYSE:GG) and **Yamana Gold Inc.** (TSX:YRI)(NYSE:AUY). Goldcorp is up by over 10% in the past week, and Yamana is up by nearly 8% for the same period.

While gold prices remain high when compared to the last few years, they are still shy of the highs we saw back in 2011 when the price of an ounce of gold flirted with US\$1,900 per ounce. If anything, the stellar performance of gold stocks this year has done nothing more than claw back some of the losses of years passed.

In the years since the crash to sub-US\$1,100 per ounce, gold producers have become more efficient and disciplined in cost controls. The recent surge in price has seen gold pass and stay above the US\$1,300-per-ounce level.

In summary, gold producers are in line for much-improved results when the earnings period comes up.

Portfolio down from the Brexit? Don't worry

Parts of the economy didn't fare too well on news of the Brexit vote. The financial industry, for example, saw double-digit declines after the result in some cases, only to claw back some gains over the hours and days following the announcement. Another area impacted negatively, at least initially, was the energy sector; oil prices dropped early this week.

When the market drops the way it did post-Brexit, I like to consider one of the famous quotes from Warren Buffett: "Be fearful when others are greedy and greedy when others are fearful."

So while your portfolio may have dropped on the Brexit news, the market will eventually recover, and many stocks already have. In the interim, however, there are plenty of stocks that are taking a little longer to recoup those losses, meaning they represent great opportunities for investors to buy at discounted rates.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:AUY (Yamana Gold)
2. TSX:YRI (Yamana Gold)

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Date

2025/07/01

Date Created

2016/06/30

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