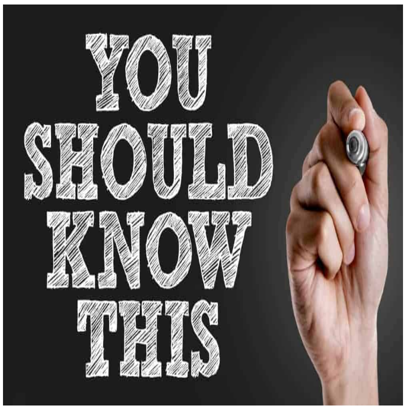

Brexit Will Be the Black Swan Event of the Century

Description

Canadians should start stocking up on classically defensive assets and shedding risky investments as one black swan event after another threatens to leave the stock markets in shreds. However, one event more than any other threatens to rip the fabric of the global economy: Brexit.

With the U.K. facing the distinct possibility of recession, calls for a downturn on North American soil could be drowned out in the near term. The most basic definition of a recession is two successive quarters of negative growth, and the U.K. is among a growing number of nations around the world skirting dangerously close to meeting this criterion.

Ignore potential market disruptors at your peril

While the U.S. casts doubt over the veracity of economic data pointing towards a sharp downturn in the American economy, there is incontrovertible evidence — and a whole raft of warning signs — that the financial world is in for a bumpy ride heading into 2020.

Perhaps the greatest catalyst for global recession is coming in just a few scant months in the form of Brexit. Perhaps one of the most overused words in financial circles as well as one of the least understood, Britain's divorce from the E.U., *Brexit,* is now almost certainly going to be sudden and catastrophically messy.

While Brexiteers have posited any number of arguments for the necessity of leaving Europe, the fact is that the actual event — at the end of October this year — is almost certainly going to precipitate extreme unease in the markets. Canadian investors may be shielded from some of the panic, though the distinct possibility of a North American sell-off remains combined with the possibility of a U.S. recession.

Look to one skyrocketing commodity for quick upside

It's no big secret: gold will likely skyrocket, while other traditionally safe asset classes, such as residential real estate investment trusts and utilities companies with largely regulated portfolios, will see an initial boost. However, as the situation continues, even these areas will suffer. This was seen briefly this year when incrementally worsening U.S.-China relations coincided with earnings misses across multiple sectors.

A solid choice to grow wealth, despite a faltering global economy, would be **Barrick Gold** (TSX:ABX)(NYSE:GOLD). Investors seeking reassurance should focus on the returns likely to be seen by the mining giant over the next couple of years combined with handsome multiples and an intriguing portfolio of high-quality assets.

Why Barrick? First off, it's a good choice for latecomers, since the stock is still relatively cheap and is only at the beginning of its outperforming mode. The stock has jumped by around quarter of its asking price since June, leading some pundits to exclaim that it's run out of juice, which in turn is staving off a fully fledged run; though, with a rising gold price buoyed by fear in the markets combined with an improving bottom line, Barrick has more room left to improve.

The bottom line

The implication for investors in global stock markets is that risk could get out of hand, with complexity piling up to make for a truly chaotic economic environment. Never mind negative growth. Without getting too reactionary, investors could find themselves looking at an unprecedented sell-off. The upshot is that gold stocks could multiply in value, though longer-term safety should be sought in stable asset classes such as utilities and residential real estate.

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