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The Aftermath of the Brexit Vote

Looking at the aftermath of the United Kingdom's decision to leave the European Union, many questions have come to the forefront of the conversation. Among these are what will happen to the UK, the Global and the United States economies.

The United Kingdom is a part of the European Union as a free trade organization. The United Kingdom will most likely suffer from this political move since they are an island that operates at a trade deficit. However, the United Kingdom does not rely on the EU to manage and supply currency. This is an important factor in watching the way the market will react. The Sterling Pound allows for a smooth transition away from the European Union.

This leads us to look at the impact on the Global economy. As we have seen, the markets across the world have recoiled slightly. It is highly important to realize why this is happening and the overwhelming reason is the emotion of investors. Many investors prior to the vote were watching the bets being placed which are not a statistical fact of data but an emotion driven source of information. The point to take from this is that there are no true data that indicate any sort of financial trouble and these market declines are due to investor fear.

Finally, and most importantly, investors want to know how this will affect the United State economy. The answer to this is that not much will change. The idea of the UK leaving the EU was something that the United States economy had known about and reacted to since February. This means that the true economic condition has already been realized and that this reaction is driven by investor fear and not a change in economic value.

The Fed has indicated in their testimony that this vote could affect their choice in when to raise rates. The economic data being released by the Fed has shown that the economy is growing and that we are forging ahead on the correct path. Some key points from the testimony is the anticipated 2.5% real growth, low unemployment around 4.7% and information released today on a stabile amount of new orders of durable goods. With this information, the Federal Reserve will look to provide our nation with the best possible scenario to continue on this path and that includes the changing of rates. With this vote, it is likely that the Federal Reserve will not raise rates in July.

There are a few big things to take away from the vote. Primarily, as an investor who is focused on the long term, this can be an opportunity for investors. The value of industries have not changed and many investors are selling based off of fear. Many top economists are saying that this could be an opportunity for investors to buy in to an economy that is overreacting to political news.

Looking forward, we will continue to remain with the long term horizon as the main priority. Short term tumult will not change the way we interact with you and will not change our strategy when looking at your investments. The main thing here is to remain patient and calm and remember that fear is not a number and does not create value.

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