

Rule, Britannia!

“Statesmen are not called upon only to settle easy questions. These often settle themselves. It is where the balance quivers, and the proportions are veiled in mist that the opportunity for world-saving decisions presents itself.”

-Winston S. Churchill



Well, they did it! The people of the United Kingdom decided it was in their own self-interest to embrace self-determination. It's a concept that seemed to befuddle most experts, but in the end, that's the bottom line.

Sure, we've heard a lot about the controlling of their borders, and that was an issue; although, there isn't the kind of migrant crisis that's griping other European nations.

Additional issues included stifling regulations, tax policies and other issues that were problematic, but in the end, it came down to a desire for sovereignty. The vote only exposed a divided nation that mirrors similar angst throughout the western world.

I've watched and commented on this for a number of years including back in 2007 when the Iranian Revolutionary Guard captured a British ship that was part of a UN mission during the Iraq War.

When the news initially broke, I thought about Margret Thatcher and the Falkland Islands.

But this was a New Britain restrained by its own fading navy and handcuffed by its intentional memberships.

I was shocked at the role Brussels played in holding Britain back and the lack of real support from the United Nations and others. Meanwhile, the 15 men and women of the HMS Cornwall were made to write letters of apology and appear on television in humiliating fashion (not unlike the treatment of our 10 sailor captured back in January).

So the deed is done, and the United Kingdom has voted to chart its own course, and it will never have to go hat-in-hand to Brussels on critical decisions again. The actual process will take two years, and some think the EU will come back with sweeten offers to see if there could be a British change of heart. I think that's all a long shot, however.

The news has sent a jolt across the bow of the entire continent were the Euro-skeptic movement was already gaining greater momentum, coupled with rapid rejection of open-arm immigration policies. This political wave got much stronger last night. It adds an element of the unknown that certainly impacts

economies, but the overall economic damage shouldn't be long-lived or anywhere near the hype of fear mongers.

Market Reaction

This morning I saw this tweet from CNN:

This is what Brexit looks like: Dow futures are trading more than 500 points lower as Europe stocks get pummeled.

My immediate reaction and tweet:

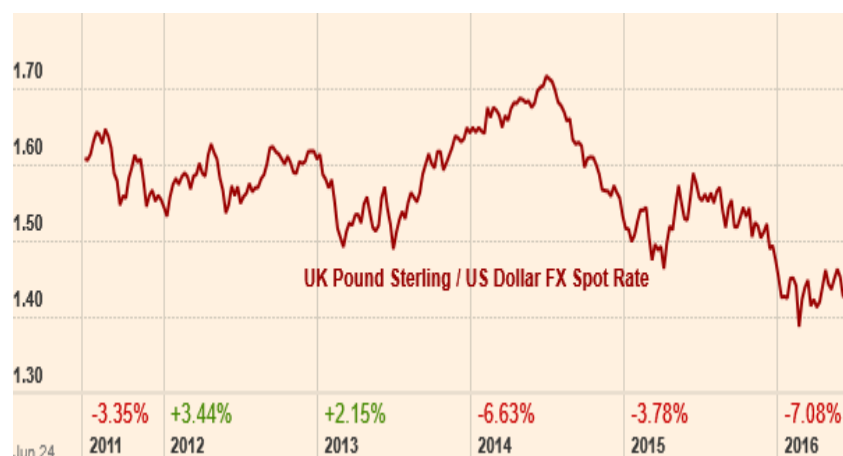
This is what knee jerk reaction by Bankers that didn't get their way looks like.

The Establishment didn't want this vote to happen, and banks warned of catastrophe, and so that's what they're delivering. The Dow will open 500 points lower (I modelled for 300 points higher if there was a Remain outcome) taking major indices back to key support levels.

European Markets Getting Slammed

- FTSE -4.6%
- CAC -8.0%
- DAX -6.7%
- Spain -11.4%
- Portugal -7.5%

Interestingly, the UK stock market is down the least among its European peers, but the UK Pound Sterling is now at 30-year lows. Not sure this hurts the UK from a trade perspective, but with the global currency race to the bottom, it's unsettling.



Investments

My special Brexit report based on Remain winning goes out the window, although the stocks are still attractive and oversold ideas. The thing now is there will be lots of oversold ideas and many with better fundamentals.

Here's the first and most important advice I can share- Don't Panic!



Yes, let's borrow that British resolve to keep calm and carry on.

That said, the market is going to be under a lot of pressure this morning. The flight to safety means lower bond yields and higher prices for gold. (Even Bitcoin is surging, and in many ways, it could be the biggest winner of the fall of the EU and eventual demise of the Euro.)

The big issues for investors are the strong dollar and toothless Federal Reserve. Central bank policy hasn't worked anywhere around the world, and in Japan, it

seems to have completely backfired.

But now, these banks are going to have to be more aggressive with currency intervention (Overnight Switzerland took action to mitigate strength in their Franc).

Broad Picture

The S&P 500 must hold 2,040 on a closing basis or would be vulnerable to at least 2,000 or even lower.



Subscribers are already in GLD and TLT mostly as hedges (but I've been reiterating gold exposure especially for the longer term), but those without a position in the former should consider chasing today.

I know many have said they waited out the entire rally for a pullback. I don't see this as a Black Swan event, it's not a declaration of war, but it does leave uncertainty and the notion of retaliation by Germany and others that makes exiting the European Union much more painful than voting to exit the European Union.

Please read my daily commentary for further updates.

In conclusion, I'm licking my chops. A lot of great stocks are going on sale and while it's folly to try to pick bottoms – cheap is cheap, and at some point soon, I will become an aggressive buyer.

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