

The After Effects of Brexit on America's Investors

Saul Rosen August 29, 2016



There is no question that Brexit was an unexpected shock for financial markets, as a narrow vote for the UK to remain in the EU had largely been factored into prices.

([Newswire.net](#) -- August 29, 2016) -- The majority of forecasts for investors were mainly downcast about the aftershock of a [Brexit vote](#), so in these turbulent times, it might prompt American investors to consider what effect this unexpected vote might have across both

sides of the pond.

You might take the view that Brexit has created stock buying and general investment opportunities, and you can get [more tips from Money Morning](#) in this respect. In terms of a general overview, here is a look at how investors could be affected by the UK's decision to bid farewell to the European Union.

Europe is on notice

The basic point to take on board about the referendum result, is that nothing has actually changed yet and what we currently have is a situation where the European Union is on notice that the UK intends to resign its membership, but no specific exit date has been fixed.

The terms attached to Brexit mean that the UK has to give two years notice of its intention to leave the EU, so it is expected that we are unlikely to witness the final divorce between the European Union and the UK until at least 2018.

What markets don't like is uncertainty, and it is clear that Brexit created a state of anxiety, simply because no one really knows what the long-term of impact of Brexit will actually be, as there have to be a whole host of trade negotiations and other matters resolved, in preparation for the UK going in a new direction on its own.

The UK's trading partners in the EU, the United States and Asia, will undoubtedly be affected by Brexit and what is not clear at this stage, is to what extent. It could conceivably work out to be a positive move in the longer term and herald a new era that sees the UK enjoy greater prosperity than when they were inside the EU, or of course, it could turn out to be a decision that hinders their economic progress.

Europe and the world is currently on notice and no one can truly claim to know exactly what the future for the UK holds, after the Brexit vote.

A significant trading partner

Looking at the impact of Brexit from a U.S perspective, it is clear that American companies and investors have more than a passing happens to the UK economy and how it positions itself in the world as a non-EU member.

American corporations have generated almost 10% of their global foreign affiliate profit from the UK for the last 15 years or so, and if you look at the figures for 2014 alone, American companies invested almost \$590 billion into Britain, so it clearly matters what happens as a result of Brexit.

Another factor to consider for [U.S investors](#), is the level of investment exposure that they have in the UK, and how credit markets could be impacted by a perceived higher risk rating applied to the UK.

The U.S is a significant trading partner of the UK and all of these factors are clearly highly relevant in terms of trying to determine future investment strategies.

Weaker pound

One of the major issues that is causing immediate problems for numerous companies in the aftermath of Brexit, is the weakness of the pound against the dollar.

The British pound was already experiencing a relative period of weakness against the dollar before Brexit happened, and it was pretty clear what markets thought about the outcome of the vote for the UK, as the pound subsequently

dropped to its lowest level in 30 years, almost immediately after the referendum result was announced.

A weaker British pound has the capacity to have a negative impact on the bottom line of U.S export companies, due to the fact that it could see the cost of American products and services increase, which may well suppress levels of demand.

Agility might be needed

As an active investor, it is always advantageous to try and keep yourself fully informed about market developments and to try and gauge sentiment too.

A large number of investors are believed to have made some adjustment to their portfolio and even their strategic approach, as a result of Brexit. A high percentage of investors seem to be of the opinion that the referendum result could result in worsening economic conditions in the immediate future.

Looking further ahead, if you remain agile with your investment decisions, Brexit might even turn out to be a positive opportunity.

Joshua Christian enjoys reading and writing about all aspects of the finance world and investing. Personally interested in penny stocks, he is also a keen writer, always coming up with new ideas for his articles.

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