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Hello Yellow Brick Road

There has been a lot of changing of tunes now that the dust seems to have settled following the vote to Leave the EU on 23rd June. There has been no sign of a major global economic collapse, no massive job losses (Lloyds Bank's redundancies are for entirely different reasons), and not much sign of American investment bankers upping sticks to leave London *(How can they when all their children are entrenched in the UK's educational system, and none of the parents speak French or German?!)*. Granted, many of these events could unfold over a much longer period of time, but it is extraordinary to see the change in opinion amongst some of the die-hard Remain opinion formers. The IMF have shifted their stance from being harbingers of doom earlier in the year, and now take a benign view of the economic impact of Brexit; it is also clear from the new Prime Minister's early meetings with key European leaders that things are not as difficult and fraught as everyone suggested they might be. Even the Americans have said we don't need to be at the back of the queue after all, but want to do a deal with the UK 'as fast as possible.'

Why is this? Apart from the excess of scare mongering in both camps in the run up to the referendum, could it be that perhaps, in what has been a dreadful and terror filled month for parts of Europe, the civilised world has become a little gentler in the last few weeks? This is no time to be making new adversaries, and this nation's emotional ties to the continent or the US are not going to be undone by the referendum. For sure, there will be lively debate on a whole raft of economic, trade and legislative issues over the next few years, but we will remain neighbours with Europe and will continue to share many more principles, aims and aspirations than the ones that we may lose.

As we all know, markets have rebounded significantly over the last few weeks, and even the FTSE 250 Index, which was much harder hit than the US dollar influenced FTSE 100 Index, is now within a whisker of its pre referendum level. Indeed, the principal casualty remains sterling, which sadly could be in danger of adopting a 'new normal' range which is in the mid $1.30s. This is bad news for holiday makers, but it is highlighting bargains in the UK M&A market. Softbank's proposed acquisition of ARM Holdings is likely to be the first of many, and these deals are not taking place just because companies are cheap, it is because they were attractive before, but have just got even more attractive due to an unexpected price reduction. This potentially augurs well for UK plc, and should also underpin stock market levels.

So, are we out of trouble? Possibly, but it is unlikely because there are still plenty of headwinds out there, many of which have little to do with the result of the referendum; all things considered, this prompts us to continue to be more cautious than we have been in a while. It is also likely that our yellow brick road to leaving the EU, just like in The Wizard of Oz, will have some unexpected bumps and potholes along the way, but well diversified portfolios are built to tackle just this sort of terrain, and need have nothing to fear.

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