



Portfolio Shift Commentary: June 27, 2016.

The decision by the British people to divorce themselves from the European Union left uncertainty in Europe, the UK and the US. As the markets digested the news investors moved into safe haven assets.

The Brexit decision left questions about trade, finance and the future of the Eurozone on Thursday evening when the votes were tallied. A possible solution to trade issues post-Brexit is a Norwegian-style deal as a transition until new deals are negotiated with the Eurozone. The British government can also implement fiscal measures such as lower corporate tax rates to offset higher costs or cancel non-tariff barriers. There also may be some benefits to multinational companies residing in the U.S. and Asia that will be supported by a mix of easy monetary policy and economic growth.

Positions in gold, bonds and other fixed instruments help to offset the downside on Friday in the markets. We are still looking at an uncertain political arena in the United States, but we feel that after the elections there will be a better understanding of the policies going forward.

A recent Fed authored paper by economist Kathryn Holsten, Thomas Laubach, and San Fran Fed President John Williams using methods cited by Janet Yellen last week indicated natural rates had fallen in the euro region, the UK and Canada alongside the US rates over the last quarter of a century. They also indicated that interest rates in the future will rise and fall together indicating that one third of the movement in the U.S. came from abroad. Fed Governor Brainard stated "The Feedback loop through exchange rate and financial market channels appears to be elevated." Because of this and global uncertainty we believe interest rates will remain low and it is safer to move out into longer bond maturities than our view earlier in the year.

We anticipate more volatility in the week ahead. We continue to look on the horizon in making portfolio decisions. Please feel free to call me if you have questions or concerns about your portfolio or you would like to discuss these events with me.

Best Regards,

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