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# ECONOMIC AND INVESTMENT FORECAST
## June 2016

As we go to press with this edition of our Economic and Investment Forecast, the United Kingdom has voted to leave the European Union (EU), reversing their decision to join this organization some forty years ago. The EU was born as a geo-political entity in 1950, and had an articulated goal to "make war unthinkable" in Europe, as stated in the Schuman Declaration some sixty plus years ago. In recent years, the EU has served more as an economic collaboration and a mechanism to manage both immigration policy in the EU as well as mobility of citizens amongst member countries. After the initial shock of the vote prompted a sharp decline in stock markets around the world, investors are now deeply concerned about its widening impacts. Those worries include additional referendum announcements in other countries.

Looking beyond this British decision, the U.S. economic expansion has been reliably pushing ahead, now in its seventh year. Following a swift market correction in January, major investment benchmarks have recovered and challenged all-time highs, with low oil prices, contained inflation, and low (or negative) interest rates providing a constructive backdrop for most asset classes. Prior to the Brexit ("British exit") vote, the outlook for the U.S. economy was for at least 2% GDP growth through the end of the year, and 2.5% growth in 2017. Given the strength in housing and employment, coupled with the fact that less than 3% of S&P 500 companies' revenues occur in England, there is ample reason to believe this durable expansion can continue.

Much attention in the months ahead will focus on the Fed's actions on interest rates, as well as on U.S. political developments. While the Fed had already signaled a slower pace in raising interest rates due to domestic concerns, Chair Yellen now also needs to factor in the new economic realities of Europe. With England's currency, the pound sterling, collapsing to low levels not seen since 1985, the Fed is expected to leave interest rates unchanged until at least the Fall. On the American political front, both parties appear to have settled on their respective candidates, with the ensuing campaigns promising to be divisive. Uncertainty amongst voters is currently high, and there will be much to digest as policy positions are unveiled and we move closer to Presidential elections. Finally, business executives, too, are stymied by the current political environment and find it difficult committing to long-range plans, unsure of future corporate tax rates, the status of Obama-Care, and other key policies.

From an investing perspective, England's referendum has created immediate pressure on European currencies, which translates into a strong U.S. dollar. A rising dollar has its own knock-on effects, which include making American exports more expensive, and exacerbating an already problematic U.S. trade deficit (much of that deficit being with China). With currencies, interest rates, and financial markets all inter-connected, the bottom line is as follows: a strong dollar should encourage the Fed to keep interest rates lower for longer, which in turn could prolong the seven-year bull market. Conversely, the situation in Europe is fluid, and there is not a precedent to the actions taken by the British. And while the Fed can leave interest rates low, some economists worry that all the Central Banks, including the Fed, are running out of ammunition from a monetary policy standpoint. The weeks and months ahead will be telling, as politicians, corporate management teams, and investors adjust to the new status quo. Investment opportunities will also present themselves, as they always do during times of market volatility and fear.