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BIZ INSIGHT

Where to put money after Brexit

THE GLOBAL market has been shocked by the Brexit vote in which 52 per cent of British voters decided to leave the European Union, leading to high volatility and much uncertainty in markets.

Regardless of the situation, the goal of each investor still remains yields and returns. Given the economic backdrop of slow global growth and Brexit, the US and emerging equities might be the best place to put money to work other than markets and even fixed income.

After the United Kingdom voted to leave the EU in a referendum, most analysts expected that the "leave" decision would put a drag on growth in the UK and eventually plunge it into recession. They also believed it would put pressure on the rest of the euro zone, as Brexit raises questions about whether other EU members should leave.

Nonetheless these tensions across Europe have had a lesser effect on the US economy. The pick-up in economic activity there plus its strong labour market, growth in household spending and improvement in the housing sector has put the S&P 500 at an all-time high level despite the global drop back. This situation helped delay Fed rate hikes and push emerging markets out of bearish territory.

The Brexit-related impact pushed the flow of money into the safe haven of bond markets, pushing benchmark global yields to record lows, including negative territory.

The S&P 500 is more than 3 per cent higher for the year. It was boosted by the US labour market strongly rebounding in June. US employers added 287,000 jobs, up sharply from the meagre addition of only 11,000 jobs in May.

In addition, Markit's June purchasing managers' index for the US manufacturing sector rose to 51.3, the strongest reading for three months.

Economic activity in the US service sector also grew faster than expected in June. While the economists had expected the non-manufacturing index to inch up to only 53.3 in June, it jumped to 56.5 compared to 52.9 the month before. With the bigger than expected increase, the index rose to its highest level since November 2015.

Concerning the emerging equity market after Brexit, MSCI Emerging Markets ETF is up more than 10 per cent year to date. In contrast, the German DAX is more than 6 per cent lower for the year to date and the Nikkei 225 has fallen 14 per cent, according to Bloomberg as Thursday.

For investors with high-risk appetites who want to generate market returns, timing and strategies are the most important factors. For others who don't have enough time to monitor market conditions, it is highly recommended you contact a professionally managed US equity or emerging-market mutual fund.

Investment contains risk. Investors should thoroughly study prospectuses, product features, return conditions and risk before investing.

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