



June 24th, 2016

Good Morning,

Today's expected range for the Canadian Dollar against the US Dollar is 1.2900-1.3200 (current interbank 1.3000)*

Today's expected range for the Canadian Dollar against the Euro is 1.4300-1.4500 (current interbank 1.4440)*

Today's expected range for the Canadian Dollar against Sterling is 1.8000-1.8300 (current interbank 1.8070)*

(*Not sure what the ranges will be today, please expect much more volatility and wide trading ranges)

The US Dollar index is much higher this morning as in a surprising development the UK has voted (51.9% to 48.1%) to leave the EU. Right up to the very end the Polls and betting markets were all showing that the "Remain" camp was going to pick up the win. Here are some of the highlights of what is happening right now;

-Sterling has dropped to a 30 year low, the lowest level seen for GBP.USD was 1.3200, last night I saw it trade at 1.5000 so that is an 18 point swing (12%) in one night which is a massive move, this type of move was last seen in 1992 when George Soros attacked Sterling. GBP.USD has moved off these lows and now trades near 1.3900 but liquidity is difficult to come by and will remain so throughout the day. I look for Sterling to trade much weaker over the coming months as this gets all sorted.

-Bank of England Governor Mark Carney addressed the media and said the Bank stands ready with 250 Billion Pounds of liquidity if the markets need them.

-Stock markets around the world have crashed, Germany and France were off as much as 6% at one time, The London FTSE had the biggest one day collapse since 2008 when Lehman Brothers went bankrupt, Stocks have recovered a bit and are off their lows. The Dow Jones at its worst point overnight was down 700 points but now points down 500 points on the opening in New York

-Price of Gold is up over \$50, investors tend to go to gold in times of chaos.

-Oil is down \$2.00 a barrel

-Prime Minister David Cameron has resigned

Here are my thoughts on longer term effects will include;

Possible end of the EU, other countries will now hold their own referendums and I believe the EU is doomed. Look for Scotland to have another referendum in the next two years and this time they will vote to leave the UK.

This result takes any US interest rate hikes off the table this year, markets will eventually calm down but I can't see the US Federal Reserve increasing any interest rates any time soon.

The UK and Europe will move into recession as this development works through the financial system.

Considering all that is going on this morning the Canadian Dollar has been quite resilient. USD.CAD at its worst point was only 300 points higher, EURO.CAD went lower during the night but is right back where we closed last night and finally GBP.CAD dropped to a low of 1.7250 but has recovered by 8 points and trades near 1.8000 this morning (6:00 am). In watching the price action this morning, liquidity is at a premium and you will continue to see big price swings, it will be a very difficult day.

Not that it matters much but we do get US Durable Goods and Consumer Sentiment out today, Dow Futures are now showing over 500 points down so volatility will be crazy and liquidity will be hard to come by.

On a final note my strategy of paying attention to the UK odds makers did not work, right up to the end they showed the Remain campaign would win. I would be interested to see what their losses are on the this vote, the last article that I read said about 100 Million Pounds had been bet on the vote.

Have a great weekend.

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