

What Does the BREXIT Yes Vote Mean for Stock Markets



By Robert McHugh, Ph.D.
June 26th, 2016



Great Britain stunned pundits by voting on Thursday, June 23rd to exit the European Union. Stocks plunged globally after the vote. While there are a ton of reasons why The U.K. decided to secede, the irony cannot be lost. The fact of the matter is, what started as a free trade economic union several decades ago, had devolved into a political union with ever creeping central planning control over formerly sovereign nations such as Great Britain. The EU was largely led and controlled by economic superpower Germany. As time passed, economic policies became more and more socialist, and along with socialism came a loss of self-determination and an increasing trend toward autocratic rule.

History tends to repeat itself. For over a century Germany has led the effort to unify Europe's nations, either by treatise or by force, and in each instance Great Britain resisted. World War I, World War II, and now the European Union. Britain's exit vote is akin to the proverbial frog who relaxed in the kettle on the stove, and didn't notice the water temp was rising. But instead of becoming part of the soup, Britain, unlike the frog, recognized the heat and hopped out of the pot.

While this has clearly unnerved global stock and currency markets, and the ever growing socialist movement, capitalists and individual right's adherents are cheering the courage of the U.K. to go it alone. The problem with socialism is once it takes everything from everyone who has anything, there is nothing left to redistribute. Margaret Thatcher said it best, "Socialism: Once you run out of other peoples' money, you have nothing." It is an economic philosophy which is a zero sum game, with government redistributing wealth and along with that redistribution, imposing imperialist rules of behavior on its subjects. You might get free education out of the deal, but you are

gonna be told where to go to school. You might get a government job out of the deal, but you are gonna be told where to work. You might get free health care, but you are gonna be told what doctor to use, what drugs your kids have to take, and when. Socialism is a formula for oppression. It is a disincentive for risk taking and the creative use of economic resources. It assures shortages as the incentive to produce is muted. It happens to be the current fad alternative for a disgruntled worker force worldwide. But it has never worked in the history of mankind, and it is only capitalism that accomplishes true economic growth and prosperity for the masses.

Socialism is a false god for those who seek something for nothing. It is a tool for the master planner elite to control the masses. If income depends upon the socialist leaders instead of individuals themselves, then those socialist leaders achieve eventual totalitarian power. Just ask the British, did they ever think in a million years when they signed on for membership in the EU that they would be told they could not use their toasters, tea kettles, hair dryers or that their kids were not allowed to chew gum? Did they ever imagine in their wildest melatonin dreams that immigrant migration policies into their country were not within their control any more? Many in Great Britain are calling June 23rd, 2016 their Independence Day. We had one of those a few hundred years ago here in the United States. We celebrate that in eight days. We understand.

The move toward one-world government was delivered a blow Thursday, perhaps temporary, but nevertheless, a victory for those who believe in individual rights over big government control, who believe in capitalism over socialism, who believe wealth comes from the sweat of man's brow and faith in God Almighty, and not from government.

Now that I have assured myself of receiving thousands of angry emails this week from leftist socialist adherents, let's take a look at how the markets reacted to this news, and where markets are likely headed over the coming months.

The day after the vote, Germany's DAX had its worst declining day on June 24th, 2016 since November 2008! Japan's NIKK lost 2,200 points, 13 percent, in one day on June 24th! The Euro Stoxx 50, a

basket of 50 leading stocks in Europe, lost a whopping 8.62 percent. Here in the U.S., the NASDAQ Composite had its worst one day drop since August 2011.

The Dow Industrials plunged 610 points, and broke down below the bottom boundary of a well-defined rising trend-channel.

The S&P 500 got crushed for 76 points, closing at 2,037, and broke decisively below the bottom boundary of a termination top Rising Bearish Wedge pattern, which did huge technical damage to stocks, as this breakdown gives a downside price target for the S&P 500 of 1,825ish over the coming months. We believe this July could see a great deal of price deterioration in stocks.

In our previous article we reported that our Long Term Primary Trend Indicator generated a new Sell signal, the first signal change in six years. Thursday's BREXIT vote could be the kickoff to a Global Bear market. **A violent decline below the May 19th lows, 17,331 in the Industrials, 2,025 in the S&P 500, would go a long way confirming the top is in and a massive decline is starting.**

BREXIT is not the reason for the coming global economic and stock market collapse. Far from it. BREXIT is the British attempt to deal with what is coming in an activist and independent fashion, to be able to make decisions in their own best interests, for their own survival, and not have to hope autocrats in Brussels are wise enough, or willing enough, to take care of this Island nation with a proud and storied history. The British have chosen to be independent of the world and have the flexibility and self-determination to manage their own resources to their own best interests. No, the reason for the coming economic ice age is profligate national debt; out of control Central Banks debasing currencies; growing socialism and wealth redistribution; widespread rising civil unrest as evident by radical Islamic terrorism; and a failure of nations founded upon Biblical principles to humble themselves and pray, that God through His Son Jesus Christ, Messiah, will forgive their sins and heal their land.

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Dr. McHugh's book, "The Coming Economic Ice Age, Five Steps to Survive and Prosper," is available at amazon.com at <http://tinyurl.com/lypv47v>

*"Jesus said to them, "I am the bread of life; he who comes to Me shall not hunger, and he who believes in Me shall never thirst.
For I have come down from heaven,
For this is the will of My Father, that everyone who beholds the Son and believes in Him, may have eternal life;
and I Myself will raise him up on the last day."*

John 6: 35, 38, 40

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