
‘BRITIN’ OR ‘BREXIT’?: PRE- 23 JUNE REFERENDUM – 2015 GREXIT EPISODE SUGGESTS TO STAY HEDGED UNTIL ‘B’-DAY (PART 2)

06 Apr 2016

In the second instalment of our ‘Britin’ or ‘Brexit’ series, we look at the key issues in the run-up to the Referendum. View [‘Britin’ or ‘Brexit’? : In a nutshell’](#) for last week’s high level analysis.

The markets don’t like Britain’s flirting with the status quo. When there is no obvious economic upside and only uncertainty, markets turn bearish. The elevated volatility in sterling which, at 12% is on par with levels last seen during the Eurozone’s sovereign default and banking crisis in 2010-2011, suggests investor sentiment to the sterling is outright downbeat.

Chart 1 shows the trend in European equities and bonds in the 30 workdays leading up to and the 30 work days following the 5 July 2015 “Grexit” referendum, the de facto vote by Greece to accept tough austerity in exchange for a bailout, and secure its future membership in the EMU. While not directly comparable to “Brexit”, it is in our view the closest reference for how markets may potentially react leading up to 23 June, the date when Britain’s future membership in the EU is put to a referendum.

In the run-up to the vote and the real possibility of “Grexit”, a trend of risk aversion is evident in both the UK and Eurozone, with equity markets weakening and bond markets gaining strength. The FTSE 100 and EURO STOXX 50 fell by approximately 6% in the 30 days leading up to the referendum, and further slides reversed only *after* the extension of the bailout deadline restored market confidence and a deal would be agreed, which was four days after Greece’s vote decisively rejected the bailout terms.

As polls continue to gravitate around a nearly evenly split opinion on whether Britain stays in or out of the EU, the spectre of uncertainty will loom large, potentially exposing European equities to downward risk similar to the “Grexit” period of fear last year. Safe havens, including gilts and gold, are likely to find ongoing appeal with investors. **So what?** Amidst a vulnerable sterling and euro, it may be prudent to hedge long UK and broad European equity market exposure.

View the online version of this article [here](#).

Important Information

Marketing communications issued in the European Economic Area (“EEA”): This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

Marketing communications issued in jurisdictions outside of the EEA: This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as “WisdomTree” (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

For professional clients only. The information contained in this document is for your general information only and is neither an offer for sale nor a solicitation of an offer to buy securities or shares. This document should not be used as the basis for any investment decision. Investments may go up or down in value and you may lose some or all of the amount invested. Past performance is not necessarily a guide to future performance. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice.

The application of regulations and tax laws can often lead to a number of different interpretations. Any views or opinions expressed in this communication represent the views of WisdomTree and should not be construed as regulatory, tax or legal advice. WisdomTree makes no warranty or representation as to the accuracy of any of the views or opinions expressed in this communication. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice.

This document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares or securities in the United States or any province or territory thereof. Neither this document nor any copy hereof should be taken, transmitted or distributed (directly or indirectly) into the United States.

Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or guarantee its accuracy or correctness. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.