

June 24th 2016

UK vote – first bulletin – more comment during the day!

The “silent majority” have not spoken! They have roared and hopefully the smug global elites have heard them! The UK vote is eerily reminiscent of a hit immensely popular with the aspiring electric guitar players of his youth of which he was one – “Wipe Out”!

Leave group were brilliant at inventing “The immigrant problem”

At the start and at the end of the day – Macro 101 courtesy of Cameron and Osborne was somehow lost in translation. The key issue was not the current account deficit or GDP but the vexing “immigrant problem”. Woe to the hapless which are in many cases doing the jobs the locals do not want to do!

We nailed immigration as the key issue – not correlated to unemployment!

What many completely missed was that immigration in the UK has not moved in synch with unemployment. Enoch Powell delivered his seismic “Rivers of blood speech” when UK unemployment was at a record low. The forces of nationalism and cloaking insularity in in references to security were grossly underestimated.

Politics are driving economics

The key question is where do we go from here? Our longer term analysis rests on the underlying assumption of “The Primacy of Politics”. Short term, meaning today, we see further pressures on global markets. This shall be driven not by detailed credit program analysis but by the prosaic need to raise cash to cover margin calls.

We reiterate our call that central banks including the Bank of England shall act as providers of liquidity. The aim shall be to facilitate an orderly and not “chaotic” unwinding. Central banks shall not be buying stocks or illiquid structured assets.

Cameron should go now!

Going beyond the next 12 hours – for the author, who cut his teeth in the oil market – the “long run”, we continue to posit our analysis on “The primacy of politics”. David Cameron has announced that he shall resign within 3 months – he should do the rest of the world a favor and go now!

Body blow to EU!

With regard to the world beyond the English Channel, this is a body blow to the European Union. The whole idea of “better together” which has been the theme in global politics since 1945 has been dealt a body blow.

EU shall split between “liberals” and “Stalinists”

We expect to see a split within the EU between the “liberals” who want to part on amicable terms and the “Stalinists” who want to use tanks – like the Soviet Union in Hungary in 1956! The issue as to which trade regime shall be adopted is premature we are still in the stabilization stage, which is far from over.

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