MARKET UPDATE

Silver - Where Next After Brexit?

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Gold and Silver saw huge rallies late last week thanks to arguably the biggest referendum in European history. By now, it is safe to assume everyone knows Britain voted to leave the European Union. And the reaction was a classic "risk off/safety on" trade.

Global markets buckled as the gravity of the results infected every asset class. European stocks and U.S. futures tumbled as Asian equities dropped by the most in five years, oil sank to about $47 a barrel and industrial metals slumped. The British pound plunged to the lowest vs. the US Dollar since 1985, and the Euro slid by the most since it was introduced in 1999.

There is a lot of talk about what could happen from here, a lot of emotion, and in this type of environment, we can all get ahead of ourselves and reason can go out the door. The bottom line is gold and silver did their job, providing shelter as safe haven assets as a geopolitical crisis ignited.

Up or Down?

Like the price of gold, I expect silver will back off in the weeks ahead as markets realise that Britain leaving the EU isn't the immediate geopolitical doomsday it is currently being made out to be.

That being said, the Brexit aftermath doesn't diminish the potential for stronger gold and silver prices this year and beyond. Silver entered a new technical bull market alongside Gold at the start of the year, meaning the rallies over the next couple of years are only just beginning

This means that the near term dips I expect after Brexit in metal prices will be excellent entry points for those looking to get in on the next move higher.

- Technicals indicators are either looking to correct and/or have started to, so the immediate near term suggest prices could head lower.
- First area of support comes in at the **$16.95 - $17.02 region** - this is where the **21 & 55 DMAs are located [light blue & pink lines]**.
- Second area of support comes in at the **$16.20 - $16.40 region** - this is where the **100 DMA [dark blue line]** is located.

If price action was to come down to this region, technical's would be very oversold and be looking to correct higher. This would be very bullish as the upward support channel [dashed black line] would remain valid with a series of higher lows. With ultimately higher prices expected over the longer term, and price dips should be bought up and in the current environment, it would definitely be prudent to have at least some exposure to the asset class which has been the best performing so far this year.

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