



Press Release

For Immediate Release

Principal Comments on Brexit and Market Volatility

[Hong Kong, 24 June 2016] – Principal Hong Kong (“Principal”) expects a period of higher investment market volatility following from the result of the United Kingdom (UK) European Union (EU) membership referendum (“Brexit”).

Mr. Arthur Bacci, Head of Principal Hong Kong said, “Over the past 15 years, we have witnessed numerous major market disruptions such as the 911 terrorist attack, SARS outbreak in Hong Kong, Global Financial Crisis and the China stock market crash last year. Investors, including MPF members, may have concerns about their investment portfolios in light of market volatility in the equity markets. History has shown that markets initially overreact to news events. ”

Binay Chandgothia, Portfolio Manager of Principal Global Investors, expects some kind of a global co-ordinated action by policy makers (monetary and probably fiscal) to soothe risk sentiment.

Equity: Market volatility is likely to remain high as markets respond to evolving circumstances, in what will be a long-drawn negotiation between UK and EU. At the same time, however, it will also present cheaper investment opportunities for investors.

Currency: A risk-off in investment sentiment will see stronger USD, HKD, JPY and Gold. Pound and EURO will weaken. Asian currencies should weaken against US dollar but will do better relative to GBP and EUR.

Bond and equity: Sovereign bond yields in US, Japan, Hong Kong, UK, Germany, Switzerland and other top rated countries will decline while credit spreads will widen. Equities could see a correction of 10%.

“Our assessment is that investors, who had reduced risk in the lead up to the referendum, may have added back some of it as markets got optimistic on a “remain”. It would be natural to expect such investors to de-risk again. However, our overall assessment is that there is still a fair bit of cash with investors in their funds, which should help tide over some of the impending volatility.”



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Principal believes that retirement investment is for the long term, it should be properly allocated and reviewed occasionally but not traded daily based on market events or fear. We strongly suggest investors, including MPF members, to seek professional investment advice if they are concerned.

About Principal Hong Kong

Principal Hong Kong is a provider of investment and retirement solutions in Hong Kong. Our member companies, including Principal Trust Company (Asia) Limited, Principal Investment & Retirement Services Limited and Principal Asset Management Company (Asia) Limited, provide investment and retirement management capabilities, as well as award-winning mutual funds and investment products for both individual and institutional investors. All of the above companies are member companies of Principal Financial Group®.

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