

DID YOU KNOW?

Three things that have changed for an Indian after the Brexit

With the UK's exit from the European Union (EU) confirmed, socio-economic and trade terms will change over a period of time. While these changes will have little impact on the average Indian, there are some ways in which you might be affected. This mainly manifests itself through capital markets. Financial assets across the world reacted sharply to the surprise result announced on 24 June—global currencies, equities and gold prices saw massive fluctuation in values. Here are three things that have changed, and their impact on you.

FALL IN THE VALUE OF BRITISH POUND

The pound sterling fell 9% against the US dollar after the result was confirmed. This does not directly impact us as the Indian rupee traded strong on Friday against other currencies. But it will matter if you are planning to visit the UK soon, or if you are studying there or have children who study there, or have investments in the country. The lower value of the pound means that now you can get more pounds for the same amount of rupees. Sample this: before the fall, ₹1 lakh got you roughly £999 (on 23 June, the rupee was trading at 100.09 against the pound). At Monday's rate of 89.54, ₹1 lakh is now worth £1,116—a gain of 11.7%. Any remittance being sent to the UK will now get you more pounds. Also, if you are planning a holiday in the UK soon, you can spend more. However, if you have an investment, say, an apartment in London, its value in rupee terms is down.

UNCERTAINTY IN THE GLOBAL MARKETS

Exit of the UK from the EU has caused uncertainty in global capital markets, leading to many institutional investors selling risk assets such as equities. As a result, global equity markets corrected massively on Friday. Though this does not impact all Indian companies, the equity market here, too, gave knee-jerk reaction like its global counterparts. So, your portfolio value will be much lower after Friday's fall. The daily net asset values of your equity mutual funds would have fallen too. However, do not panic; watch out for individual stocks that are affected more than others. Businesses with interests in the UK or Europe face a higher degree of uncertainty, and these stocks have corrected more. For example, Tata Motors Ltd, Mitherson Sumi Systems Ltd, and Tech Mahindra Ltd, fell 5-8%. Broader market indices were down 2.2%.

RALLY IN GOLD PRICES

As a result of institutional selling in risk assets, safe havens such as gold gained in value. The international price of gold was up 4.7%, and domestic prices gained nearly 5% to ₹31,394 for 10gm. If you own gold in the form of jewellery, then there is not much to do. But if you have investments in gold exchange-traded funds, gold bars and coins, or gold bonds, then with the price surge on 24 June, you have probably earned close to a year's worth of expected return in a single day. But remember that this event's impact on capital markets can't be ascertained in a day. So check with your financial adviser before changing any asset allocation.



—Lisa Pallavi Barbora