

## Mark Collinsworth

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**From:** Vere Global Private Asset Management <info@vereglobal.com>  
**Sent:** Monday, September 16, 2019 1:10 PM  
**To:** Mark Collinsworth  
**Subject:** Vere Global Weekly Commentary - 16 September 2019



### Vere Global Weekly Commentary - 16 September 2019

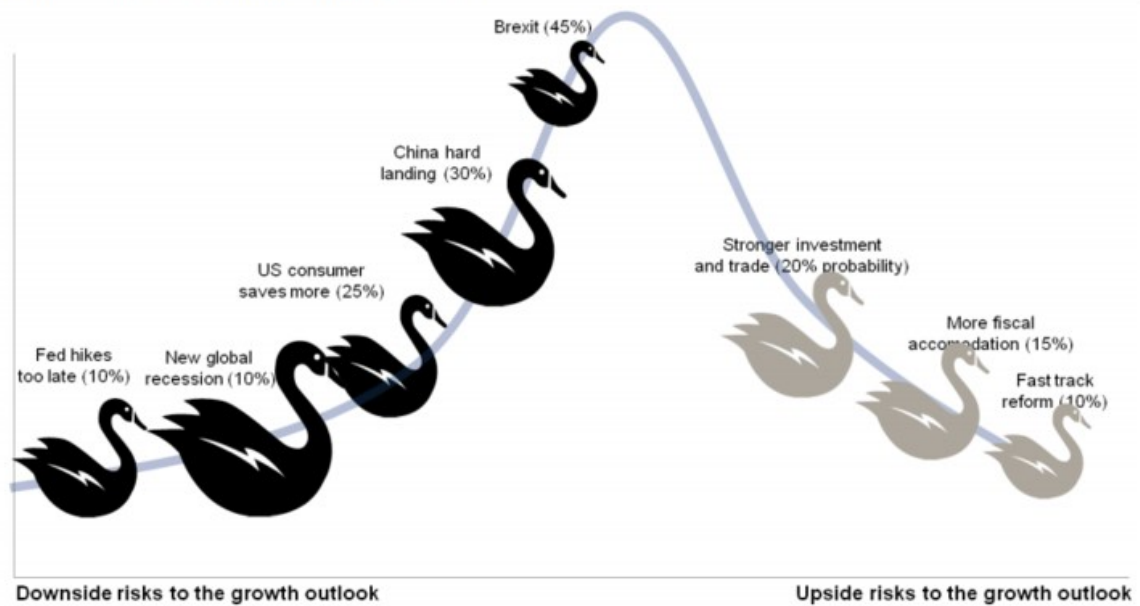
#### **May The Odds Forever Be In Your Favor!**

Prior to 1697, every swan that was accounted for was white and it was a natural assumption that any new species of swans would be white as well. In 1697 Willem Vlamingh discovered a species of swans in Australia that were black. That was a surprise and it was an impossible event to predict because it had never happened before. In the investment world, there are "Black Swan" events. These events can have serious implications to the economy and potential large moves in the financial markets. An example would be the 2008 housing bubble.

What really makes Black Swans so dangerous is a lot of time people ignore or over look the potential for one of these events. With all the talk of the Fed cutting rates, the China trade talks, even the issues in the Middle East are all causing a lot of people to dismiss a big Black Swan event on the horizon. That event is Brexit. Remember that thing back in 2016 when the UK agreed to leave the EU? There have been so many attempts to stop it from occurring we have lost count.

Come October 31st, the UK will automatically leave the EU unless they can get enough votes together to "stop it". The chart below shows the chances that an event like this will actually become a Black Swan (yes there are positive Black Swans and negative Black Swans). On the chart below, there is a 45% chance that Brexit will end up being a major market moving event. When people say it's not a big deal, they typically are not prepared for it becoming a big deal. Panic sets in and they start panic selling. That said, we will keep a close eye on this non-event to make sure it stays that way for our clients.

Chart 1.25 SG Swan chart: Dominated by downside risks



The x-axis gives an indication of how probable we consider a risk factor to be. The size of the swans gives an indication of how important the impact of that event materialising would be in terms of its upside or downside shock to the outlook.

Source: SG Cross Asset Research/Economics

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