



Special Bulletin

ECONOMIC AND INVESTMENT IMPLICATIONS OF BREXIT

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City National Rochdale has formed an initial assessment of the implications that Brexit may have. We have evaluated its impact on the U.S. economy and corporate earnings. In addition, we have examined the economic consequences it may have on the UK, Europe, and the broader global economy.

IMPLICATIONS FROM BREXIT

> Positive:

- Interest rate policy should stay lower for longer
- U.S. impact is relatively small vs. UK/European Union

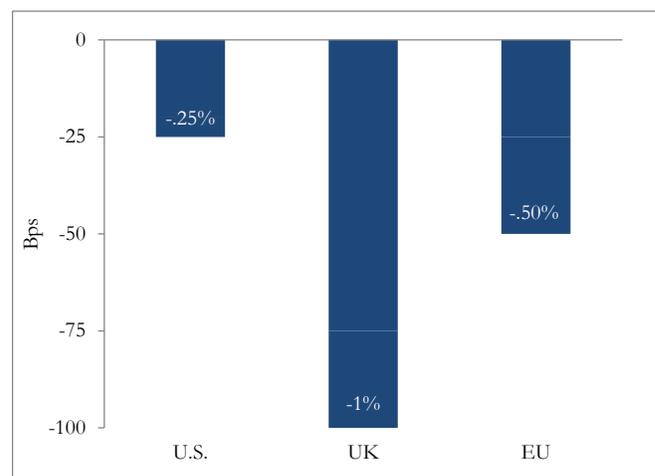
> Negative:

- Slower global growth and deteriorating enthusiasm for global trade
- Higher political and economic uncertainty
- Reduced business investments and capital expenditures
- Tighter lending conditions across Europe
- Higher market volatility and lower multinational earnings growth
- Stronger Dollar: Negative for U.S. manufacturing
- Potential political momentum towards protectionism
- Risk of contagion for other EU countries & long-term viability of the EU under question

ECONOMIC IMPLICATIONS

The charts to the right show City National Rochdale's estimates for the negative effects that the Brexit vote will have on GDP in the U.S., UK, and the EU in 2016.

Estimated Maximum GDP Reduction



City National Rochdale Estimates	2016	
	Pre-Brexit	Post-Brexit
U.S. GDP Growth	2.0% - 2.5%	1.75% - 2.25%
U.S. Corporate Profit Growth	3.0% - 5.0%	3.0% - 4.0%
Interest Rates	Fed Funds Rate	0.75% - 1.00%
	Treasury Note, 10 Yr.	2.0% - 2.50%
		1.50% - 2.00%

Source: City National Rochdale, June 27, 2016

INVESTMENT STRATEGY IMPLICATIONS

Over a year ago, City National Rochdale made the decision to reduce European/UK equity exposure in client portfolios to just 5%, which is significantly less than the typical allocation of 10-20% in a normal global asset allocation universe. Over the past few days, this prescient investment decision means that City National Rochdale clients were not exposed to the same extent of volatility as those that had a more normal allocation to European equities. In addition, our underweight to Europe should reduce exposure to future uncertainties that may arise from the UK's decision to exit the European Union.

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