The British break-off.

What an incredible few months it has been! A surprising EU Referendum result, a new Prime Minister; the opposition in turmoil; resignations; political back stabbing; market volatility, I cannot imagine encountering a more turbulent period in my lifetime.

Iain Halket, chair of HFS Milbourne investment committee gives a snapshot of the UK economy post BREXIT

Brexit impact on the UK

Speculation about the UK's future with the EU is rife and the consequence is likely to be a prolonged period of uncertainty, although markets have adjusted quickly, reappraising the impact of the leave decision on economic growth, inflation and monetary policy.

The Brexit vote is significant not just for the UK, but for the wider EU and the implications this has on the world economy. There is a risk that Brexit starts a domino effect in other countries as EU intolerance gains further ground.

In terms of the immediate macro-economic outlook, we are sticking with our view that growth forecast for 2016 will be cut by 0.5% and UK growth in 2017 will all but remain positive and we should therefore avoid a technical recession. Weaker investment is the principal source of the slowdown as businesses and consumers wait for clarity on the UK's new trading arrangements, security of jobs and for the general political aftermath to settle before committing themselves any further.

We now expect the Bank of England to cut interest rates later in the summer as the economy weakens. The European Central Bank may cut rates once again, further into negative territory and instigate further quantitative easing purchases.

The FTSE100 has emerged from the uncertainty in a relatively positive fashion given that almost 80% of revenues for FTSE100 companies are attained from abroad, consequently these revenues are boosted on the devaluation of Sterling.

It is the FTSE250 or mid-cap companies that provide a better representation of the UK economy and trading outlook. Both small and mid-cap companies de-rated in the months prior to the referendum vote in spite of consensus earnings upgrades. We therefore still believe that many mid-cap companies which are domestically focused or have earnings from abroad are underrated and represent a bright opportunity ahead.

M & A activity is likely to increase moving forward and we believe there is still relative strength in the UK economy with some real wage growth being a bullish sign for consumer spending. Household consumption makes up 62% of GDP and is likely to be the key determinate as to how the UK economy performs. There may be an increase in precautionary savings but insufficient to cause a fall in demand.

Overall our suspicion remains that the challenges posed by an exit from the EU are digestible, if unhelpful for the UK economy. In the meantime we wait for the start of the upcoming exit negotiations. The long term impact on the UK economy will be determined by how much access to the single market the UK manages to retain, how migration flows are impacted by government policy and how much the UK government manages to save in its subscription costs.

Global Economy

We still believe that prospects for global growth and inflation are being underestimated by the world's capital markets.

It is the US economy that we look to for clues on what lies ahead for the wider world. US payroll data, i.e. jobs, were strong in June with overall manufacturing, consumer spending and business confidence trending positively at present.

Following the economic meltdown of 2008/2009, the US acted swiftly, wrote down bad loans and implemented robust bailouts. This caused some controversy at the time but it has allowed its market to rebuild on solid foundations. Unfortunately Europe was less decisive, leaving a tangled web of liabilities that has remained unchanged. This crippling burden of bad debts has prevented European banks from extending credit to the real economy and boosting GDP growth. In Italy for example, local lenders are struggling from a rising bad loan burden and too require a bailout. Whilst we still worry about the Greek economy and the level of debt, unemployment across the whole of the Eurozone, German industrial production falling sharply in May, and the list goes on, there will be crisis points that continually hold back the EU from improving its economic outlook. Further political fallout and with so many important European elections scheduled over the coming months, leaves us nervous about investing fully in Europe.