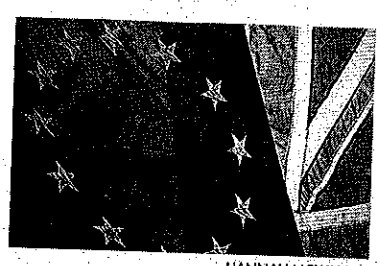
3 market indicators to watch in wake of 'Brexit'

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The United Kingdom's decision to leave the European Union roiled global markets Friday, but the real drama begins Monday with the arduous and long process of investors pricing in this massive event.

The knee-jerk reaction Friday in the U.S. was swift and severe. The benchmark Standard & Poor's 500, which Thursday closed 0.9% away from a new high, erased its gains for the year. The Dow Jones industrial average suffered its worst drop in 10 months and also ended with a loss for 2016.

With so many unknowns, investors can expect markets to struggle with this "tectonic" shift for a prolonged period of time, says Rod Smyth, chief investment strategist at Riverfront Investment Group.



HANNAH MCKAY, EPA

The British pound suffered a one-day drop Friday of more than 11% to $1.32.

"It's the wrong time to be complacent," he says about what the "Brexit" vote will mean. "This is a decision that had huge consequences. Nobody can tell you exactly how things will play out."

Britain's Treasury said finance minister George Osborne planned an early morning statement Monday "to provide reassurance about financial and economic stability" before the London Stock Exchange opens.

Investors now will focus on:

▸ **Currencies, commodity prices and stock valuations.** These three factors will be key for coming up with a game plan, says Michael Thompson, chairman of S&P Investment Advisory Services, in a note to clients. The British pound has been one of the more definitive measures of the new risks. The pound suffered a one-day drop Friday of more than 11% to $1.32, its lowest level since 1985, says Bloomberg News.

Gold, a preferred safe haven for investors, on Friday jumped more than 8%. U.S. stocks had been getting a lofty valuation ahead of the Brexit vote with the S&P 500 trading for 21.4 times its trailing earnings. After the market's sell-off, the P-E fell to 20.7.

▸ **Sector movements.** During the market's Friday plunge, financial stocks suffered while defensive stocks such as utilities gained. Financial stocks will be especially important this week because banks face the second round of the results of the Federal Reserve's stress tests. If financials continue to suffer and defensive stocks rally, it will show investors are hunkering down.

▸ **Key technical support levels.** Some major indexes are already down to important levels that investors will see if they hold. The Nasdaq composite, for instance, is just a fraction of a percentage point from falling into a 10% correction. Seeing that index close into a correction again could be a confidence killer.

There are ripple effects to watch, too, says Todd Morgan, chairman of investment firm Bel Air Investment Advisors. If the U.S. dollar continues to strengthen, that could spell trouble for the profits of large U.S.-based multinationals.