

Russell Napier, an independent strategist and market historian, likes to challenge investors' comfortable assumptions. Based in Edinburgh, Scotland, he spent two decades as an equity-market and global-macro strategist at CLSA, the Asian brokerage, and now publishes a global macroeconomic and strategy report, "The Solid Ground," on ERIC, an online platform he cofounded for investment research. He also created the Library of Mistakes, a financial-history library in Edinburgh, that he plans to replicate at universities around the world.

Napier has been bearish since 2011 on equities and commodities, and expects deflation to hit developed markets. He recently shared with *Barron's* his views on the coming Brexit referendum, China's currency, and today's financial mistakes.

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Russell Napier, Library of Financial Mistakes, Edinburgh. Martin Hunter for Barron's
Barron's: *Britain will vote on June 23 on whether to leave the European Union. How do you expect the so-called Brexit vote to go?*

Napier: It is too tight to call. The most important thing is that the move to a federal Europe is a massive constitutional change, which at some stage will need to be endorsed by the people of each sovereign state, usually by referendum. It is silly to believe this issue is just a United Kingdom thing. Look at polls all over Europe. People are voting for anybody who, whether on the extreme left or right, wants to maintain the sovereignty of that particular state within the European Union. That is completely contrary to the ability to have a functioning euro.

This is round one. The most important referendums will be those in the euro countries. I expect referendums in places like Finland, the Netherlands, and even Italy. European legislation is forcing Italy into a form of bank recapitalization, which won't work and is bad for the Italian economy. Italy will move up the agenda quickly.

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