



What's next for Brexit

If the polls for UK elections are correct at this time of writing, the British pound is likely to strengthen as a Conservative party win would result in a Brexit resolution by the end of January 2020. The markets are likely to view an overwhelming Conservative win as favourable, as it would reduce uncertainty in parliamentary deliberations going forward.

Conservatives, known colloquially as Tories, are projected to win a modest majority of 339 out of 650 seats in the British House of Commons, according to a YouGov projection.

The conditions for a strengthening of the pound have shifted toward a resolve to Brexit instead of Breain. Earlier, a narrowing of the Tory lead and projected tighter voting margins resulted in pound weakness. This stood in contrast to markets previously assuming that the “no Brexit” stance led by the Remain factions in Labor Party would be more positive for both the sterling and investor sentiment.

Since the results of a Conservative win have been priced, a “hung parliament” will compound political paralysis and market uncertainty. Conversely, a Conservative majority would be encouraging for markets (rallying equities, higher UK government bond yields, stronger pound) though much of the effects have already been priced in. This political clarity would also likely give the go ahead to the Bank of England to enact monetary easing in the form of a 25 basis point interest rate cut to cushion the effects of Brexit amid a backdrop of softening global economic data.

However, the outlook ahead is still fraught with uncertainty even if the Tories gain an overwhelming majority. For example, a clear Tory majority could embolden UK Prime Minister Boris Johnson to be more aggressive in negotiations with the European Union (EU) on the trade relationship as the UK leaves the bloc. The outcome on these trade agreements would determine the UK's market access to the EU on goods and services, security matters, other ties and have a significant bearing on the longer term prospects for the UK economy.

Important Notice & Disclaimers

This publication shall not be copied or disseminated, or relied upon by any person for whatever purpose. The information herein is given on a general basis without obligation and is strictly for information only. This publication is not an offer, solicitation, recommendation or advice to buy or sell any investment product, including any collective investment schemes or shares of companies mentioned within. Although every reasonable care has been taken to ensure the accuracy and objectivity of the information contained in this publication, UOB Asset Management Ltd (“UOBAM”) and its employees shall not be held liable for any error, inaccuracy and/or omission, howsoever caused, or for any decision or action taken based on views expressed or information in this publication. The information contained in this publication, including any data, projections and underlying assumptions are based upon certain assumptions, management forecasts and analysis of information available and reflects prevailing conditions and our views as of the date of this publication, all of which are subject to change at any time without notice. Please note that the graphs, charts, formulae or other devices set out or referred to in this document cannot, in and of itself, be used to determine and will not assist any person in deciding which investment product to buy or sell, or when to buy or sell an investment product. UOBAM does not warrant the accuracy, adequacy, timeliness or completeness of the information herein for any particular purpose, and expressly disclaims liability for any error, inaccuracy or omission. Any opinion, projection and other forward-looking statement regarding future events or performance of, including but not limited to, countries, markets or companies is not necessarily indicative of, and may differ from actual events or results. Nothing in this publication constitutes accounting, legal, regulatory, tax or other advice. The information herein has no regard to the specific objectives, financial situation and particular needs of any specific person. **You may wish to seek advice from a professional or an independent financial adviser about the issues discussed herein or before investing in any investment or insurance product. Should you choose not to seek such advice, you should consider carefully whether the investment or insurance product in question is suitable for you.**

UOB Asset Management Ltd Co. Reg. No. 198600120Z

To find out more,
please visit www.uobam.com.sg



RIGHT BY YOU