Brexit

At the weekend, the EU has agreed to the Brexit deal. The withdrawal agreement regulates the exit conditions (UK has to pay 39 billion GBP) and the transition period whereas the political declaration gives an overview of what the UK and EU's future relationship will be in the longer term. The approval by the British Parliament in December is far from clear. Theresa May needs 320 votes to pass the deal. The conservative party has 314 MPs and their "coalition partner", the Northern Ireland DUP, has announced to vote against the agreement. Obviously, the minority government relies on votes from the opposition.

Should the Parliament reject the deal, different scenarios are open: a second referendum on Brexit, withdrawal without agreements, new negotiations (if accepted by EU). During this process, a vote of no confidence could lead to a change of the government and/or general election.

Until the vote of the Parliament, political uncertainty will prevail on financial markets. A "Yes" would most probably be well received by the markets though the details of the future scheme of the relationship must still be negotiated. In the case of a rejection of the agreement, the uncertainty remains high, as different options with different qualities are open. For the time being, the fate of the British pound is in the hands of the parliamentarians.

November 2018