

FINANCIAL MARKETS

BREXIT:
HOW WILL THE
MARKETS REACT?



BLACKWELL
GLOBAL

THE BLACKWELL ADVANTAGE

BLACKWELL GLOBAL

Blackwell Global is a global brokerage, aiming to be the most trusted financial service provider. We are committed to transparency, integrity and service excellence.

Founded in 2010, we now have global presence in over 90 countries.

We believe that sound investment and trading decisions begin with a strong grounding in financial education. Our goal is to make this available to everyone - and this free eBook is part of that commitment.

To find out more about Blackwell Global, please visit:
www.blackwellglobal.com

WHAT'S NEXT FOR BREXIT?

FOREWORD

It's been another significant week for Brexit.

UK parliament has clearly expressed its will. It rejected Prime Minister Theresa May's deal for a second time and voted against a "No Deal" scenario. MPs also supported a move to extend Article 50 beyond Friday 29th March.

This eBook explores the latest Brexit developments, what could lie ahead in the coming weeks - and the potential impact on EURGBP and UK100.

Patrick Latchford
CEO, Blackwell Global Investments (UK) Limited

BREXIT: HAS ANYTHING CHANGED?

WHAT HAPPENED THIS WEEK?

It was a pivotal in UK parliament. Specifically, a series of important votes that affect the fate of Brexit took place.

Tuesday 12th March

On Tuesday 12th March, Prime Minister Theresa May brought her revised Withdrawal Agreement back to the House of Commons.

She was instructed by parliament to renegotiate the Irish backstop with the European Union (EU). Remember - the Irish backstop is an insurance policy to prevent a hard border between Ireland and Northern Ireland.

Many MPs believe the original backstop provision could see the United Kingdom locked into a customs alignment with the EU. In other words, the UK needs to reach an agreement with the EU in order to terminate the backstop. For many MPs, it ceases too

much control.

However, the Prime Minister did secure changes to the Withdrawal Agreement at the eleventh hour. On Monday 11th March, three documents were released:

A joint legally-binding instrument which the UK could use in independent arbitration, if it believes the EU was intentionally keeping the UK locked into the backstop.

A UK-EU joint statement which expresses a clear desire for both parties to find alternative arrangements to the backstop by December 2020. It accompanies the original political declaration.

A unilateral statement from the UK government, which communicates its understanding of the legally binding changes. Essentially, the UK government says that there is nothing to prevent the UK leaving the backstop should alternative arrangements not be agreed.

But these changes weren't enough. The government's own attorney general, Geoffrey Cox, subsequently stated that the UK was still at risk of being locked into the backstop against its will. Ultimately, the revised deal was voted down by 391 to 242 votes.

Wednesday 13th March

On Wednesday, UK parliament then voted to reject a "No Deal"

scenario in all circumstances. The majority was incredibly narrow at 312 - 308 votes, with some cabinet ministers defying the government to reject “No Deal” no matter what.

This caught the UK government off-guard. It tabled its own motion to rule out “No Deal” on Friday 29th March - but to keep the option available at a later time. This passed through parliament by 321 to 278 votes.

While MPs voted to reject “No Deal” in any scenario, it’s important to emphasise that the vote is not legally binding. At the time of writing, the default legal position on Friday 29th March is a “No Deal” Brexit.

Thursday 14th March

On Thursday 14th March, MPs voted for the UK government to ask the EU for an extension to Article 50. It passed by 413 to 202 votes. MPs also voted down a second referendum by 334 to 85 votes.

WHAT HAPPENS NEXT?

A Third Meaningful Vote

Prime Minister Theresa May will attempt to get her deal through parliament for the third time in the coming days.

Some commentators suspect that the UK government is attempting to “run down the clock” ahead of Friday 29th May. It could force some Brexiteer MPs to change their stance and

support the proposed Withdrawal Agreement - as the alternative could be a softer Brexit, or even no Brexit at all.

Request For An Extension

If the Prime Minister's deal passes the house at the third attempt, she will ask for an extension of three months (Sunday 30th June 2019). However, if the deal is rejected, she will request a longer extension.

The EU has said it will only consider an extension if there is a clear purpose for it. In the event of a longer extension, it's far from clear what that purpose will be for the UK. There are a variety of options:

- Build cross-party consensus for a softer Brexit
- A UK general election
- Another second referendum

HOW WILL THE MARKETS REACT?

So what do these Brexit developments mean for the financial markets?

Remember - the financial markets have been nervous about the prospect of "No Deal" and the economic turbulence it could cause.

Specifically, leaving the EU without a Withdrawal Agreement could see UK firms revert to World Trade Organisation (WTO) rules, which would see some industries face tariffs on products that cross the UK/EU border.

But now parliament has expressed its will to reject “No Deal” in all circumstances, market anxiety has lifted. Let’s take a closer look at two products you can trade with Blackwell Global to highlight the shift...

EURGBP

GBP has strengthened over the past week in response to parliament’s rejection of “No Deal”. Should developments in the next few weeks suggest an extended delay in order to facilitate a softer Brexit, this will likely support GBP further.

Sterling could be paired with EUR - which is facing downward pressure after a batch of poor growth data from the eurozone and an unexpected dovish tone from the European Central Bank.

UK100

The UK100 has also reacted positively to the decreasing likelihood of a “No Deal” scenario. The reason is simple - “No Deal” would create severe disruption to UK firms that rely on imports or exports. The prospect of a delay in order to facilitate a softer Brexit will likely see improved confidence from FTSE 100 firms.

READ OUR FREE TRADING GUIDES

TAKE ME THERE



WHY BLACKWELL GLOBAL?

We can't pretend that it is easy to become a successful trader. But we are here to help and support you as you make your trading journey, providing dedicated resources such as our demo trading accounts and regularly published research materials.

Founded in 2010, Blackwell Global was established to offer brokerage solutions for private and institutional clients. Blackwell Global is a Straight Through Processing or STP broker who provide their clients with superior liquidity and price feeds from top international banks. These are offered alongside 24-hour technical support, market research tools, educational materials, professional partnership programmes and fully integrated trading platforms.

We offer access to multiple asset classes including more than 60 currency pairs, precious metals and other contracts for differences. As a global broker, we are always striving to achieve excellence in our customer service, as well as developing innovative technology to support our customers needs.

Today, the Blackwell Global group of companies has a presence in over 90 countries. To find out more about Blackwell Global please go to: www.blackwellglobal.com

Or contact Customer Support:

Tel: +44 (0)20 7397 3781

Email: cs@blackwellglobal.com

Risk Warning: Forex and CFDs are leveraged products and involve a high level of risk and can result in the loss of all your invested capital. At the time of publishing this informational material, 66% of retail investor accounts lose money when trading CFDs with Blackwell Global Investments (UK) Limited. Therefore, Forex and CFDs may not be suitable for all investors, so please consider your investment objectives, level of experience, financial resources, risk appetite and other relevant circumstances carefully. Seek independent advice if necessary. Please consult our full risk disclosure and make sure you understand the risks before entering any transaction with Blackwell Global Investments (UK) Limited.

Disclaimer: The report provided by Blackwell Global Investments (UK) Ltd is meant for informative reading and should not be relied upon as a substitute for extensive independent research and is no guarantee of a successful trading outcomes. The opinions expressed in this eBook are do not take into account any particular individual's investment objectives, financial situation, or needs, and should not be interpreted as financial advice nor an encouragement to trade any investment product.