



The big picture
of global economics.

with

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UK election - Finally Some Certainty

- **The Conservative Party on track for a significant majority.**
- **The Labour party's prevarication on Brexit and somewhat extreme socialist policies fail to impress**
- **Sterling rebounds smartly and may be on track to \$1.40**
- **UK equities, particularly those focused on domestic growth have room for upside after perennial underperformance**
- **Next up the new government's budget with a significant increase in spending on the cards**
- **The angst is not completely over; next year the UK has to negotiate its trade deal with the EU.**

Not even a full moon and the prospect of Friday 13th could stop the U.K. from finally achieving certainty. Brexit for certain, and the first majority government since the summer of 2017.

The U.K. will feel very different in the morning. It will know where it is going. No one should underestimate the degree to which it helps kick start the U.K. economy after the shambles of recent years. Companies can finally plan for the future with the knowledge that the U.K. will leave the E.U. While the trade negotiations with the E.U. could still be fraught, the certainty of Brexit will allow businesses to finally move ahead with decisions to invest and hire people. There should be an

immediate feel-good factor in the economy that was so lacking for the past three years.

Sterling has had a knee jerk rise to \$1.35 from the \$1.31 level just before the exit polls were released. We suspect that further gains could be in prospect over the medium term. The peak of \$1.42 in April 2018 is in sight.

While a strong pound is something of a headwind to the equity market, we expect the FTSE-100 to make gains. However, we have more confidence that the domestically focused FTSE-250 will outperform.

The Johnson government is committed to a significant fiscal boost for the economy. Next week the new government will announce its budget. They have already revealed plans of £13.8bn of spending across all government departments by 2021. They also promised cuts to four business taxes, the business rate, research and development tax and employers' national insurance contributions.

The U.K. will now be on track to leave the E.U. by January 31st. There will then be a transition period for discussions with the E.U. over a trade deal. A No-deal Brexit is still a feared outcome however the fact that Boris Johnson will have a large majority in the house of Commons should keep in check those in his party that want to strike a hard deal with the E.U.

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