



The Nightmare Before
CHRISTMAS



What's this? What's this?

The UK is set for its first winter election since 1923 as the electorate heads to the polls. The hope is that the result will deliver a majority that breaks parliamentary deadlock over Brexit and put an end to the uncertainty regarding the UK's departure from the EU.





Frozen

Despite modifications to Theresa May's original departure deal and a possible alternative to the controversial Irish backstop, Parliament has remained at an impasse regarding Brexit.

The Prime Minister called for an election as it became clear that the UK was not going to leave the EU on 31st October as planned and a new approach was needed to take the matter forward.





Delayed Actually

By the time the election takes place, more than eight months will have passed since the original Brexit deadline of 29th March 2019.

The current Prime Minister has pledged that if he wins a majority, he will push forward with plans to leave the EU by 31st January 2020 and will not be extending the transition period beyond the end of next year.

Other parties have different plans – Labour are promising a whole new deal and a second referendum, the Liberal Democrats have pledged to revoke Article 50 and put an end to Brexit and have formed a loose alliance with other pro-Remain parties including the Green Party and Plaid Cymru.

At a time when we're more used to counting down the 12 days of Christmas, many people have different dates in mind this winter.



26th November
2019

**Voter registration
deadline**



12th December
2019

General Election



31st January
2020

new Brexit deadline



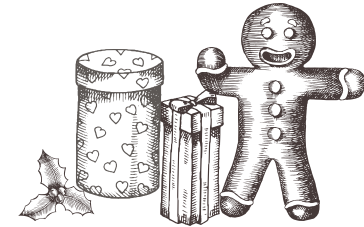
All I want for Christmas is...

While Brexit is high on the list of priorities for politicians and voters alike, it isn't the only issue at stake.

A survey by YouGov showed that Brexit was the top issue, with 68% of the electorate ranking it within their top three concerns. Healthcare was in second place as a priority for 40% of voters, and third was crime, which pushed the economy out of the top three. The environment has also crept up the priority list and currently shares third place with the economy. Despite Brexit being such a crucial issue, immigration and asylum - which was in the top three concerns for the 2017 election - now sits behind both the economy and the environment.

Brexit is more than a single important issue, it's one that complicates the overall picture and makes the election difficult to predict. In this election, there will once again be Remain MPs campaigning in constituencies that voted Leave and vice versa. The Liberal Democrats believe they can break the stronghold of the two main parties by pledging to revoke Article 50. Similarly, the Brexit Party believe that they have a chance to pick up some seats in Parliament as people get tired of the Brexit delays. There may also be a shift in allegiance from Conservative supporters dismayed by the departure or removal of the party whip from leading moderate and pro-Remain figures in the party.





What's on sterling's Christmas list?

Usually an election means uncertainty and that's bad news for currency, but this election is all about removing uncertainty and so it may be that the normal rules don't apply.

The currency market is wary of opinion polls after a landslide majority for Theresa May was predicted in 2017. While there may be some reaction to major shifts suggested by opinion polls and developments in the campaign, there may not be as much volatility as a General Election generally brings. There are no guarantees but it's likely that the currency market, which has been living with the uncertainty of Brexit since June 2016, may wait until the early hours of 13th December to react to the final result.

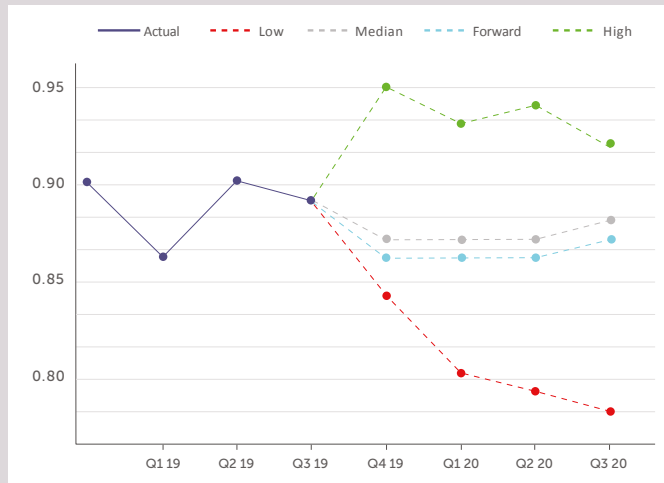
The movement of the pound is difficult to predict; a Conservative victory may bring a known approach to Brexit and economic policies largely supportive to sterling, but this could lead analysts to consider the wider warning signs in the economy. A victory for the Labour Party could put pressure

on the pound due to both a change in approach to Brexit and economic policy. A surprise win for the Liberal Democrats would put an end to the Brexit uncertainty at a stroke, but it would leave the market with many concerns about a largely untested party in power. A coalition government is another possibility and this could weaken the pound due to the uncertainty and lack of clarity over future policy direction.

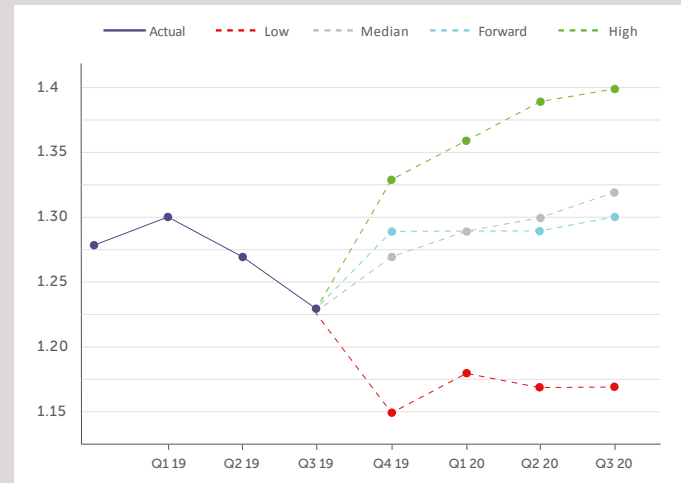
Although there are numerous possibilities as to what will happen next, most analysts believe that because the market is wary of predictions, the election result has not yet been priced into sterling exchange rates. This means if the pound makes gains against the US dollar following the result, it may also use that momentum to rise against the euro and Australian dollar, amongst other currencies.

Analysts at Bloomberg have shared their forecasts for the pound in the coming months and despite some variation depending on the result, the variation trends to the downside for sterling.

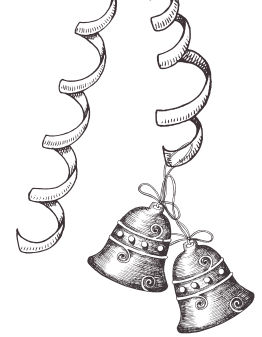
FXFC Composite Bloomberg Forecasts



EUR/GBP



GBP/USD



Bah, humbug!

The election results aren't the only numbers that matter to the pound.

The Bank of England (BoE) held interest rates in November, but two members of the Monetary Policy Committee (MPC) wished to cut interest rates to 0.5%. The 7-2 split suggests there is concern at the BoE about the strength of the British economy, which is growing at the slowest annual rate in a decade, to 1% from 1.3% in the second quarter, according to the Office of National Statistics (ONS).

Technical recession was avoided thanks to growth of 0.3% in the third quarter, but there are concerns about the ongoing uncertainty and factors such as Brexit stockpiling. Tej Parikh, chief economist at the Institute of Directors, stated that "The UK economy has been in stop-start mode all year, with growth punctuated by the various Brexit deadlines."

The MPC remain cautious, downgrading growth forecasts for 2020 and 2021, based on estimates using the current Brexit plans. It's not clear how much these forecasts would be revised if someone else takes residence at Number 10 but it seems that the BoE are looking to steady the ship as rumours circulate that Mark Carney has been asked to extend his tenure for the second time. Far from being a bean-counting Scrooge, the BoE appears to be taking a measured approach which considers the extremes of electioneering as mere humbug.





Do they know it's Christmas?

Whether the end result of the General Election is a miracle on Downing Street that sees politicians unwrap all the many layers of uncertainty or the blue Christmas of a new Brexit cloud, our expert team can provide guidance and support during this current period of sterling volatility and beyond. From tools to manage your international payments during periods of currency fluctuations to the latest market news, our team are on hand to help you make the most of your money while the country makes its mind up.



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