

BREXIT UPDATE

Moving towards the October 31st deadline

27 September 2019

INVESTMENT INSIGHTS INFOGRAPHIC

Brexit recent news

BREXIT



What are the recent updates?

The **UK Supreme Court** judged “unlawful” the advice to suspend the legislature given by Prime Minister (PM) Boris Johnson to the Queen

After the Summer, Parliament moved to tie the hands of PM B. Johnson by passing a **motion instructing him to request an extension of the Brexit deadline** by October 19

Parliament refused Johnson’s request of snap elections before October 31

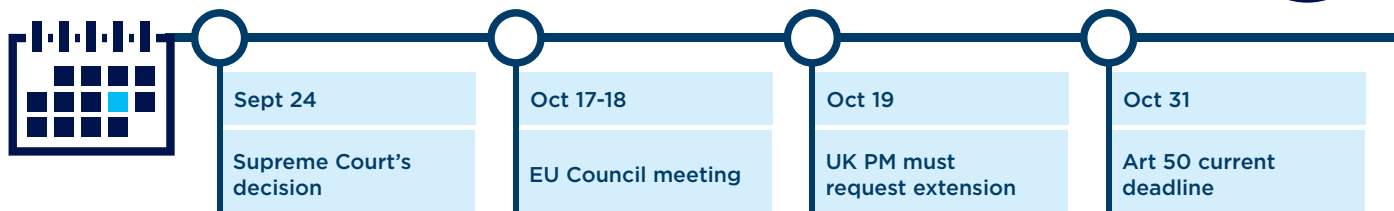


What about PM B. Johnson?

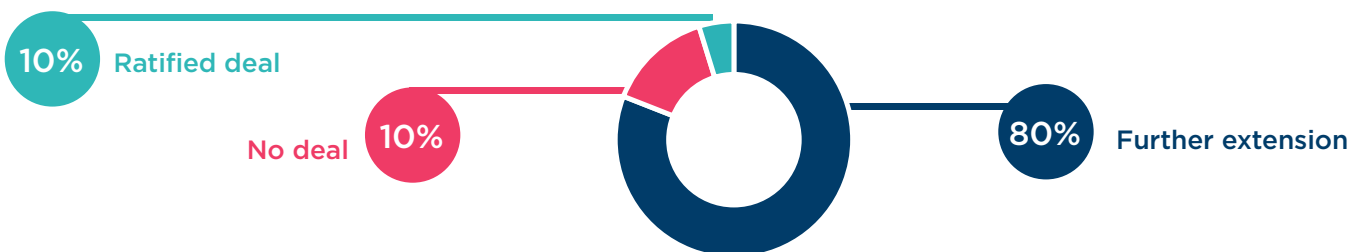
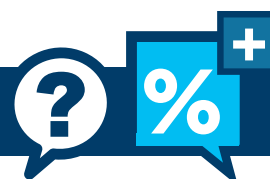
Johnson lost his majority in Parliament after a number of moderate Tories abandoned him. He expressed his intention to deliver Brexit on 31 October, **whatever happens**

He confirmed his belief that the **European Union may agree to renegotiate** in the end (i.e. first and foremost on the Irish backstop) provided the UK threat of a no-deal Brexit is kept credible

Brexit countdown: what’s next?



Brexit: What can happen on October 31st?



Source: Amundi. Produced by: Amundi Investment Insights Unit and Amundi Research.
Chief Editors: Pascal Blanqué, Vincent Mortier.

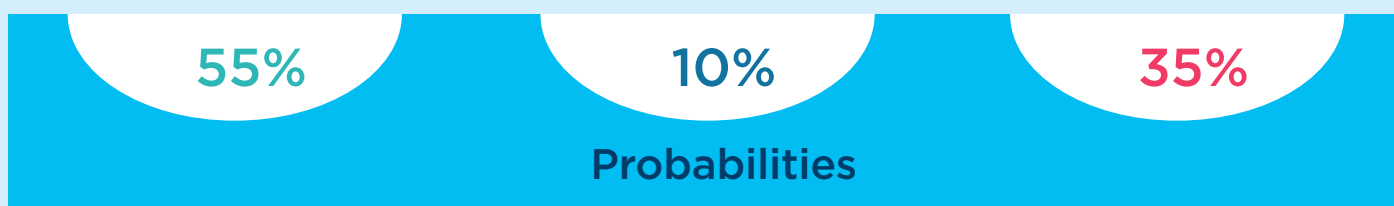
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The deal remains the most likely final scenario

Scenarios, investment implications & probabilities after October 31st



SCENARIO 1	SCENARIO 2	SCENARIO 3
A deal	UK remains in the EU	No deal
<p>It could happen in case of an opposition electoral victory (a withdrawal agreement similar to the one proposed by T. May, but with the intention of negotiating a closer relationship during the transition period, or a full reset of negotiations towards a “softer” deal). If the Tories win elections, provided the newly elected government and the EU give mutual concessions to each other.</p>	<p>There remains a residual possibility that the UK could remain in the EU. This would probably require a referendum (much more likely in case of opposition victory at snap elections) and that the UK voters choose the “Remain” option (something that cannot be taken for granted).</p>	<p>All in all, the risk of a no-deal Brexit by Q1 2020 remains non negligible. This would probably require</p> <ul style="list-style-type: none"> ■ A Tory victory at the snap election ■ The refusal of both the new Tory government and the EU to make significant concessions.



Scenario 1	Scenario 2	Scenario 3
GBP 1.35-1.40	GBP 1.28 - 1.33	1.10 - 1.20
<i>BOE keeps rates on hold, bond yields little changed, following global trends</i>	<i>BoE could hike rates, leading to a possible rebound in bond yields</i>	<i>A weak GBP could prevent the BOE to cut rates; bond yields could rise</i>
<i>Up - outperform, cyclical and domestic companies would outperform</i>	<i>Up - outperform</i>	<i>Overall negative market reaction. Defensives/exporters could outperform cyclicals/domestic stocks.</i>

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