

# UK General Election 2019



**13 December 2019**

As the polls closed last night, a campaign period that started out heading towards a comfortable Conservative Party lead had apparently tightened significantly, with commentators raising the possibility of another hung Parliament. However, the exit poll that was released at 10pm forecast a comfortable Conservative Party majority, and as the results rolled in it quickly became clear that Boris Johnson will remain as Prime Minister with a considerably enhanced majority.

Our view is that this will mean that the new Government will be able to proceed as they wish on the Brexit issue, given that many of the Conservative Members of Parliament (MPs) who were more likely to take a contrarian position to the Government had either left the party or stood down before Election Day. The Government is likely to find the solidity of support from their own MPs for their Brexit plan that was lacking in the previous House. Clearly, there is more politics to come in terms of negotiating a deal with the European Union (EU), but there is now no debate as to whether the UK will or will not leave the EU. Additionally, the size of the majority means that the chances of a no-deal Brexit appear remote, as the Prime Minister is likely to have enough support in the House to extend the transition period in order to agree a trade deal if this is required.

From an investment perspective, and regardless of your political persuasion, the fact is that markets like clarity. As such, we see the case for investing as a more sensible discussion around fundamental economic prospects. We expect to see an increase in government investment in infrastructure, as we have seen already in other developed economies, which typically is a positive for markets. Additionally, UK shares have not been popular with institutional investors, and a change in sentiment here is going to add increased demand to improving fundamentals. Unsurprisingly, UK risk assets have risen on the back of the decisive

election result. Sterling briefly touched USD1.35, having been as low as USD1.20 in early September. The FTSE 100 Index has also made gains in early trading (boosted by overnight news regarding US tariff negotiations with China), but the more domestically focused FTSE Mid-250 Index has seen stronger gains. In contrast, UK government bond markets have fallen as investors believe that the domestic economy should recover following three years' of political uncertainty which has held back investment.

## Learn more

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