

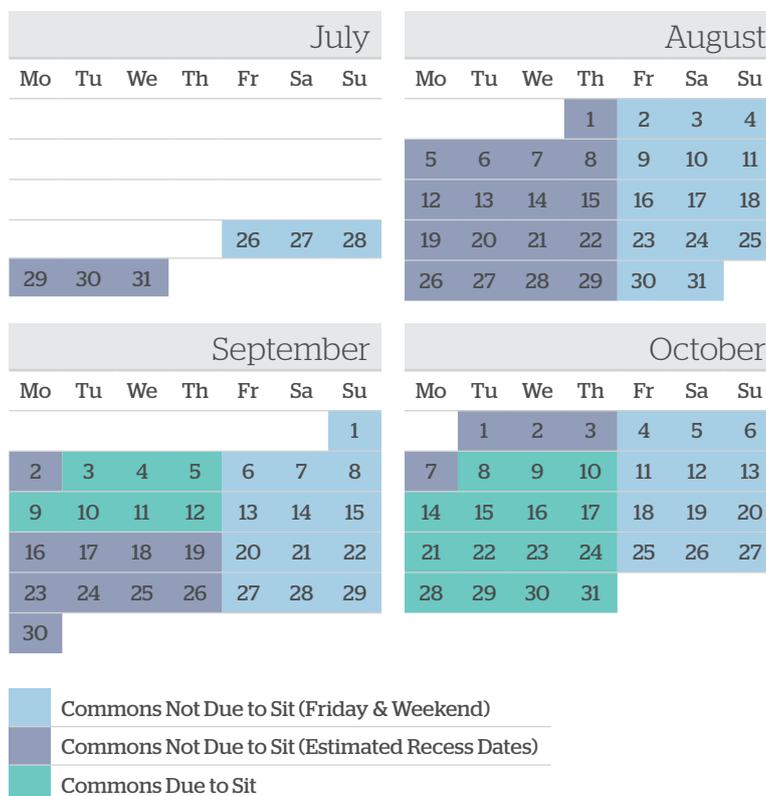
Brooks Macdonald View

The market's UK outlook remains fixated on Brexit above all else. UK corporate earnings, economic fundamentals and business sentiment all play second fiddle to the outcome of the UK's secession from the EU. Boris Johnson's government will not have an unfettered ability to determine the fate of the UK/EU relationship. The parliamentary arithmetic means that breaking away from the current impasse looks unlikely given how entrenched Brexit views even within the Conservative party have become. At the same time the upcoming changes to leadership within the major EU institutions on 1st November does not set a positive backdrop for large changes to the current withdrawal agreement.

Our base case remains that a soft Brexit is more likely than a hard or no deal Brexit but as we approach the 31st October the risks of no deal have risen significantly. Whilst it remains to be seen whether Johnson's rhetoric tempers once he has settled into office, his first speeches as PM augur an administration more accepting of the risks of a no deal.

Regardless of the result of Brexit we believe the Johnson government will want to tilt towards expansionary fiscal policy but until markets know the path of Brexit we expect sterling and UK assets to be range bound with risks to the downside. As a result we retain our underweight to UK equities; UK risk assets trade at a discount to global peers however we feel the binary nature of the current political impasse could lead to significant volatility in the near term.

95 Days Until the Brexit Deadline but just 22 Parliamentary Days



No deal and political risk reflected in Sterling weakness



Source: Refinitiv Datastream as at 26th July 2019

Important information

All data provided by Brooks Macdonald and as of 26 July 2019, unless otherwise stated. Past performance is not a reliable indicator of future results. Investors should be aware that the price of investments and the income from them can go down as well as up and that neither is guaranteed. Investors may not get back the amount invested. Changes in rates of exchange may have an adverse effect on the value, price or income of an investment. Investors should be aware of the additional risks associated with funds investing in emerging or developing markets. Structured products are complex investments which may not be suitable for all investors.

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Key dates in the Brexit process

25 July - 3 September - Summer Recess

Whilst Parliament is formally closed the negotiations between the EU and the new UK team will begin in earnest.

3 - 12 September - Commons in Session

This is the window opponents have to launch and debate a confidence vote against the government

29 Sept - 2 Oct - Conservative Conference

Major policy announcements and further outlining of Boris Johnson's political philosophy

17 - 18 October - EU Council Meeting

Last planned date for either ratification of an amended deal or granting of a further extension in negotiations

31 October - Expiry of Article 50 extensions

Scheduled exit date of the UK from the EU