

#### **BREXIT UPDATE**

Recent stalemate leaves all options on the table

3 April 2019

**INVESTMENT INSIGHTS INFOGRAPHIC** 

### Brexit recent and upcoming events 12 Mar 2019 Second rejection of May's deal 13 Mar 2019 Rejection of a "no deal" Brexit by the House of Commons 14 Mar 2019 Approval by the House of Commons to request an extension 21 Mar 2019 EU Summit – Agreement on two scenarios for a possible extension 27 Mar 2019 First round of indicative votes on multiple options, with no majority 29 Mar 2019 Third rejection of May's deal 1 Apr 2019 Indicative votes: MPs rejected all four proposals for Plans B 3 Apr 2019 May seeks deal with Labour after opening to a Brexit compromise By 10 Apr 2019 MPs debate a plan to present to EU summit on April 10 12 Apr 2019 (New Brexit Deadline) A blurred picture No-deal Revoke **Brexit** Article 50 extension (short or long) Renegotiate Referendum General Revoke ie Custom Union election Article 50



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# A further short extension is the most likely option



## Scenarios ahead and related probabilities



### **SCENARIO 1**

Short extension decided by 12 April and a deal approved by 22 May

- Reaching the new deadline of 12
   April without a deal, the UK asks for an extension of Article 50 to 22 May (i.e. the UK does not participate in the EU elections in May).
- The option of a long extension will become impossible.
- May's deal is still on the table
- The most likely option among the different plans B is a Customs Union that may require changes to the political declaration while remaining compatible with the Withdrawal Agreement and acceptable by the EU.

### **SCENARIO 2**

Long extension (at least 9 months) decided by 12 April

- Article 50 is extended at least for 9 months
- In this case the UK would participate in the EU elections in May.
- A long extension could open the door to a new referendum, new elections in the UK and/or a softer Brexit deal.
- A long, lasting extension would cause uncertainty on the future of the European model in the long term but more clarity in the short term.
- Also a small probability that Art. 50 could be unilaterally revoked by the UK.

## **SCENARIO 3**

No deal/ hard Brexit

- The UK exits the EU without (or with only a very limited) transition regime.
- Sub-scenarios: an outright "default" to a WTO regime is a risk but mitigation measures ("managed no-deal" and "deals under no-deal"), may be agreed.
- Negative impact on EU GDP growth with differences across countries (Ireland would be the worst hit, followed by countries well integrated in international supply chains).
- Extreme uncertainty concerning the Irish border issue.

**50%** 

30%

**Probabilities** 

20%

Markets pressure may persist until the deadline

Market relief, with uncertainty to continue

Not priced in by the market, negative for EU equities and GBP

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