



Brexit: May's snap election

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Theresa May's surprise snap election marginally increases the odds of a soft Brexit and makes a Scottish independence referendum less likely. Sterling is now at the top of our 1.20 – 1.28 trading range and there is not much more upside.

In an attempt to boost the British Prime Minister's (PM) legitimacy as an elected leader and to consolidate political backing, an early general election has been set for June 8 2017.

- It is expected that an early election could strategically ease the post-Brexit political time-table on having to otherwise hold a general election for 2020, which can instead be scheduled 2022.
- Presumably, post-election political alignment (and consolidated backing of the PM) may likely provide more accommodation for negotiation and compromise over the terms of Brexit.
- The Conservative party currently holds only 330 out of 650 seats, giving it only tenuous control in parliament. Current polling indicates that the number of seats is likely to increase as a result of the election which should provide greater stability as small Conservative factions within will no longer wield outsized influence.
- Scottish independence: With the SNP holding 54 out of 59 Scottish seats, it is hard for the SNP to improve and easy to lose. This dynamic could strengthen May in her decision not to grant a



referendum until after Brexit has been negotiated.

The immediate effects of the announcement on sterling have allowed the currency to strengthen on the back of previously negative sentiment. However, as the initial dust settles, observers can expect some volatility until the Pound finds new pricing.

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