

UK ELECTION - UPDATE

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The result of yesterday's UK general election has come as a surprise and yet again the polls failed to reflect the mood of the nation. A hung parliament is the last thing that the government needs as it begins the Brexit negotiations.



The Conservative Party's gamble has **spectacularly backfired** and without a majority in the House of Commons, it is going to be difficult to effectively lead the country in any direction. It is hard to envisage a Tory led coalition being able to make tough decisions in Brussels. **Theresa May's future is now in doubt** and a period of uncertainty is likely to weigh on markets in the near future.

The initial reaction in UK markets has been muted. Sterling has **declined -2.00%** versus the US dollar and is **trading at 1.27**. The **FTSE 100 is up 0.50%** and 10-year gilt yields are unchanged at 1.03%. The **fundamentals remain unchanged**, but volatility is likely to be heightened over the summer months as a result of yesterday's shock result.

It may take a few days to determine whether or not a coalition can be formed and it is difficult to identify viable long-term options for the Conservative Party. Brexit is the overriding priority for the government and the process has just become much more challenging.

Investors need to **remain patient** in the coming weeks and allow markets to find a new equilibrium.

The market impact of last year's EU Referendum was short-lived and the same is likely to be true this time. The portfolios are designed to navigate troubled waters and are highly diversified within and between asset classes, and around the world. In due course, the positive fundamentals underpinning the UK economy will reassert themselves and risk assets such as equities will trend higher.