

Update on Brexit

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Aalborg
Wednesday, 15 May 2019

PRIVATE AND CONFIDENTIAL

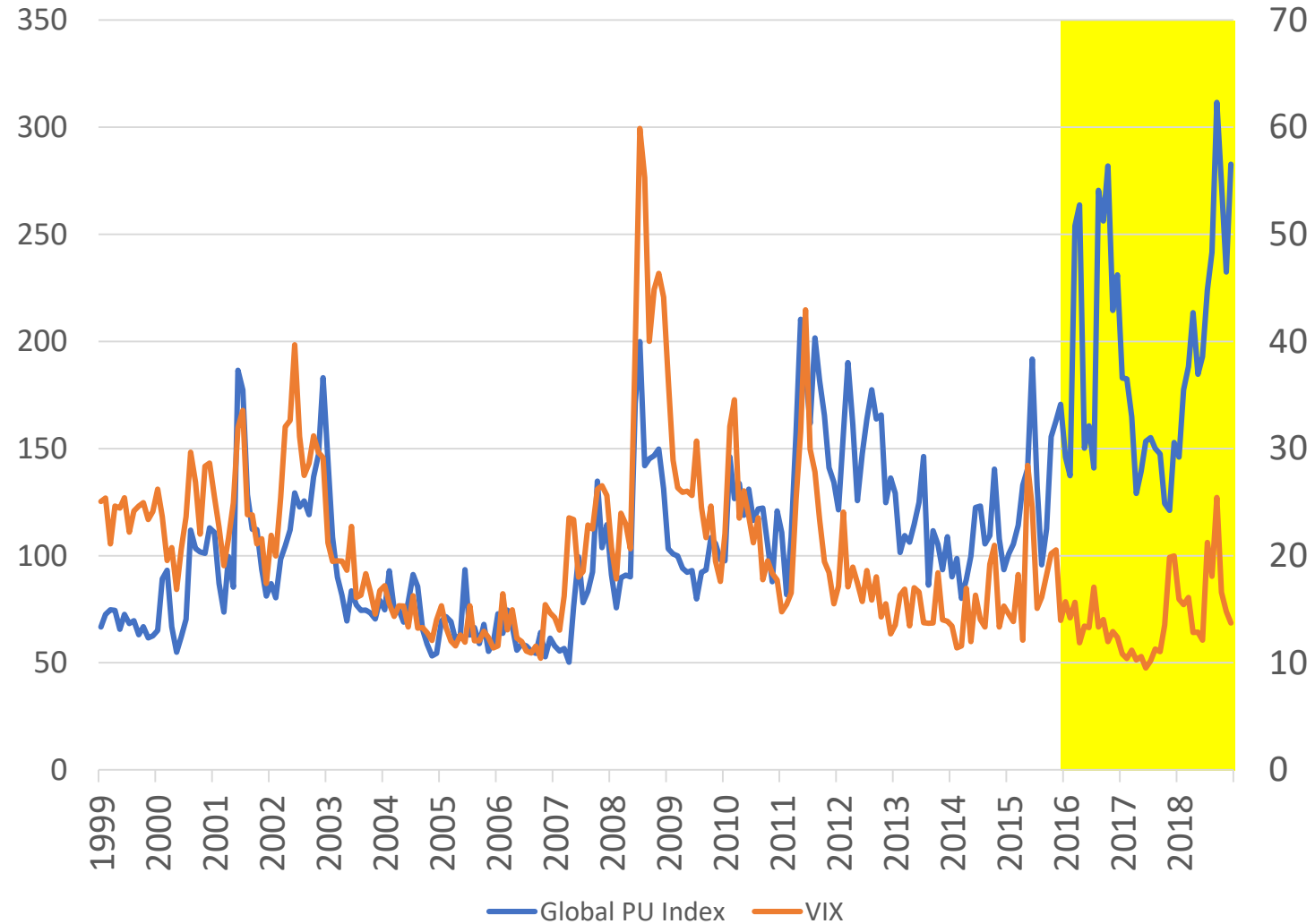
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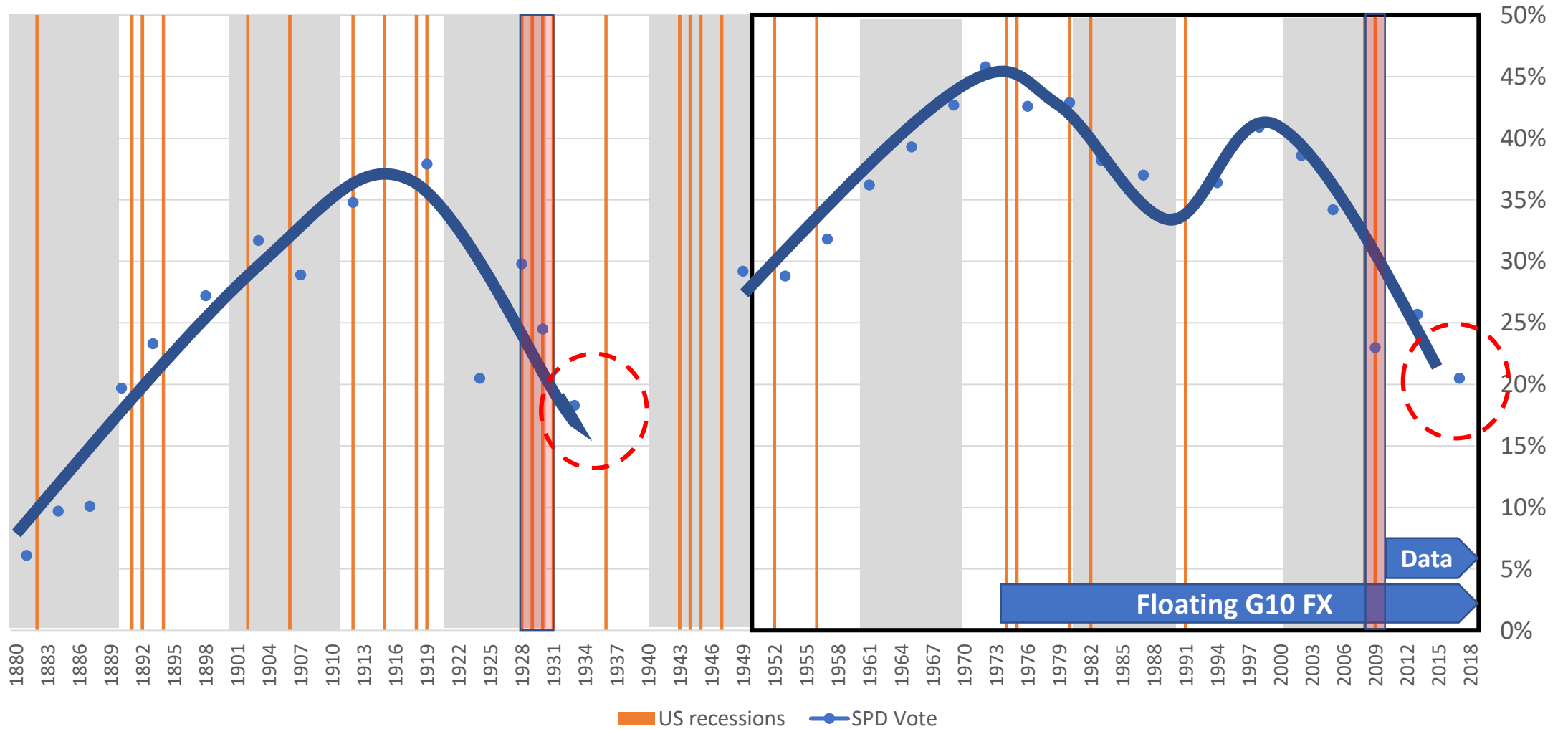
THE BIG PICTURE (1)

Policy Uncertainty Index vs. VIX ... MIND THE GAP



THE BIG PICTURE (2)

Political cycles: what matters are the inflection points



THE BIG PICTURE (3)

Political cycles

Change in real income between 1988 and 2008 at various percentiles of global income distribution (in 2005 international dollars)



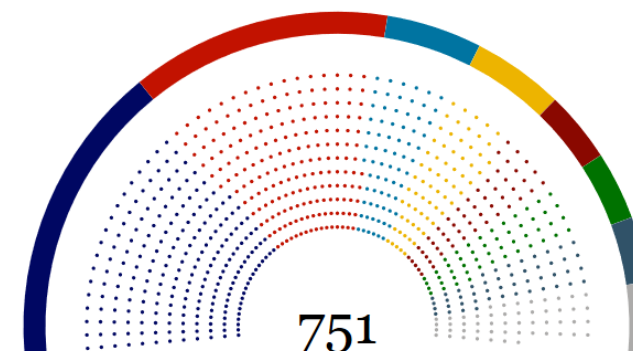
1. **“Country First”/“Control”**: Re-Shoring (DM) & self-reliance (EM)
2. **“Anti-Corruption”**
3. **Fiscal > Monetary Policy**: ↓ CB independence, ↑ MMT
4. **Differentiated Taxation**: ↓ many, ↑ few (individuals & corporates)

Main market risk :

↑ Inflation → ↑ yields / ↓ equities → “correlation break”

IMPLICATIONS FOR EUROPE

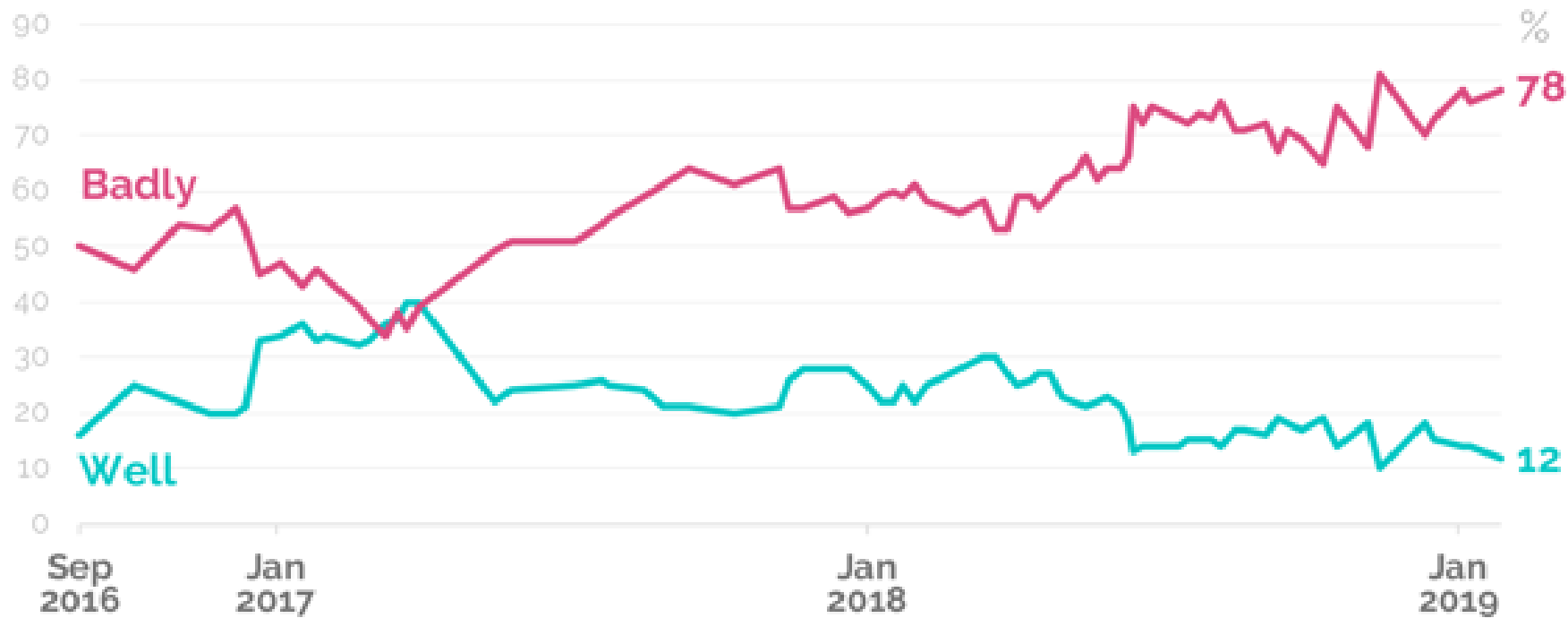
BREXIT and the EU "Balance of Power"



		e(2019)		p(2014)		chg (pp)	
		seats	%	seats	%		
EPP	centre-right	176	25	221	29		-4
S&D	centre-left	130	18	191	25		-7
ALDE	liberals	101	14	67	9		5
ENF	right-wing	62	9	0	0		9
ECR	reformist	62	9	70	9		-1
GUE/NGL	left-wing	50	7	52	7		0
Greens-EFA	green	42	6	50	7		-1
EFD	reformist	35	5	47	6		-1
New		39	6	0	0		6
NI	not aligned	8	1	53	7		-6
		705		751			
"Traditional" centre :		407	58	479	64		-6
Eurospectic right :		159	23	117	16		7

Few think the government is negotiating Brexit well

How well or badly do you think the government are doing at negotiating Britain's exit from the European Union? %

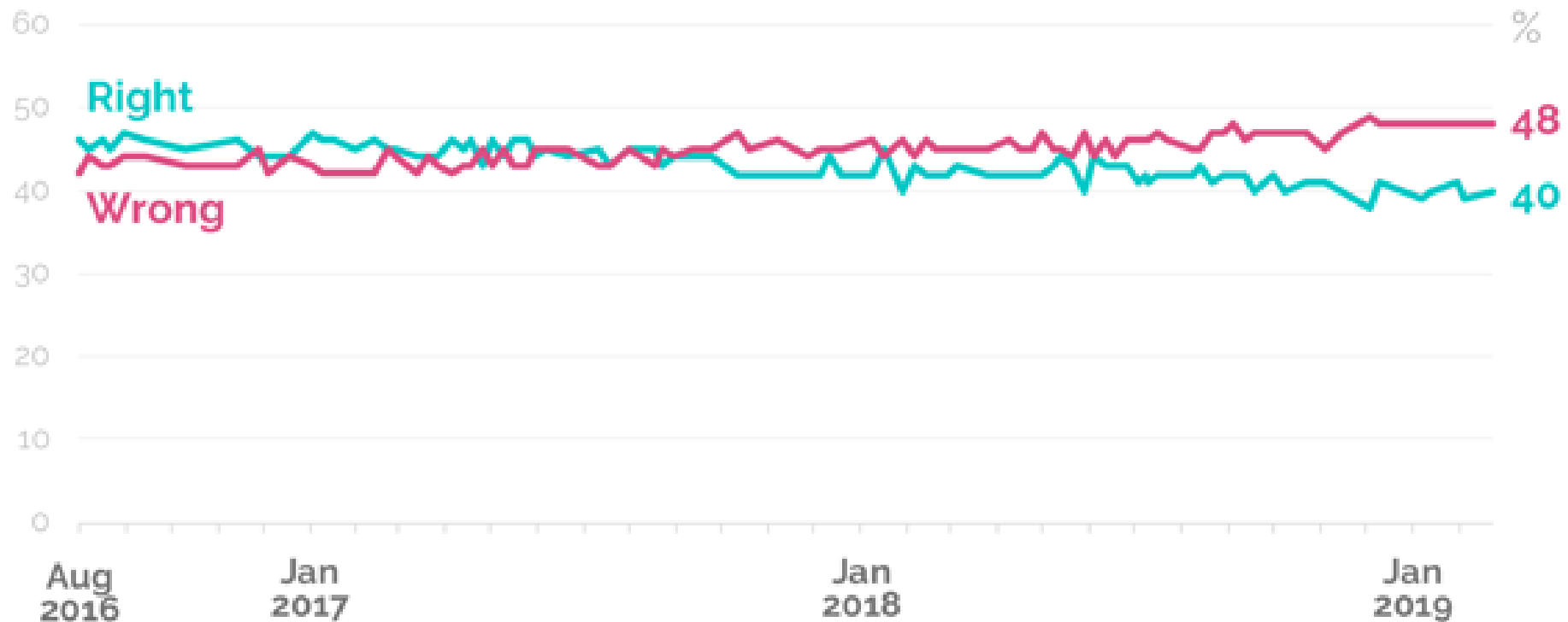


YouGov | yougov.com

Latest update: 22-23 Feb 2019

Bregret tracker

In hindsight, do you think Britain was right or wrong to vote to leave the European Union? %

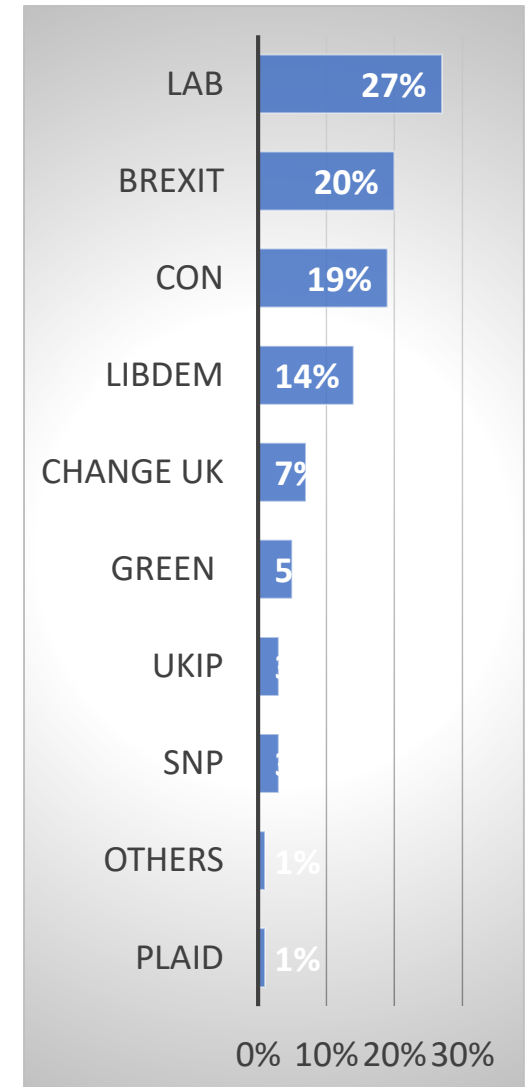
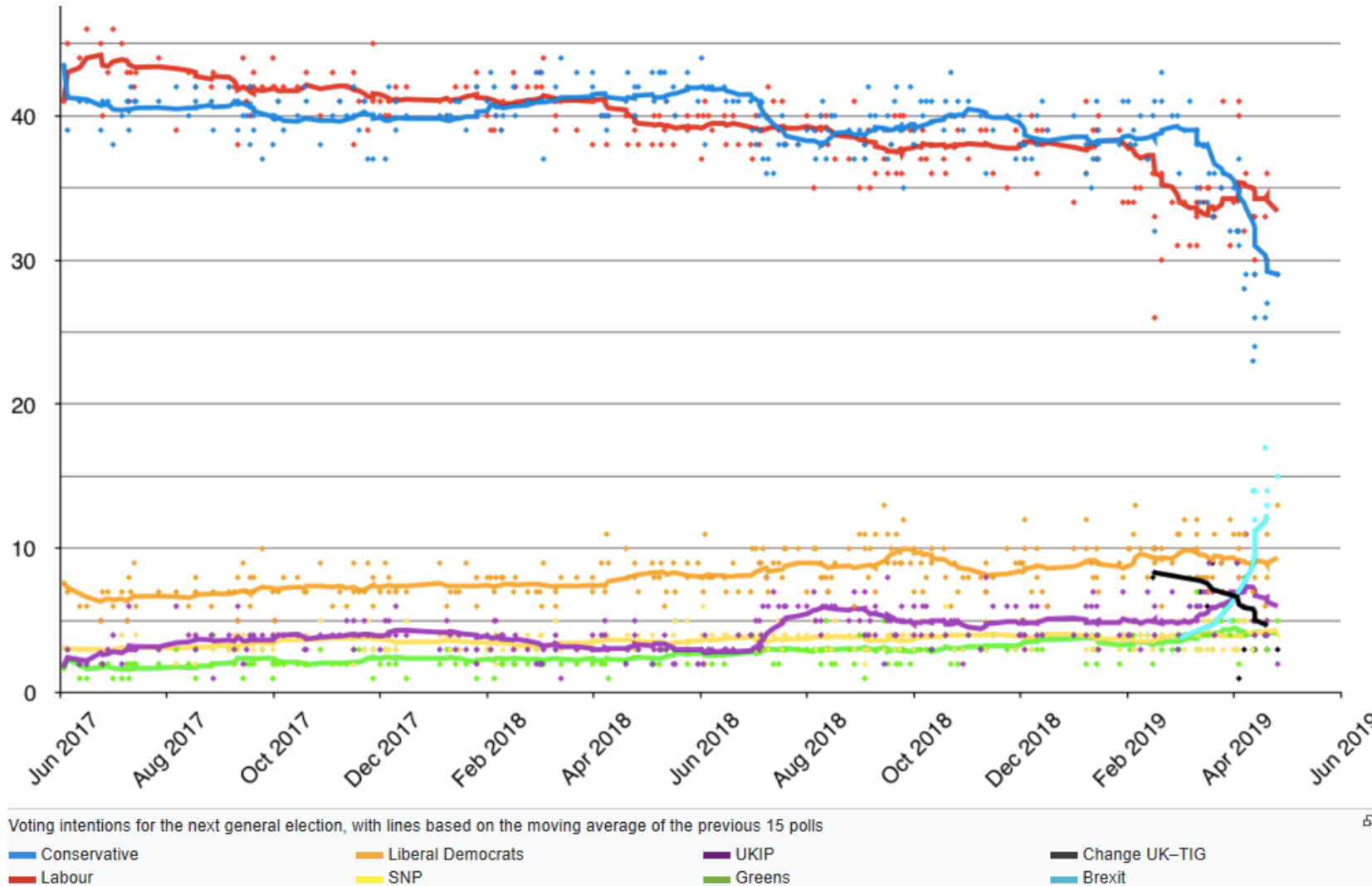


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UK POLITICS

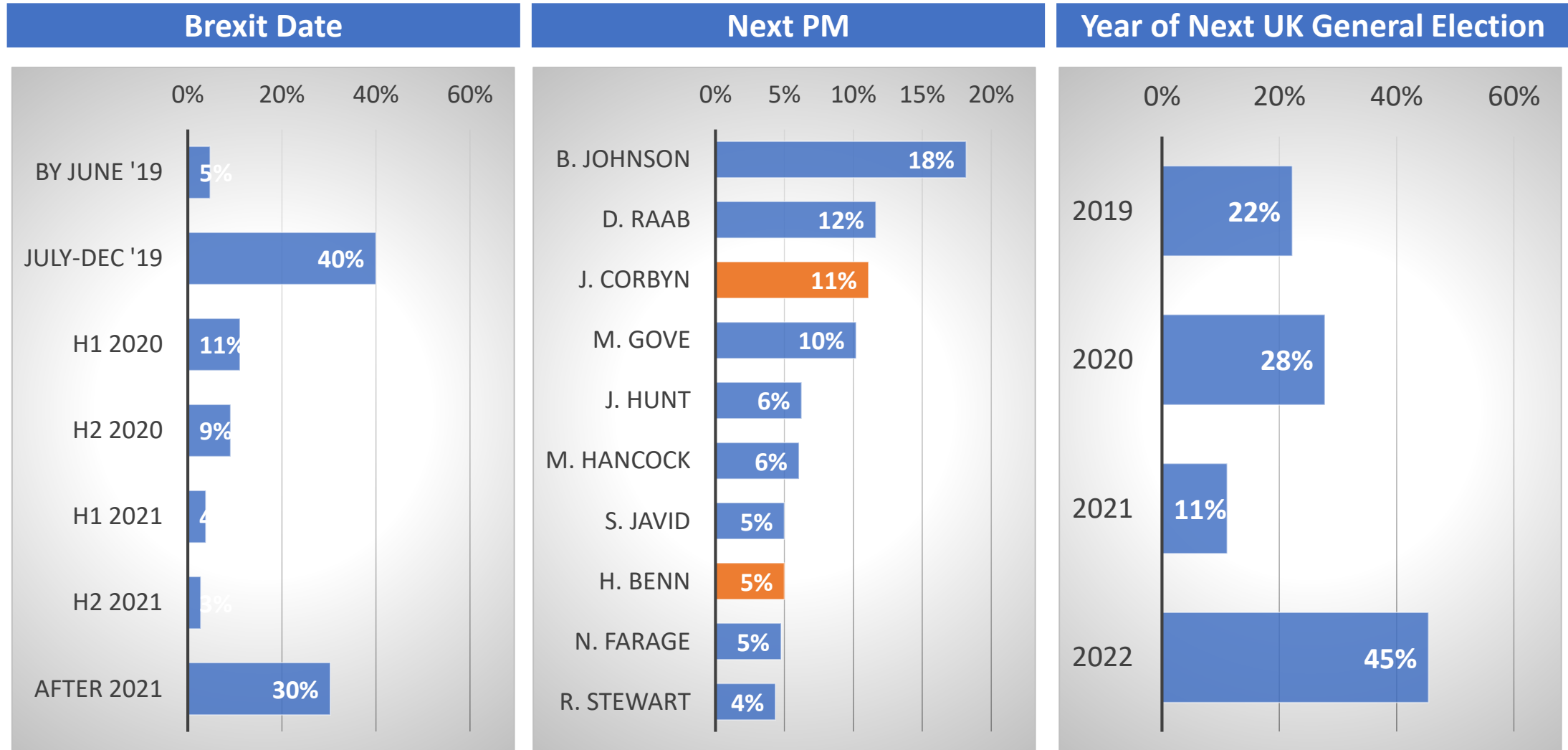
Latest Polls (General Election)



Source: compiled by MacroEagle (May 2019). Chart taken from "UK Next General Election - Poll of Polls" by Wikipedia. For discussion and illustration purposes only.

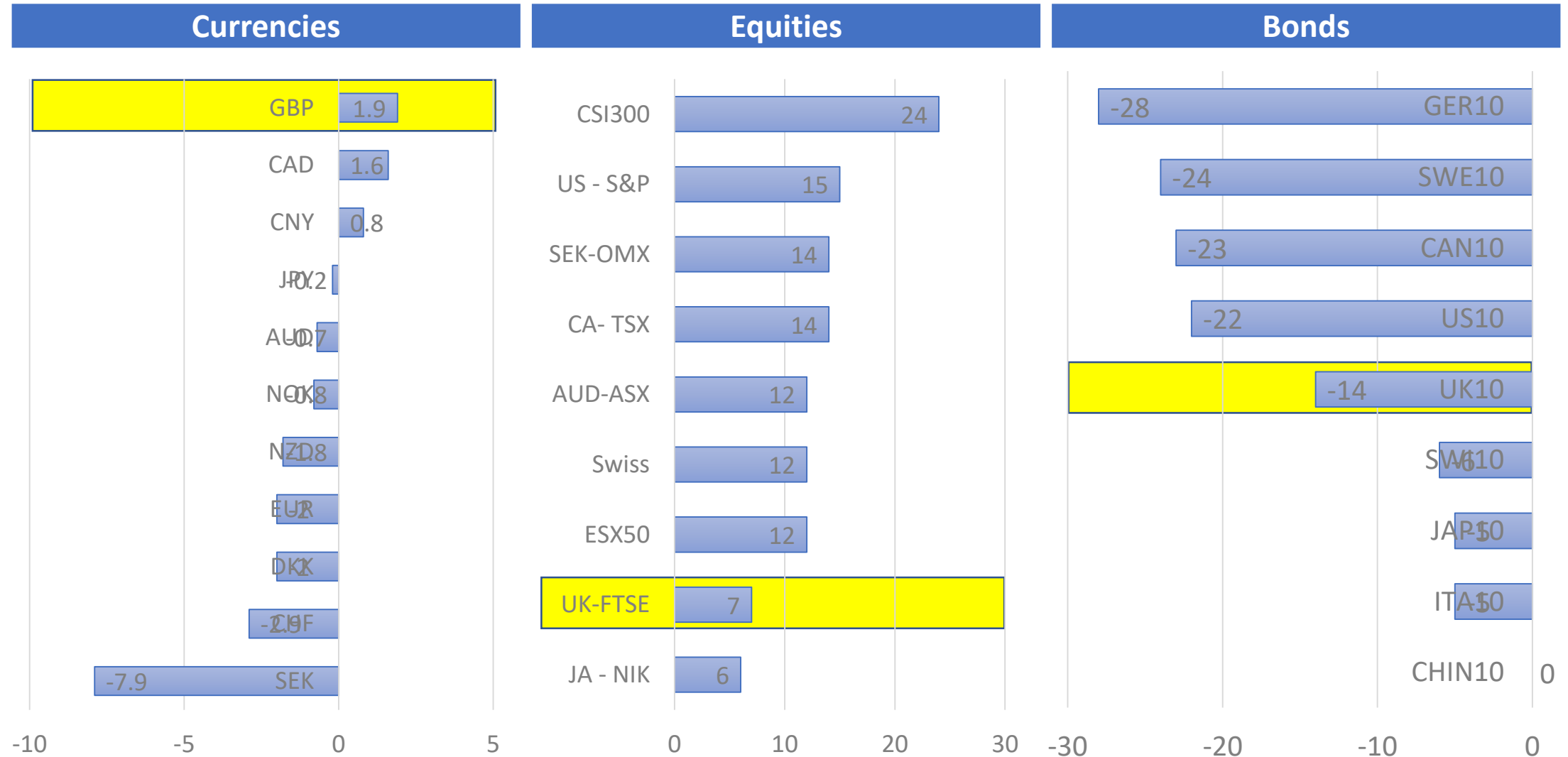
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Bookmakers Odds



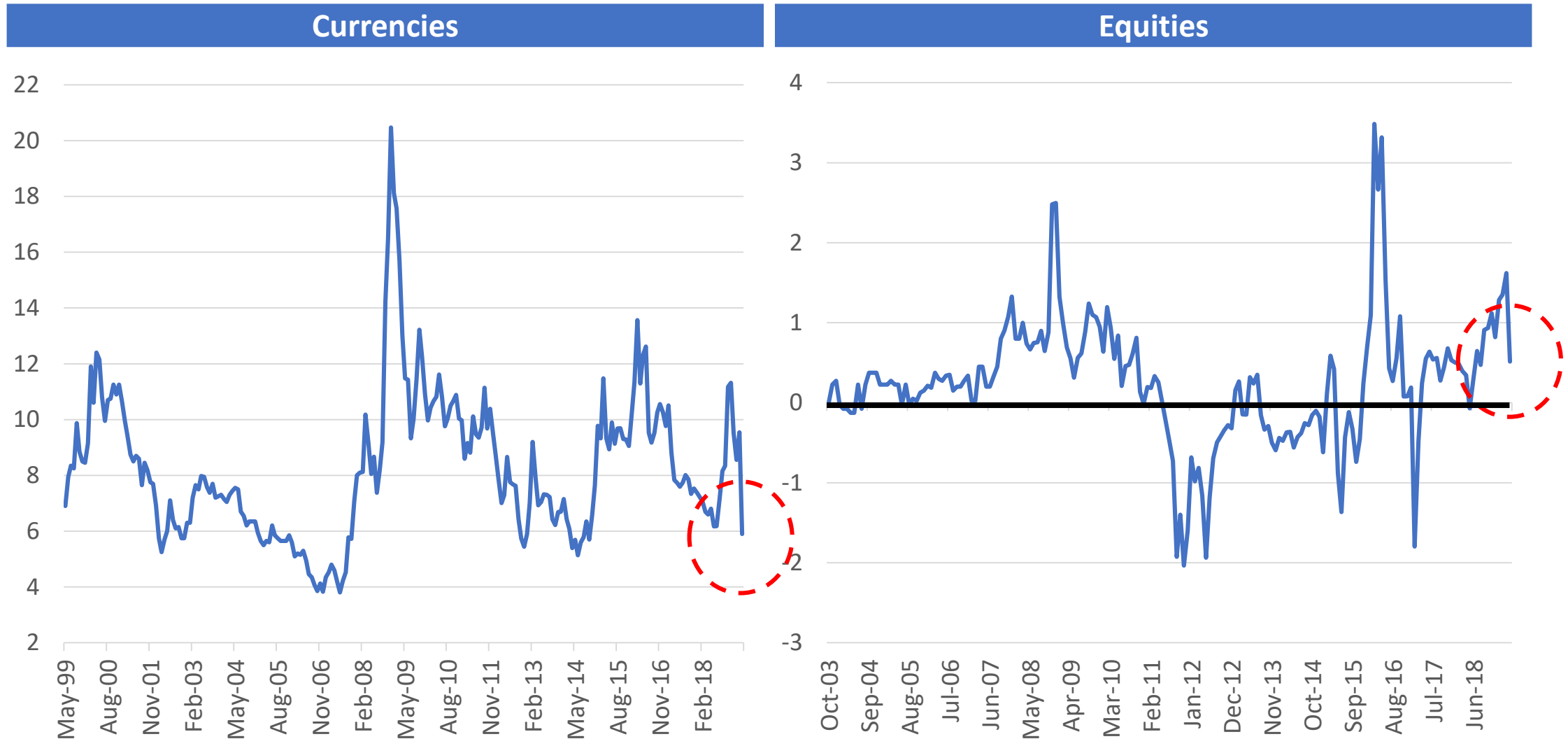
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What the Markets are thinking



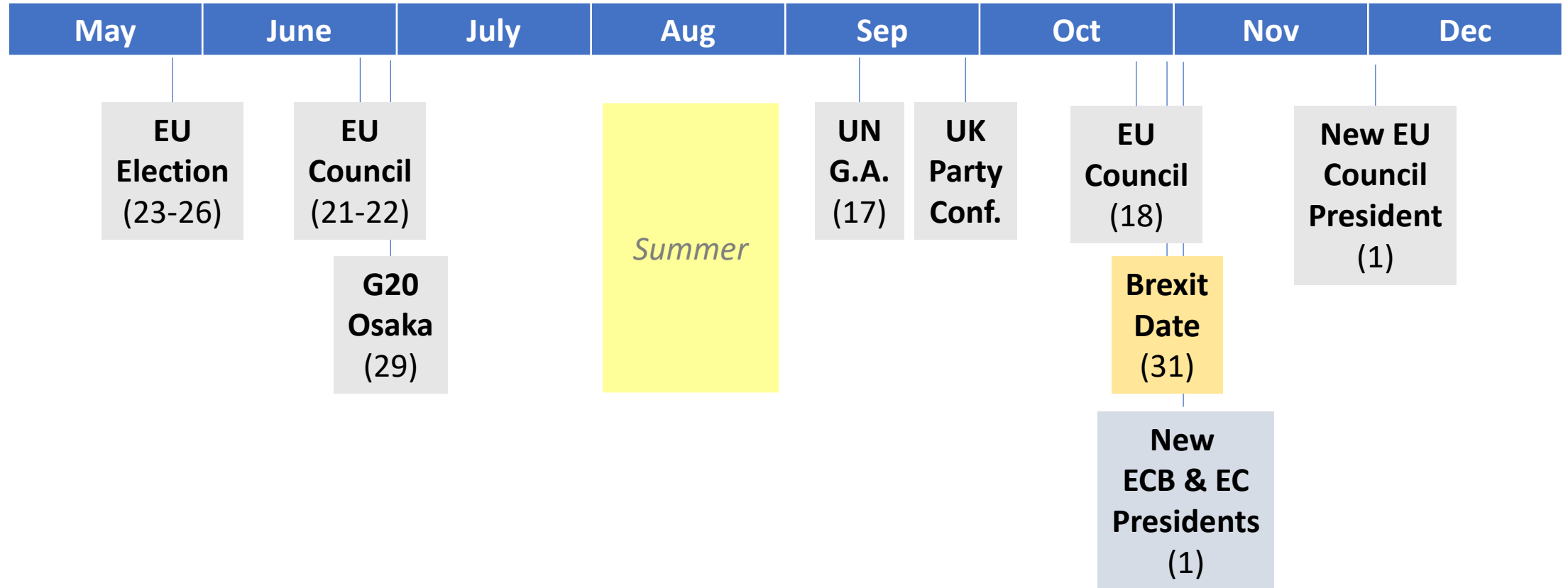
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EURGBP implied volatility and skew



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Timeline 2019



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