

MARKETS 2016 VIDEO SERIES: “BREXIT” DEBATE IN THE UK

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The “Brexit” Debate in the UK seems to have disappeared off the radar for investors. Will it return as a theme next year?

I think one of the things we’ve seen in UK politics and how it impacts the currency markets over the last few years is it tends to be a relatively short lived phenomenon in how it actually impacts sentiment. We can think back to the Scottish referendum, we can think back to the UK general election and in both cases the market certainly reacted in the immediate month ahead of the event itself. I think that’s probably going to prove to be the case with the EU referendum itself. Nevertheless, given the fact that 2016 is currently the most likely date for the EU referendum in the United Kingdom it does seem fair to say that it is going to start to become rather a more significant factor in investors’ thinking. The problem is that over the course of the last few years, the polling in the United Kingdom has proved rather more unreliable than perhaps one might have hoped. That certainly proved to be the case in Scotland and in the general election and therefore it’s difficult to get an accurate read of how the UK public will vote. Nevertheless, at the moment the surveys are running incredibly closely and it looks as though it’s going to be too close to call when it comes to saying how the vote will take place. Given that, and given the fact that we have Sterling that is more reasonably valued than it has been for a long time, given a lot of the forces have actually driven Sterling in terms of it being a safe haven are dissipating, and given the problems that the Bank Of England will have next year, I believe, in hiking rates aggressively, I think that Sterling actually may well start to suffer a little bit on the Brexit debate as people take a rather more cautious tone. Therefore yes, I do think the debate over the EU referendum will become an important decision in 2016 for investors.

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