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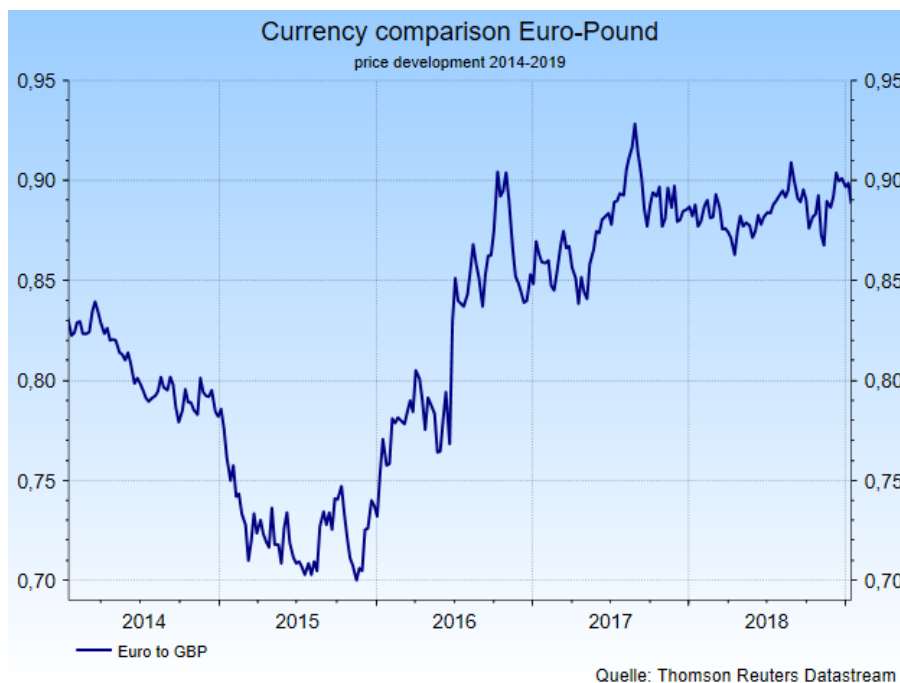
After the Brexit vote: 4 scenarios for the British pound

Gerhard Winzer



The British House of Commons rejected the Brexit treaty. Theresa May wasted two and a half years since the Brexit referendum took place to find an acceptable treaty and consensus in Parliament. This result was generally expected. There is little time for further negotiations. The chaotic conditions are prolonged.

There are basically four possible scenarios how things will further develop:



The euro gained immensely in regards to the British Pound in the past 5 years.

1) A "hard" BREXIT

Or a withdrawal of the United Kingdom without a withdrawal agreement. Prime Minister May now has time until Monday (should she politically survive the vote of no confidence against her tonight) for an alternative plan to submit to House of Commons. This is not a realistic scenario. Resolutions for a change in the withdrawal agreement are likely to be passed. However, it will be difficult to find a consensus in Parliament. Even if a majority is found in Parliament for a position, it still has to be negotiated with the EU. There is not much time left. It is likely here that British MEPs accept the "hard" Brexit. This environment is very negative for the British pound.

2) Request for an extension for the deadline (29 March).

That is possible, but the other 27 EU countries would have to agree. The extended deadline would likely be ahead of the EU general elections starting May 23. Much is possible in this scenario: a new referendum on EU membership or new elections could take place. This could result in two ways: either no Brexit (see number 4) or again tough negotiations with an unpredictable outcome between the British government and the House of Commons as well as the EU. The outlook for the British environment remains very uncertain. Of course, a compromise could be found between the UK and Parliament.

3) “Orderly” Brexit leaving the UK with a withdrawal agreement.

The existing withdrawal contract is accepted. The negotiations on the best trade relations between the United Kingdom and the EU can begin. For example, the UK could either stay in the Customs Union or join the European Free Trade Association (EFTA). That would make a “soft” Brexit. Or the transition period after Brexit could be extended for a long period. This scenario is favorable for the British pound.

4) No Brexit or withdrawal from the exit process according to Article 50.

Whether there will be a majority in parliament for this scenario before a new referendum or before new elections is questionable. However, the parliament could pass a law stating that the UK should stay in the EU unless a compromise is found between the EU and the UK. The legal “default” is changed from “hard Brexit to” no Brexit “. This scenario is very positive for the British pound.

The list of misperceptions is getting longer (David Cameron on the outcome of the Brexit referendum, Theresa May with the threat of a “hard” Brexit). Thus, all that remains is the hope that the rational arguments outweigh the British at least avoid leaving without a contract.

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