

Brexit stalemate continues

The UK Parliament has voted again on alternative Brexit options, but no proposal gained a majority

There could be another vote on options on 3 April

There is still high uncertainty over how Brexit developments will play out

Our views

We continue to hedge against the risk of sterling volatility in our global multi-asset portfolios



UK parliament votes again on potential Brexit options

On 29 March, the UK Parliament voted down the withdrawal agreement (or “exit treaty”) that UK Prime Minister (PM) Theresa May has negotiated with the European Union (EU), by 344 to 286 votes. The vote was not classified as “meaningful”, as UK law currently states any such vote needs to cover the “political declaration” (aspirations around the future UK-EU relationship) for the withdrawal package to be ratified.

Amid the ongoing stalemate, Members of Parliament (MPs) voted last week to seize control of the Parliamentary agenda and hold a series of so-called “**indicative votes**” on alternative Brexit options. The votes took place on 27 March, covering eight possible options, and showed none had majority support.

A further set of votes on 1 April - this time on only four options - also showed no single proposal could gain a majority (see Table 1). However, the option for a **permanent customs union** with the EU “as a minimum” came very close, while the option to hold a **second referendum** on any deal saw the most votes in favour, as it did in the first round of indicative votes.

Table 1: Results of the “indicative votes” compared to Theresa May’s deal

	For	Against	Majority
PM May’s deal: meaningful vote 1	202	432	-230
PM May’s deal: meaningful vote 2	242	391	-149
PM May’s deal: vote 3 (withdrawal agreement only)	286	344	-58
(1) Customs union	273	276	-3
(2) Single market and customs union	261	282	-21
(3) Second referendum on any deal	280	292	-12
(4) Revoke Article 50 if other alternative is no deal	191	292	-101

Source: HSBC Global Asset Management

What next?

MPs could use further time allotted to them on 3 April to **re-run the votes**, possibly using an alternative voting system that results in a conclusive outcome.

The UK has a deadline of **12 April** to indicate the way forward to EU leaders (an emergency European Council summit is scheduled for 10 April).

Assuming PM May fails in any further attempt to push her deal through before then, and the government is unwilling to renegotiate the “political declaration”, then a general election or second referendum may have to be offered in order for the EU to agree to a long extension to the Article 50 deadline.

If the UK refuses to participate in European elections and/or cannot offer a way forward, an unconditional short extension (to 22 May) may be granted. If no extension is agreed by 12 April, the alternatives are a “no-deal” Brexit or a unilateral revocation of Article 50.

Single Market - formal arrangement that seeks to guarantee free movement of goods, capital, services, and labour within the EU
Customs Union - tariff free access between members of the union and a common external tariff on all goods entering the union

Investments, annuity and insurance products

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Market considerations

There is elevated uncertainty regarding how Brexit developments will unfold. However, sterling has held onto gains made in recent weeks as the risk of a no deal Brexit is still perceived to be limited.

Nevertheless, in an environment where risks to sterling remain two-way, we continue to adopt an **active currency hedging strategy** that helps to protect our global multi-asset portfolios. Furthermore, within such portfolios, we continue to hold a constructive view on **UK equities, which we believe are very attractively-valued.**

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