

Election Result

9th June 2017

Election Result

What a mess! Theresa May called this election to strengthen her hand in Brexit negotiations and her gamble has left the Government even weaker than before. Our guess is that she will cobble together a majority with the DUP, the Ulster Unionists, but even this will only leave her with a wafer thin majority. Given the polarised views on Brexit across the political spectrum, it is difficult to imagine the new Government holding together for long.

Markets have opened this morning in a muted fashion. Sterling has weakened by 2% in the foreign exchange markets and this has helped lift the value of the international blue chips listed in London. The FTSE 100 is up by around 0.5% as a result, although the more domestically focused mid-cap index has fallen by 1%.

Last year we reoriented our portfolios away from domestic UK equities towards international equities, so we are fairly insulated from the uncertainty that this election result will create. As we wrote in April when May called the snap election, the election does not change our views on the UK. The critical events over the next 12-18 months will be the progress made in the Brexit negotiations. As we expected, these are shaping up to be tough and at times issues will appear unresolvable. We don't know how these negotiations will pan out in the end but there will be periods of unsettling news for markets to digest. While this process continues, we remain very selective in our UK equity positioning.

Jason Broomer
Head of Investment

Important Information

This document is for the use of Professional Advisers only and is not intended for the use of Retail Investors.

Square Mile Investment Services Limited makes no warranties or representations regarding the accuracy or completeness of the information contained herein. SM does not offer investment advice or make recommendations regarding investments and nothing in this document shall be deemed to constitute financial or investment advice in any way. This document shall not constitute or be deemed to constitute an invitation or inducement to any person to engage in investment activity. Past performance is not a guide to future returns and the value of capital invested and any income generated from it may fluctuate in value.

Square Mile Investment Services Limited is registered in England and Wales (08743320) and is authorised and regulated by the Financial Conduct Authority (625562).