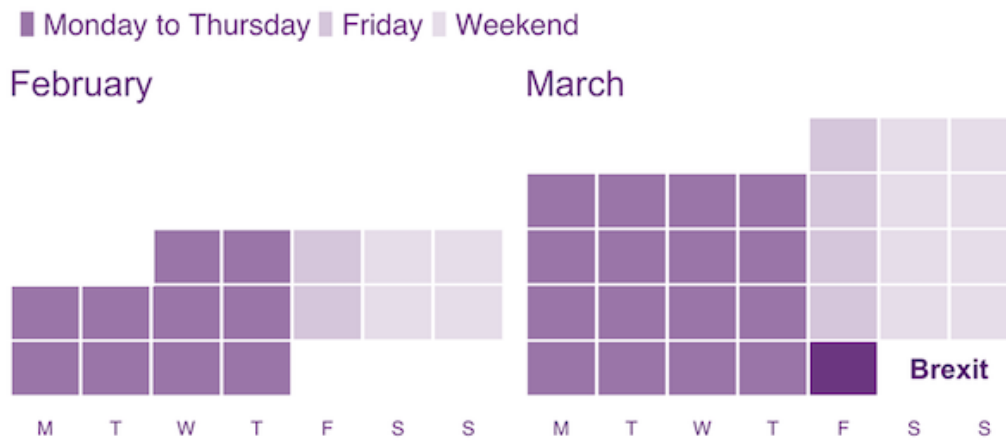


February 13, 2019

# Theresa May tells MPs to hold their nerve as March 29th looms



The House of Commons now has 27 normal working days until the official day of Brexit on 29<sup>th</sup> March.



N.B. The House of Commons occasionally sits on Fridays to debate individual MPs' bills.

Source: Parliament, BBC, *BIL*

On 15<sup>th</sup> January, Theresa May's Brexit blueprint suffered a [historic defeat in Parliament](#). On January 29<sup>th</sup>, Parliament heard and voted on various amendments brought to the House by MPs on ways to improve the withdrawal agreement. An amendment that sought to extend Article 50 to allow more time for negotiations was rejected, meaning that for now, time is running out in the race to avoid a 'no-deal' Brexit. The amendment which *was* accepted by Parliament (by 317 to 301) gave Theresa May a 'mandate' to renegotiate the **Irish backstop**.

This has been one of the main points of contention throughout negotiations. The 'backstop' arrangement is a last resort plan, weaved into the withdrawal agreement, designed to avoid a hard border between Northern Ireland (which will remain a part of the UK) and the Republic of Ireland (which will remain in the EU). The current backstop plan sees Northern Ireland staying aligned to some rules of the EU single market if another solution cannot be found by the end of the transition period in December 2020. Pro-Brexit Conservatives and May's coalition partners, the DUP, strongly oppose the backstop. But May is stuck between a rock and a hard place because the EU has been unwilling to re-open the Pandora's Box of negotiations.

Theresa May **yesterday, in her statement to Commons**, said that she needs more time to seek changes to the backstop and asked MPs to hold their nerve. She said that if no agreement is reached by **26th February** on an amendment, then MPs will get more non-binding votes on Brexit options on **February 27th**. The final **meaningful vote** on whether Britain leaves the EU on 29th March with a deal would be **pushed back into March**.

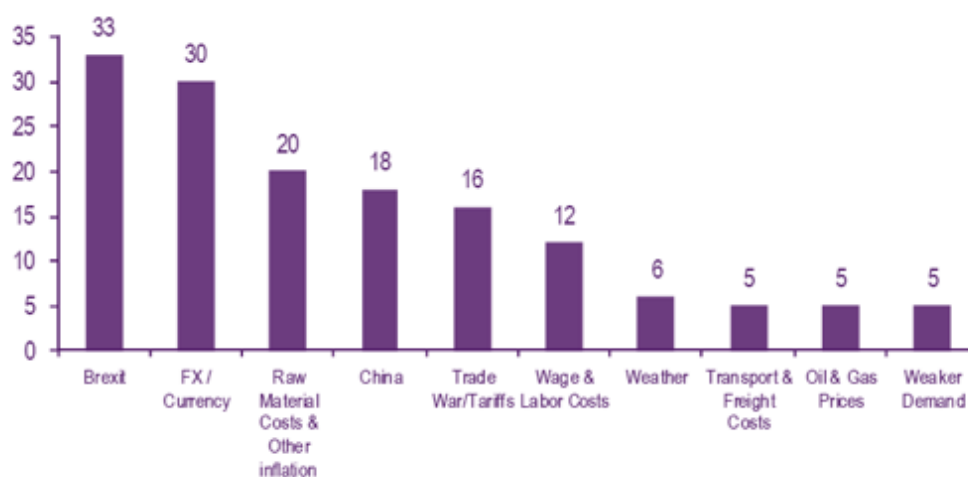
The Labour leader Jeremy Corbyn responded by accusing May of "recklessly running down the clock" in an effort to "blackmail" MPs into backing her deal, and asked when exactly MPs would get a final, "meaningful" vote. This was originally supposed to take place in December but was postponed.

In the meantime, to let MPs still unhappy with the withdrawal deal in its current form have their

say, another parliamentary debate is expected to take place tomorrow on **14th February** (similar to that which took place on January 29<sup>th</sup>) about Brexit more generally, without specific focus on the backstop. During this session, lawmakers will be able to propose amendments, which, if they receive enough support, could block, delay or change the shape of Brexit.

But the ongoing uncertainty is already taking its toll. In European earnings calls, Brexit has been cited as the key detractor from performance, more than trade talks.

#### Number of Stoxx 600 companies citing Negative Impact in Q418 Earnings calls



Source: BofAML as of 8<sup>th</sup> Feb

Industry research tends to see the most probable scenario as one in which UK MPs pass the current deal at the last minute in order to avoid the 'worst case scenario' of a no-deal Brexit. Deutsche Bank for example places a 50% probability on last-minute ratification of the existing deal, 15% on a softer deal, 15% on a new election, 15% on a no-deal Brexit and 5% on a second referendum. However, these are merely probabilities, and as we saw with the original referendum, anything can happen. For this reason, we have not taken specific Brexit bets. Whilst being reluctant on European equities, any exposure we have had has been centred around the eurozone rather than Europe at large. Because of the volatility that Brexit (alongside trade fears and other risks) could inject into the entire financial system, we have padded our portfolios with core Government bonds for downside protection. We have also de-risked by climbing up the quality curve in fixed income and by reducing our equity overweight and removing some cyclicality. In this way, we are hoping for the best, but preparing for the worst.

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