

Surprise, surprise! UK Election Special



- **UK election results in shock hung parliament**
- **Sterling drops in response to election uncertainty**
- **Business and market reaction to the surprise result**

Well, we said to expect the unexpected, and the election did not disappoint in that respect!

Sterling fell by approximately two percent at around 10pm yesterday evening, as the exit polls shone the first spotlight on the uncertainty to follow. The election result has raised further uncertainty on a number of key issues: not just about who will make up the new parliament, but what's next for Brexit? This will undoubtedly continue to cause volatility in the markets and will dampen Sterling strength for the foreseeable... Markets do not care for uncertainty, and the resulting volatility poses numerous risks: to the economy, to UK businesses, and ultimately, people's pockets.

Sterling likely to struggle?

At the time of writing, Sterling is around the USD 1.27 mark and EUR hovering around 1.13, having recovered slightly after the initial significant drop upon the first election poll. In contrast, the FTSE 100 rose 66 points to 7,516, despite fears it would open lower on the hung parliament outcome. We will likely see more market movement across the board, as investors seek refuge in the relative safe haven of the US Dollar.

What next for the economy?

All eyes will be on who goes into parliament and how Brexit will be navigated in the face of an unprecedented governmental set up.

Carolyn Fairbairn, Director General of the CBI, called for UK politicians to focus their attention on the economy: "Politicians must act responsibly, putting the interests of the country first and showing the world that the UK remains a safe destination for business. It's time to put the economy back to the top of the agenda."

"For the next Government, the need and opportunity to deliver an open, competitive and fair post-Brexit economy that works for everyone across all our nations and regions has never been more important."

Mike Cherry, National Chairman of the Federation of Self Employed and Small Businesses (FSB), pointed out that it's not all about Brexit, calling for politicians to "take action on surging business costs", a very real threat to UK business that we have been monitoring and warning businesses to protect themselves against since cost pressures began to spiral in early 2017. With market uncertainty, this could become an even more significant risk that has to be both planned for and guarded against.

Ricky Nelson, Head of Corporate Dealing at Halo Financial, commented,

"Markets have been caught off guard once again by a shock election result and a wave of new political sentiment amongst the British public. We anticipated that Sterling would fall at the slightest hint of uncertainty; and this surprising and ambiguous situation will only cause more market volatility."

"This morning's news raises myriad questions about the future direction and strength of the UK economy, not to mention the UK's position in negotiating its divorce from the EU. Investors, traders and representatives of UK business are all calling on UK politicians to consider the country's economy carefully as a matter of urgency; and to direct their attention to the best possible Brexit outcome for both the people and businesses of Great Britain."

What next for the UK Government?

Ricky Nelson continues, "The Conservatives and the Democratic Unionist Party are awkward bedfellows, as, although the DUP are Pro-Brexit, they have also consistently voted against Tory austerity policies. However, the speed with which Mrs May has acted in cobbling together a coalition will certainly be greeted warmly by markets in the short term, as there is unlikely to be a power vacuum at the heart of Westminster just as the Brexit process is about to begin in earnest.

"For now, the Brexit talks will not be derailed, however May is now seen as vulnerable and could be subject to leadership challenges in the future, particularly if negotiations with our European partners do not begin well."

What about personal currency exchange?

Senior Currency Consultant at Halo Financial, Joe De Berniere, commented:

"The unexpected election result has seen Sterling lose ground across the board – and further weakness seems likely. The markets strongly dislike any uncertainty and we are on course for the most uncertain time in recent UK political history, meaning there is an expectation the Pound will continue to fall."

“With this in mind, it may be prudent to act sooner rather than later for holidaymakers or overseas property buyers/owners looking to convert their Pounds. Alternatively, you can make use of currency planning tools. A stop loss order helps protect against negative market movements; a limit order helps you make the most of improving exchange rates.”

“It could be an idea to place limit orders at your most desired exchange rates in the current environment, just in case we see a sudden, short-lived, spike in the Pound – however unlikely – during this period of political turmoil.”

“For an extra layer of security – and to act as a safety net in case of further Sterling weakness – stop losses can be very effective. Seek guidance from a specialist to make the situation work to your advantage and protect against the threat of currency risk.”

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Notes to Editors

Halo Financial is a leading UK foreign exchange brokerage, offering a comprehensive range of services to individuals and businesses since its inception in 2005. The business prides itself on offering a flexible and personalised approach for each of its clients, simplifying the seemingly complex foreign exchange market to maximise savings in currency transactions, protect against currency risk and make money go further.

Staffed by qualified technical analysts, the company is authorised by the Financial Conduct Authority and HM Revenue and Customs.

“Excellent”, “Reliable”, “Professional”, “Knowledgeable”, and “Helpful” – just some of the great feedback received as a Gold Trusted Service Provider for Feefo.com. The team at Halo are proud that customers rate their services so highly and are happy to recommend to others. The company is always striving to provide the best possible service and to innovate services and products in line with customers’ ever-evolving needs.

Halo Financial won Best Customer Focus category in the 2016 Best Business Awards; received OPP Gold for Best Supporting Service; the Gold Award for Financial Support and Innovation from Relocate Magazine, Commendations in the 2016 and 2017 Moneyfacts Awards and has 5 out of 5 Star Customer Gold Merchant Status via independent review website, Feefo.com, winning their Gold Trusted Service award.

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