UK elections, the opinions of all the asset management companies

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The following is a collection of a few off-the-cuff analyses of some international asset management companies on the subject of the latest UK elections.

Banor Capital, Francesco Castelli, Head of Fixed Income

Regarding the policies of Boris Johnson's new government, the provisional exit agreement will be approved rapidly, thereby removing short-term uncertainty. The transitional agreement will only last until the end of 2020 (a date that is too near to allow for the negotiation of a definitive agreement). In the medium term, Boris will be forced to make difficult choices (exit without an agreement or accept an extension of the transitional agreement). His strong majority, and the certainty of governing for 5 years, will allow him to face these changes with plenty of room to manoeuvre.

As bizarre fate would have it, Conservative Boris will probably preside over the end of austerity. Public spending will serve to compensate the affirmed economic slowdown. For the conservatives, Brexit was a political victory, but the negative economic effects are already being felt.

The financial market is reacting in a positive way. Investors feared the lack of a clear majority or the advent of a statist government (indeed, among Corbyn’s various promises, there was a plan to assign 10% of all British companies’ shares to their employees). With both dangers removed, we believe that there is room for a mass return of international investors (that had abandoned the scene after the 2016 referendum). The strong revaluation of the pound sterling since mid-October to date, if seen in a perspective of more than ten years, is only a partial recovery with respect to a situation characterized by chronic undervaluation. We therefore believe that the pound will remain attractive.