



Touchbutton

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When all is said and done

What many voters described as a ‘choose the least worst’ contest is finally over, and whilst politics will continue to dominate the unfolding tapestry of 2020, it will at least, we hope, be done so with less rancor and vitriol, the two principal lubricants of the political debate that have worn down the general public to exhaustion this year.

Boris Johnson has a strong mandate and will now be in a much better position to negotiate Brexit. Many commentators are already suggesting that he may in the end turn out to be more moderate in this regard than previously thought. We shall see.

"Financial markets have received what they wanted..."

Financial markets have received what they wanted, as has a large part of the population. UK-listed shares, particularly those at the smaller end of the spectrum and those most at risk from Labour’s renationalisation intentions, have rallied this morning, as has sterling.

Conversely, some of the leading international heavyweights have seen their prices marked lower due to the negative impact on their foreign earnings from an appreciating currency. For sterling-based investors the currency hedges we have in place on clients’ Japanese exposure, and on part of the US stockmarket commitments, are helping to cushion the currency impact.

Meanwhile, many of our chosen actively-managed UK funds which have the freedom to invest across the market spectrum should be stealing a march on those index-hugging investments, glued to big multinational companies.

"...politically, this is just the first step in what will still be a very lengthy process of negotiating..."

We can now expect the Brexit process to move forward at pace, but we also need to remember that, politically, this is just the first step in what will still be a very lengthy process of negotiating the UK’s future relationship with the EU.

As we have seen on the global stage, trade negotiations have not only been drawn out but have also frequently resulted in disappointment. Unless there is yet another big U-turn this weekend, for example, the imposition by the US of tariffs on another \$160bn of Chinese imports could potentially lead much of today's initial market euphoria to fade quite quickly.

"...let's allow financial markets some welcome festive cheer."

The knee-jerk reaction from markets may well be welcome for investors and many businesses seeking more clarity, removing some of the uncertainty that has gripped the UK economy for several years, but let's not forget that there are still plenty of obstacles to overcome. For the moment, however, let's allow financial markets some welcome festive cheer.

It is being said that Labour voters have simply lent their vote to, dare we say it, Get Brexit Done. This may or may not be the case, but Boris Johnson probably has five years to convert those loans to more permanent and durable equity for the Tories.

Whatever one's views on Brexit, this election has also shown, once again, with the utmost clarity that a majority of the British population as a whole has absolutely no appetite whatsoever for full blown socialism. This will be an enduring message for which both domestic and overseas long term investors should be eternally grateful.

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