



## Deal or no deal?

**Now we have the first stage of the finalised agreement on the Brexit deal it is worth considering the likely outcomes, as in our view there are a few hurdles to still get through – some of them more likely than others.**

The first point is that the deal has yet to be signed off by the 27 EU countries – we believe this is more likely to happen than not. It then needs to be approved by the UK parliament, which at the moment is an each way bet. If it is going to go through, there are currently only two ways this could happen:

1. the European Research Group, led by Jacob Rees-Mogg, would have to win some concessions/amendments to the current draft deal that are more in keeping with their desire for the UK to be unshackled from the EU and resulting in a hard Brexit.
2. enough Labour remain-supporting MPs break with party lines and vote with Prime Minister May to approve the current deal, thus ensuring a soft Brexit.

In our view the probabilities on both of these two together – Sort of a Brexit – are probably somewhere now around 20%.

Our other scenarios are based around the prospect of parliament voting against the deal – which would increase the likelihood of a second referendum. It is worth noting that at this point neither of the main political parties want to categorically and publicly support having a second referendum as to do so would make it a fait accompli. Current polls suggest this would favour a remain outcome, but then again they did in the first referendum. However, the prospect of a recession-inducing cliff-edge outcome would scare some flip-flopping Brexiteers, who may not have really understood the original question, into voting to remain.

It is believed that there is roughly a 30% chance of staging a second referendum (i.e. if the current deal is not agreed by the EU and/or it does not get through UK parliament). However, the likelihood of a no Brexit or a remain outcome is lower than a hard Brexit with no deal. This incorporates another leave outcome on a second referendum or the government pushing for that outcome if no agreement is reached with the EU. In summary, it is being forecast that a 15%-ish probability for a no Brexit/remain outcome, and a 25% forecast for a hard Brexit with no deal.

One other eventuality has now emerged which has not been muted - a transition extension that goes on ad infinitum. In this scenario the deal is agreed, but not in time for the March next year deadline, therefore the EU commission grants extension after extension and the current status quo effectively remains in place. Like Greece, "kicking the can down the road". This is known in the City as the "Hotel California" scenario – the UK has checked out but can never leave. It is considered that this could be the only way the EU could halt a damaging hard Brexit if things appear to be heading in that direction and one which ultimately would inflict economic pain on the EU as well as the UK.

This is currently the highest probability for the end state of Brexit, which is becoming known as "Brexit in name only". One that the EU can use as its trump card and wait out until the UK electorate is pacified into remaining.

**TELEPHONE: +351 289 392 484**

**Avenida Jose dos Santos Farias,  
Lote 83/84, 8135-167, Almancil, Portugal.**

**info@privatefund.management  
www.privatefund.management**

The value of investments and the income from them may go down as well as up and you may not get back your original investment. Past performance should not be seen as an indication of future performance. Changes in rates of exchange between currencies may cause the value of investments to decrease or increase.

Information valid at 26th November 2018.

Tax regimes, bases and reliefs may change in the future. No part of this document may be reproduced in any manner without prior permission. All rights reserved.

**Avenida Jose dos Santos Farias,  
Lote 83/84, 8135-167, Almancil, Portugal.**

**Telephone: +351 289 392 484  
Facsimile: +351 289 392 483**

**info@privatefund.management  
www.privatefund.management**

Private Fund Management is an authorised representative of Abana Lda. Abana Lda is authorised and regulated by the Insurance and Pension Funds Supervisory Authority in Portugal ("ASF") with registration number 412378472 and subject to limited regulation by the Financial Conduct Authority ("FCA") number 597069. Details about the extent of our regulation by the Financial Conduct Authority are available from us on request.

Graceful Numbers Europe Limited trading as Private Fund Management is incorporated in the UK and is registered with Companies House in Wales, company registration number 11024888. Our registered address and Head Office is 11 Axis Court, Mallard Way, Swansea Vale, Swansea, SA7 0AJ, United Kingdom.