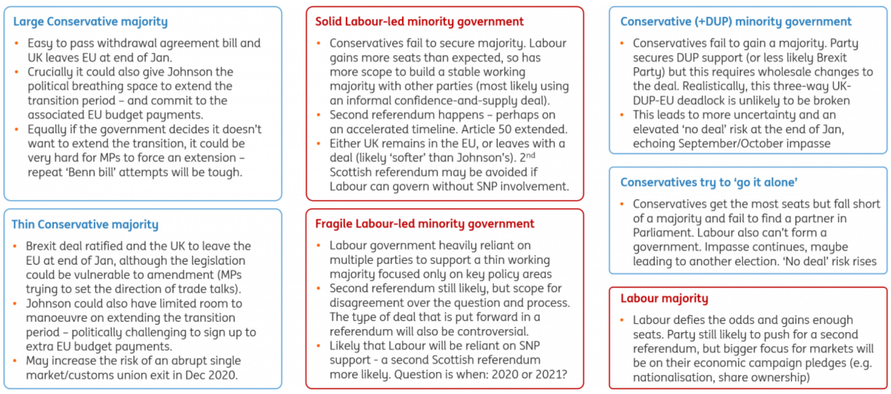
Report | 11 November 2019 FX UNITED KINGDOM

What the UK election means for Brexit

How the UK s election could impact the Brexit process, the economy and financial markets. Plus, why December's vote could produce some surprising results. Read more in our latest Brexit report

Source: iStock

Seven scenarios for Brexit after the UK election



Source: ING

Seven scenarios for Brexit after the UK election

Market positive • Neutral • Market negative

		No deal exit on/after 31 Jan	Abrupt end to transition period in Dec 2020	Second Brexit referendum	Scottish referendum	Economic policy
	Large Conservative majority	**Unlikely** Deal set to be ratified	**Fairly unlikely** PM has political space to extend transition	**Very unlikely** Deal set to be ratified	**Very unlikely** Government not relying on SNP support	**Neutral** Fiscal rules tweaked and modest investment
	Thin Conservative majority	**Unlikely but possible** Deal ratified but bill could meet tricky amendments	**Low possibility** EU budget payments may prove too controversial	**Unlikely** Deal likely to be ratified	**Very unlikely** Government not relying on SNP support	**Neutral** Fiscal rules tweaked and modest investment
Hung Parliament	Conservative (+DUP) minority government	**Possible** Deal rejected, but MPs could block 'no deal' again	**Possible** But Parliament may try to force extension	**Low possibility** Deal fails, Johnson opts for this as 'least worst' option	**Very unlikely** Government not relying on SNP support	**Neutral** Modest spending increase but risk MPs block budget
Hung Parliament	Conservatives try to 'go it alone'	**Very possible** Govt could fall apart. Risk of accidental 'no deal'	**Possible** But Parliament may try to force extension	**Unlikely but possible** Govt vulnerable – risk of another election	**Unlikely but possible** If there's another election & SNP holds key to power	**Neutral** Without majority, budget gets stuck in Parliament
Hung Parliament	Fragile Labour-led minority government	**Unlikely but possible** If government falls apart, 'no deal' risk could return	**Fairly unlikely** Transition extended if voters back deal in 2nd ref	**Likely** Can opposition parties agree on the process?	**Likely** Q is whether it happens before/after 2nd Brexit ref	**Modest changes** Expansionary policy, but scope of reform limited
Hung Parliament	Solid Labour-led minority government	**Unlikely** Second referendum likely. Article 50 extended	**Unlikely** Transition extended if voters back deal in 2nd ref	**Highly likely** Choice between softer deal and 'remain'	**Reasonably likely** Depends if SNP hold key to power	**Some changes** Some bold reform, looser fiscal policy
	Labour majority	**Unlikely** Second referendum likely. Article 50 extended	**Unlikely** Transition extended if voters back deal in 2nd ref	**Highly likely** Choice between softer deal and 'remain'	**Unlikely** Government not relying on SNP support	**Big changes** Nationalisation, changes to share ownership

Source: ING

Sterling and UK gilt yields under each scenario

Market positive • Neutral • Market negative

	Immediate/short-term (Dec)	First-half 2020 (Feb-June)		Second-half 2020 (July-Dec)
Large Conservative majority	**Deal ratified** EUR/GBP: 0.83 GBP/USD: 1.33 2Y yield: 0.50% 10Y yield: 0.75%	**Transition uncertainty** EUR/GBP: 0.85 GBP/USD: 1.32 2Y yield: 0.75% 10Y yield: 0.88%	Transition decision	**Transition extended until 2022** EUR/GBP: 0.82 GBP/USD: 1.38 2Y yield: 1.00% 10Y yield: 1.00%
Thin Conservative majority	**Deal ratified** EUR/GBP: 0.84 GBP/USD: 1.31 2Y yield: 0.38% 10Y yield: 0.68%	**Transition uncertainty** EUR/GBP: 0.88 GBP/USD: 1.27 2Y yield: 0.75% 10Y yield: 0.88%	Transition decision	**Transition not extended by June deadline** EUR/GBP: 0.93 GBP/USD: 1.20 2Y yield: 0.75% 10Y yield: 0.88%
Conservative minority (DUP/alone)	**No deal risk rises amid impasse** EUR/GBP: 0.90 GBP/USD: 1.20 2Y yield: 0.25% 10Y yield: 0.50%	**Art. 50 extended, repeat election possible** EUR/GBP: 0.90 GBP/USD: 1.22 2Y yield: 0.50% 10Y yield: 0.75%		**Uncertainty persists** EUR/GBP: 0.90 GBP/USD: 1.24 2Y yield: 0.68% 10Y yield: 0.88%
Fragile Labour-led minority government	**Second referendum likely – unstable govt** EUR/GBP: 0.83 GBP/USD: 1.33 2Y yield: 0.50% 10Y yield: 0.75%	**Referendum process drags on** EUR/GBP: 0.87 GBP/USD: 1.29 2Y yield: 0.50% 10Y yield: 1.00%	Referendum result	**UK votes to leave (softer deal). Election?** EUR/GBP: 0.81 GBP/USD: 1.40 2Y yield: 0.68% 10Y yield: 1.13%
Solid Labour-led minority government	**Optimism on referendum** EUR/GBP: 0.80 GBP/USD: 1.38 2Y yield: 0.50% 10Y yield: 0.88%	**Uncertainty as Brexit referendum set-up** EUR/GBP: 0.84 GBP/USD: 1.33 2Y yield: 0.50% 10Y yield: 1.00%	Referendum result	**UK stays in EU albeit Scottish risk remains** EUR/GBP: 0.78 GBP/USD: 1.45 2Y yield: 0.75% 10Y yield: 1.25%
Labour majority	**Economic policy concerns** EUR/GBP: 0.90 GBP/USD: 1.22 2Y yield: 0.50% 10Y yield: 0.75%	**Focus switches from policies to second ref** EUR/GBP: 0.86 GBP/USD: 1.30 2Y yield: 1.00% 10Y yield: 1.25%		**Softer or no Brexit but bold policy** EUR/GBP: 0.86 GBP/USD: 1.31 2Y yield: 1.25% 10Y yield: 1.50%

Source: ING

Forecasts from ING's FX and Rates Strategy teams

Report updated on 14 November to correct an error with the table on Scottish polling margins

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