

# UOB Investment Insights

## The Journey Ahead

17 February 2020

### Brexit: What does the transition period mean for the UK and Singapore?

On 31 January 2020, the United Kingdom (UK) formally left the European Union (EU) and entered a 11-month transition period. What does it mean for the UK during and after this transition period? What is the impact on our investment portfolios?



#### The Transition Period in 2020



11 Months



The Withdrawal Agreement stipulates that the transition period can be extended for up to two years if the EU and the UK agree to do so by 30 June 2020.

#### What does it mean for the UK during the transition period?

The transition period serves to preserve the status quo condition at least until 31 December 2020, during which current trading arrangements between the EU and UK will continue.



During the transition period, the UK will remain a member of the EU's single market.

The single market seeks to guarantee the free movement of goods, capital, services and labour within the EU.



In the meanwhile, the EU and the UK will have to agree on a new partnership based on the Political Declaration\* agreed in October 2019.

\* The new Political Declaration sets out the framework for the future relationship between the EU and the UK.

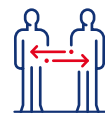


The UK will abide by the EU's rules and is subject to the rulings of EU courts but will no longer be represented in the EU institutions (including European Parliament and European Commission), agencies, bodies and offices.



The UK will continue to contribute to the EU's budget

Freedom of movement will remain in place until end of 2020 and that applies to both UK and EU nationals.



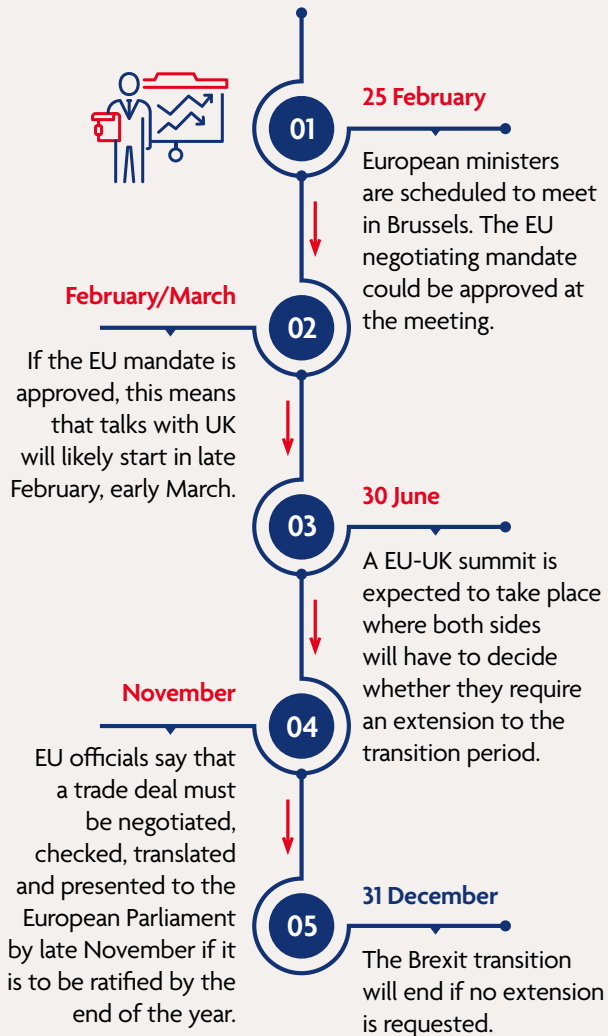
The UK can conclude international agreements with third countries and international organisations but these will not come into force until the transition period is over.

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### Key dates during the transition period



### What are some of the possible outcomes after the transition period?

Possible outcome

1

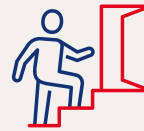


**A EU-UK trade deal comes into force.**

The UK begins a new trading relationship with the EU as soon as the transition ends.

Possible outcome

2



**The UK and the EU fail to agree on a trade deal by 31 December 2020 and no transition extension is agreed upon.**

That would leave the UK trading on WTO terms with the EU. This means that most of the UK goods would be subjected to tariffs until a free trade deal is ready.

Possible outcome

3



**The transition period is extended. Both the UK and the EU will need to agree on this by 30 June 2020.**

UK PM Boris Johnson has insisted that the UK will not seek an extension of the transition period. However, the EU has raised concerns that it will be “basically impossible” to negotiate all aspects of their future relationship by end 2020.

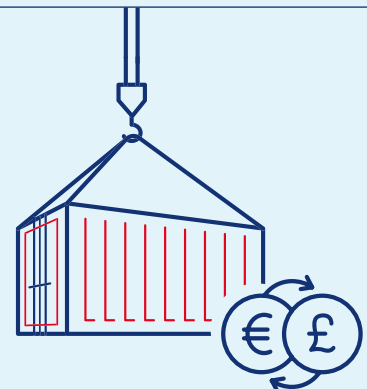
### What is the impact on investments?

The uncertainty around Brexit has ended with the UK formally leaving the EU on 31 January 2020. However, there remains a high level of inter-dependence in the EU and UK economies because of a long-standing trade arrangement between the two. New concerns will then be over how the future of their trading relationship looks like.

Negotiations will take place throughout the rest of the year, the outcomes of which will move European markets up

or down. Any impact on markets will likely be limited to Europe. The scope and impact will also be smaller as compared to the US-China trade talks.

Any uncertainties can, however, also create occasional tactical investment opportunities in European equities, bonds and the British pound. You should assess your risk appetite and time horizon before making any investment decisions.





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