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## 'Volatility is the only certainty': UK faces hung parliament

By [Jessica Tasman-Jones](#) 9th June 2017 6:35 am



Theresa May's gamble to trigger a general election ahead of Brexit negotiations has backfired as results in overnight show an unexpected swing to the Labour Party.

Sterling fell 2 per cent initially hitting a two-month low of \$1.2693, but has since regained some ground.

The fall in sterling is set to hit the FTSE 250.

"We are a long way from a strong and stable government," says Embark Group CIO Peter Toogood. "The pound will take the strain initially but a more redistributive and left-leaning government is a distinct possibility, which is unlikely to be particularly supportive for risk assets."

Eugene Philalithis, portfolio manager of Fidelity Multi Asset Income, says it is now unclear who will conduct Brexit negotiations on behalf of the UK or the aims of any negotiations.

"While the domestically exposed FTSE 250 has performed well over the past year, fresh uncertainty and higher inflation eating into consumer spending are significant headwinds in the months ahead."

JP Morgan has warned in a research note this morning that the UK may have to request a delay to Brexit negotiations.



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In the lead up to the election, the EU reportedly said it would do so if Labour leader Jeremy Corbyn won. Under Labour, [Keir Starmer would become Brexit secretary](#), supported by Emily Thornberry and Barry Gardiner.

Nigel Green, chief executive of deVere Group, says the result will unleash short-term “mayhem” across global financial markets.

“We can expect the pound to fall considerably, gilt prices to rise and UK-orientated stocks to come under further pressure as the UK tries to get a handle on what is happening before it officially starts the Brexit negotiations.”

Green concludes: “Volatility is the only certainty in these uncertain times. But, of course, volatility can also bring considerable opportunities and investors should avoid knee jerk reactions at this time.”

Paul Flood, multi-asset portfolio manager at Newton Investment Management, says currency weakness may lead to higher UK inflation.

This would be supportive of assets with inflation-linked revenue streams such as renewable energy assets, Flood says.



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