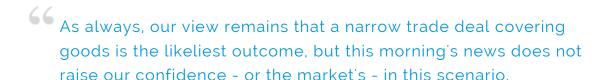


## Another lap of the Brexit headline merry-goround

## 7th December 2020

Sterling remains firmly on the Brexit headline merry-go-round, and this morning is selling off after assorted anonymously sourced reports indicating that the threat of no-deal Brexit is looming large in the market's mind for the umpteenth time.

The Sun newspaper - hardly an impartial outlet on this topic - is reporting that Boris Johnson is set to walk away from trade negotiations as early as this morning. The UK may indeed be just about to withdraw from negotiations, but equally this morning's Sun story could also be part of a bid by Boris Johnson to sell an incoming deal as a hard-won breakthrough, or indeed a negotiating tactic. For now the added uncertainty has been enough to send sterling reeling to its lowest levels against the euro since October, and significantly raise bets in fixed income markets for negative rates from the Bank of England.



Should talks collapse this morning's losses are likely only the beginning for sterling, which we believe is likely to see a further negative shock in the order of 3-8% from current levels.

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