

What Brexit Will Look Like

Britain and Free Trade

BR

EXIT



This Evening's Talk



- The Brexit Sideshow
- Shape of Brexit Deal
- Brexit Opportunities



What DIDN'T Happen



- Second coming
- Recession
- Crash in property prices
- Emergency budget
- City jobs would immediately be moved to other jurisdictions



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SIDESHOW

STATE FAIR FREAKS PRESENTS

BREXIT

The

~~BIG CIRCUS~~

SIDE SHOW

THE STRANGEST SHOW ON EARTH!!!



MAIN ENTRANCE

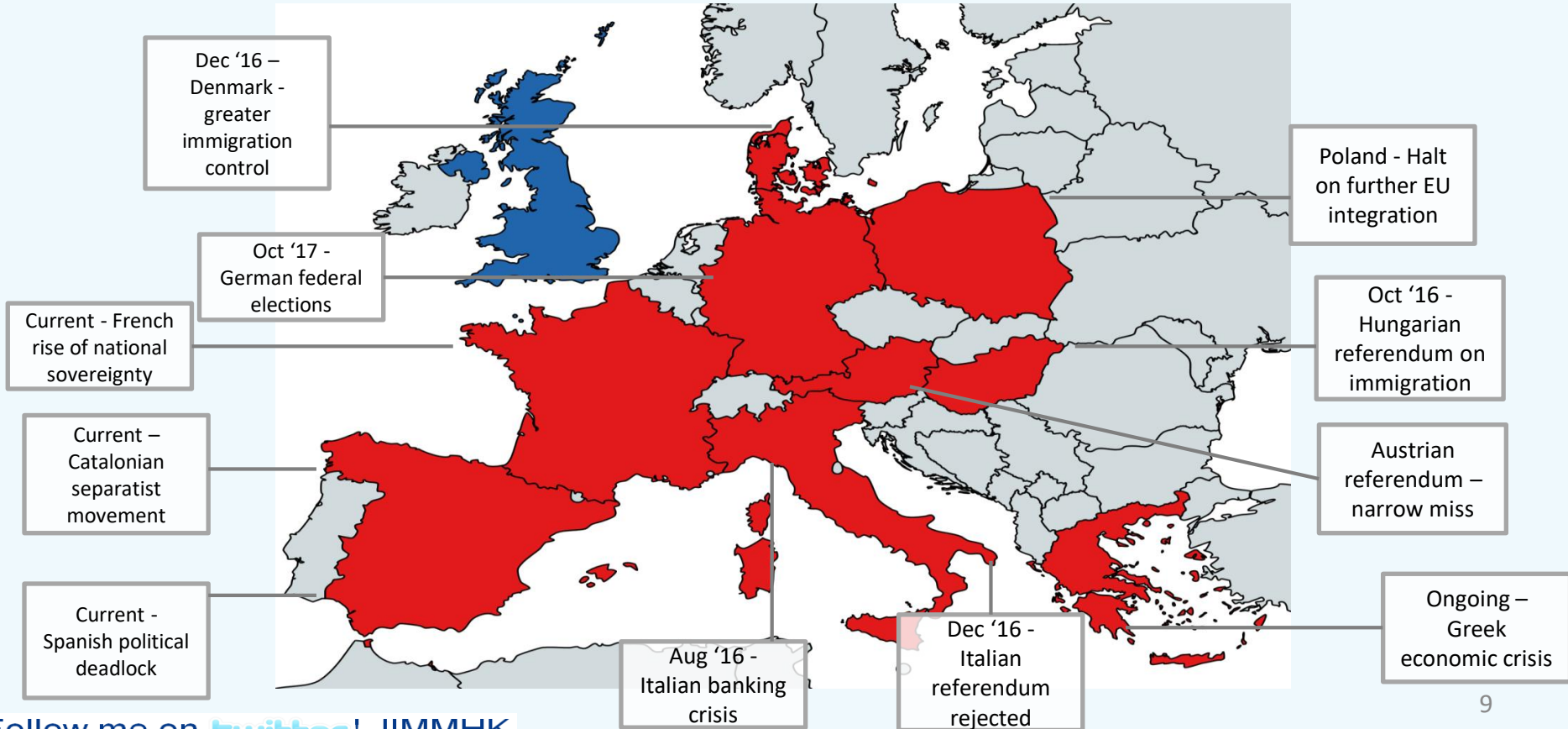


The Brexit Side Show

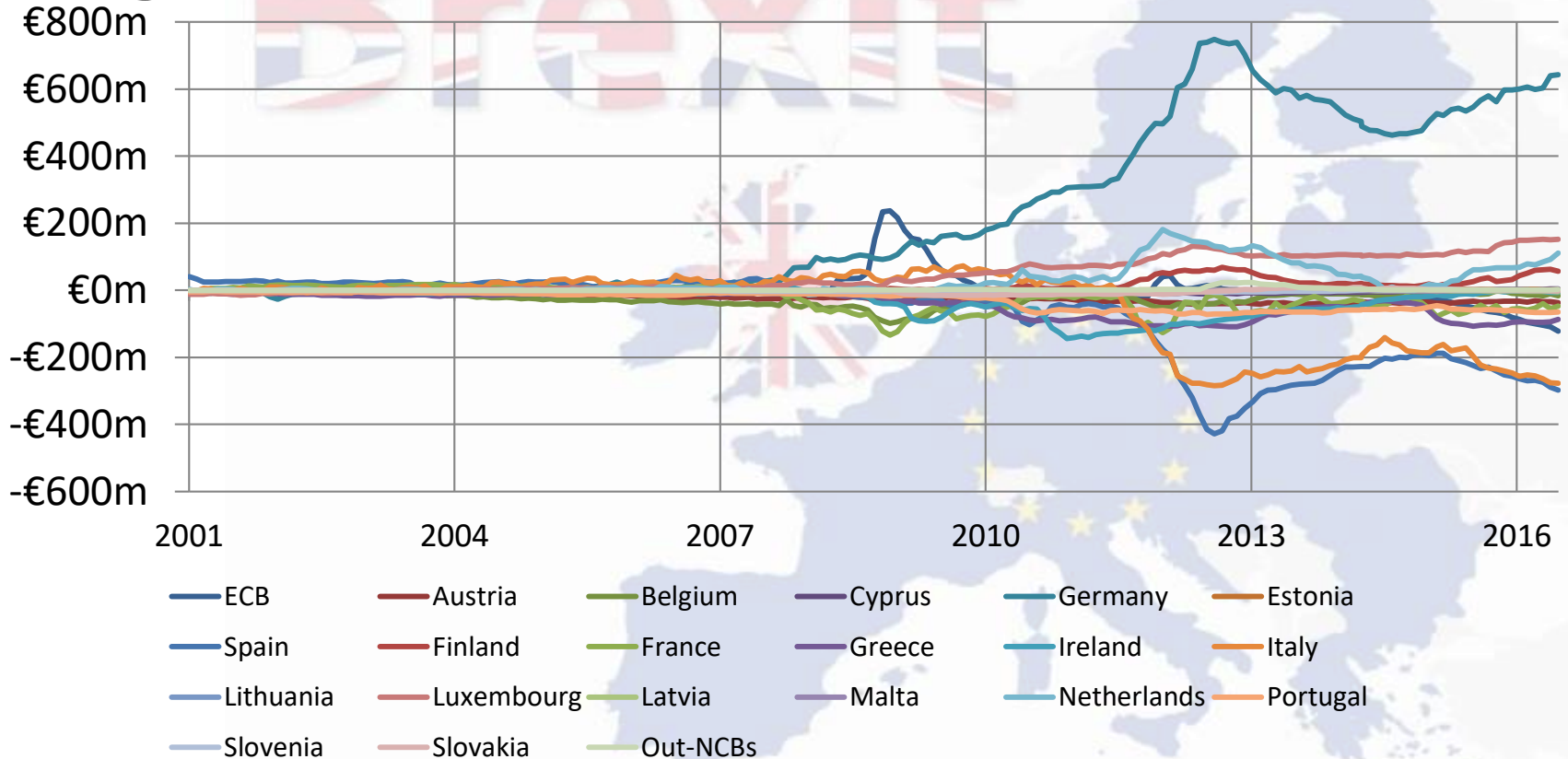
- Europe continues to move from crisis to crisis
- Brexit likely to become a side show due to major imbalances within the EU:
 - Unsustainable debt levels in periphery
 - Highly vulnerable banking system
 - Germany export dependent – TARGET 2
 - Election cycle – France, Holland & Germany



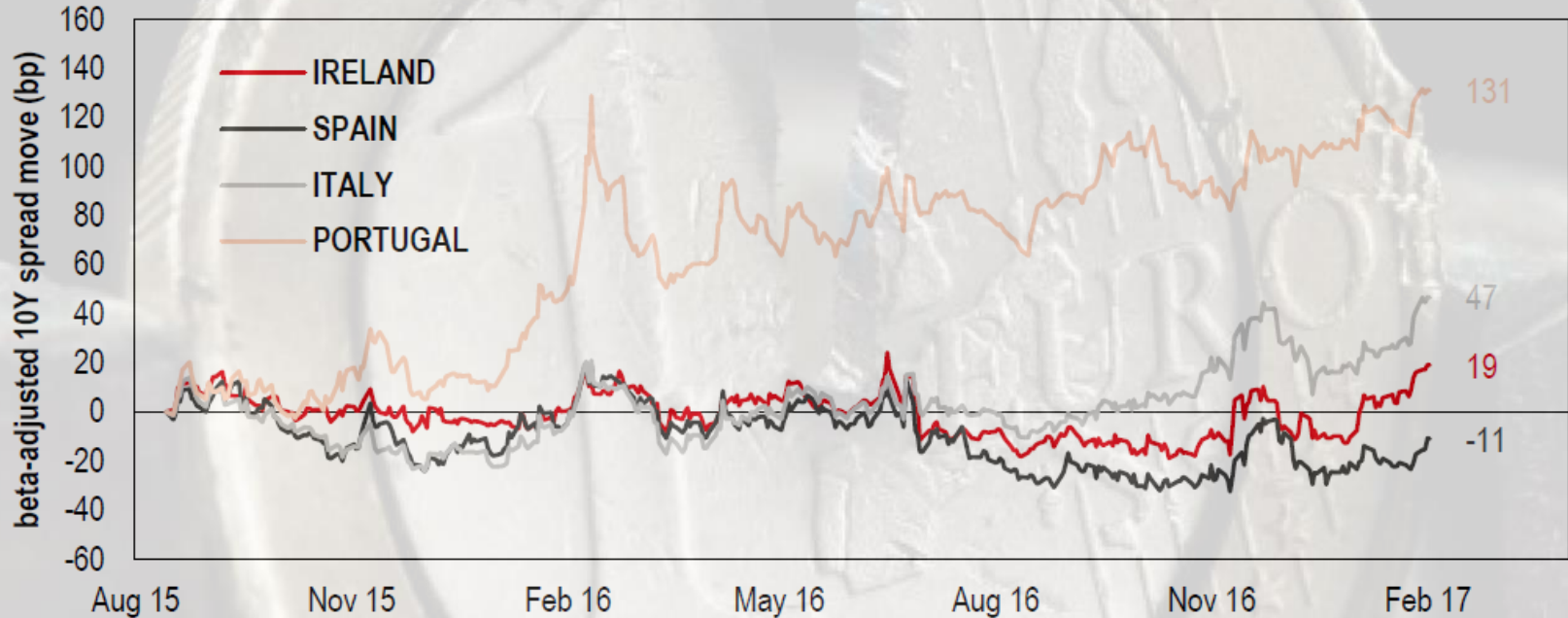
Europe Facing a Multitude of Issues



Target2 Balances



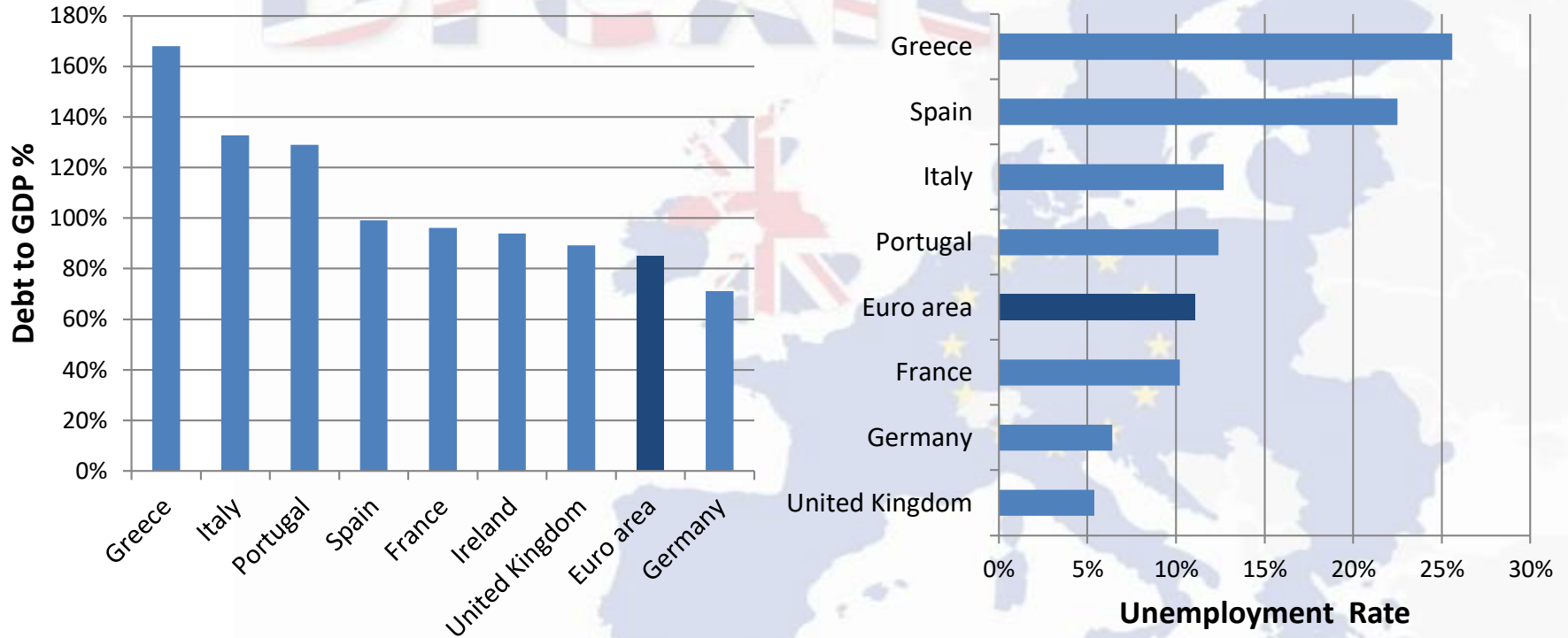
Euro Breakup Risk – Bond Spreads



Source: Bloomberg, HSBC calculations. Rebased and beta adjusted using daily spread moves in 2015. BVAL constant maturity yields used.

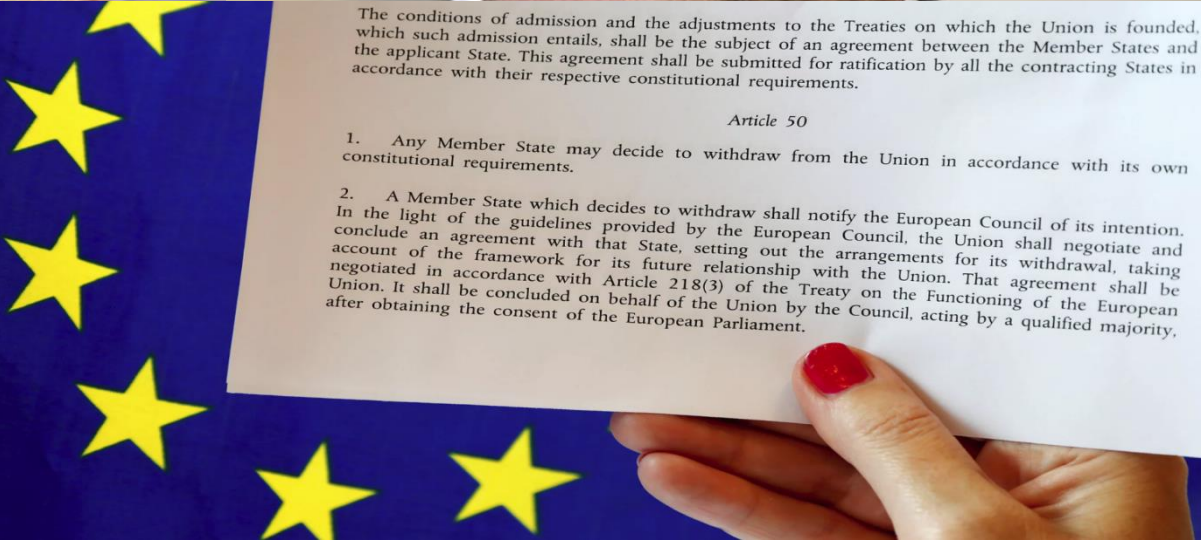


European Debt and Unemployment





Shape of Brexit Deal



Shape of Brexit Deal

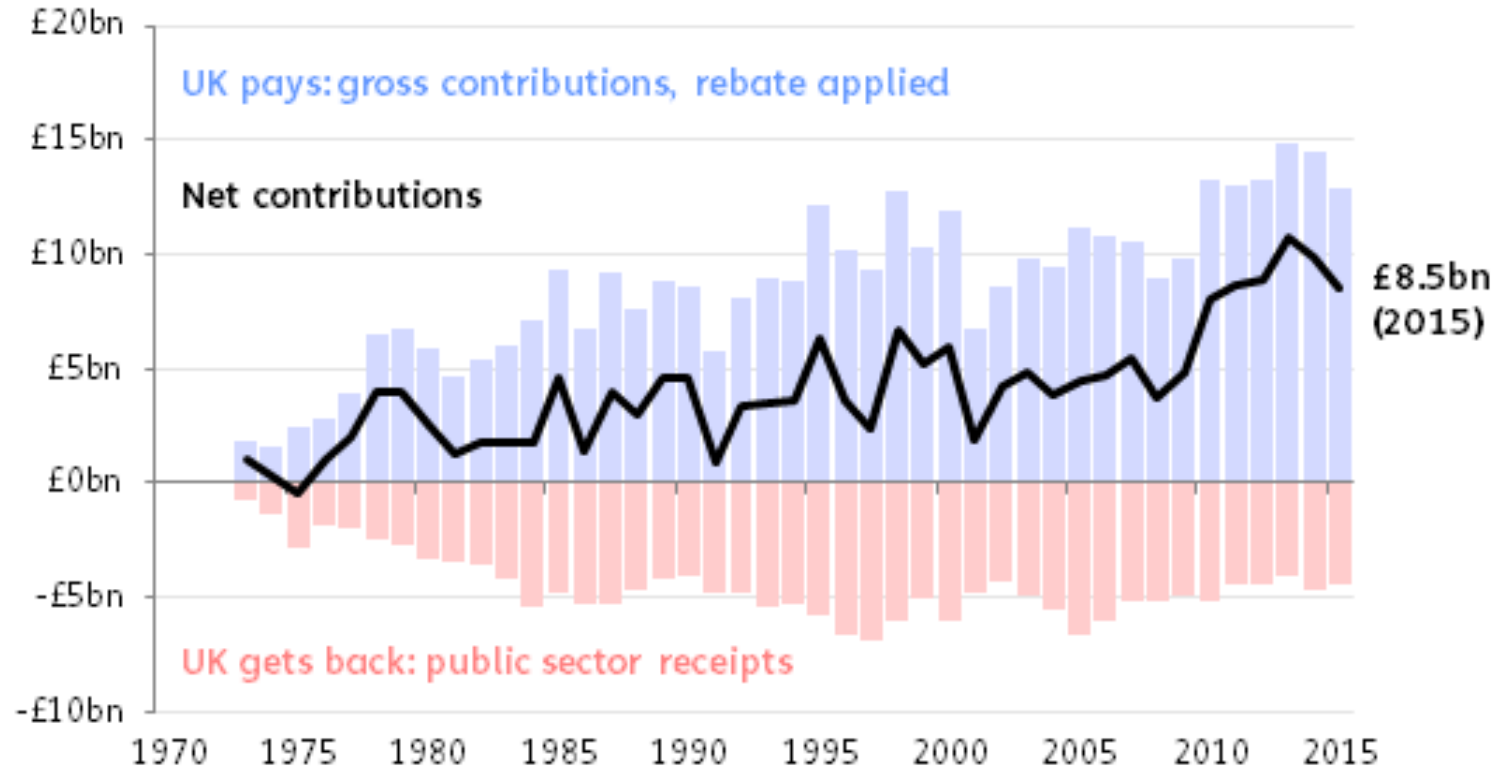
- Associate membership unlikely
 - *“No deal for Britain is better than a bad deal”*
- Financial services passporting could be elusive
 - *“There will be no single market a la carte”*
 - Is city going to be biggest driver?
- Four freedoms not sacrosanct in eyes of the UK
- How quickly could a deal feasibly be done?
- Would we re-engage if lesser move to federalism?

Possible Trade Deals Lined Up



1. Australia
2. Argentina
3. Bolivia
4. Brazil
5. Canada
6. Chile
7. China
8. Colombia
9. Ecuador
10. Germany
11. Ghana
12. Iceland
13. India
14. Ireland
15. Japan
16. Kenya
17. South Korea
18. Mexico
19. New Zealand
20. Pakistan
21. Paraguay
22. Peru
23. Suriname
24. Switzerland
- 25. United States**
26. Uruguay
27. Venezuela

UK's EU Budget Contributions



UK's EU Budget Contributions

- UK's payments to the EU budget since 1973 approx. £500b
- UK's rebates reduces this figure to £380b which is still nearly £9b p.a.

What could £380b buy you?



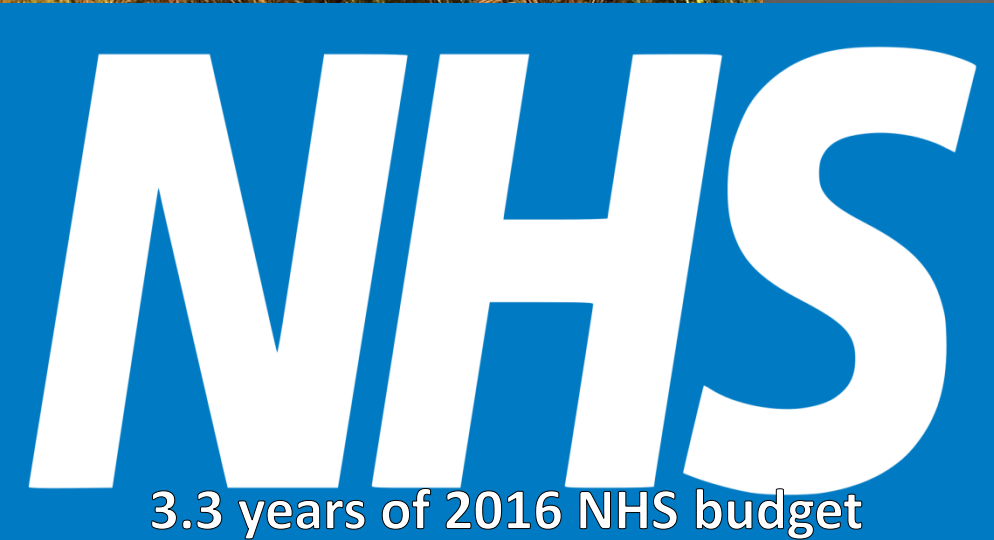
9 x HS2 projects



26 Crossrails



4,750 Cristiano Ronaldos



3.3 years of 2016 NHS budget



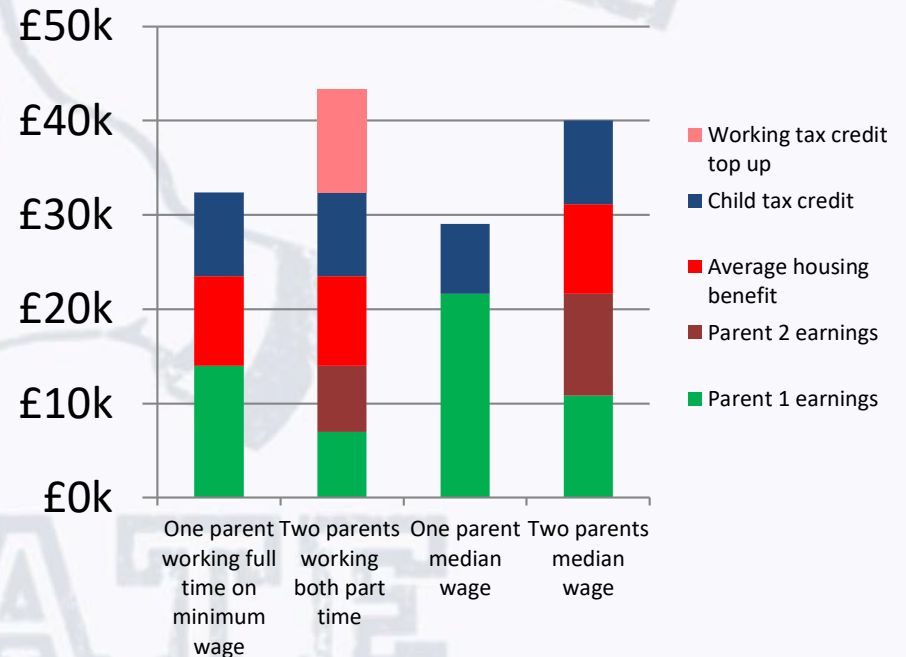
17 x Aircraft Carriers

UK Immigrants & Welfare State

- Since 2007, 4m new immigrants but only 800k new full time UK jobs
- However unemployment rate today is lower than 2007
- Gap has been filled by 1m part time jobs
- Estimated that 59% of EU migrants are in low skilled jobs



Couple with Three Children



Source: Office for National Statistics and HMRC Website



Brexit Opportunities

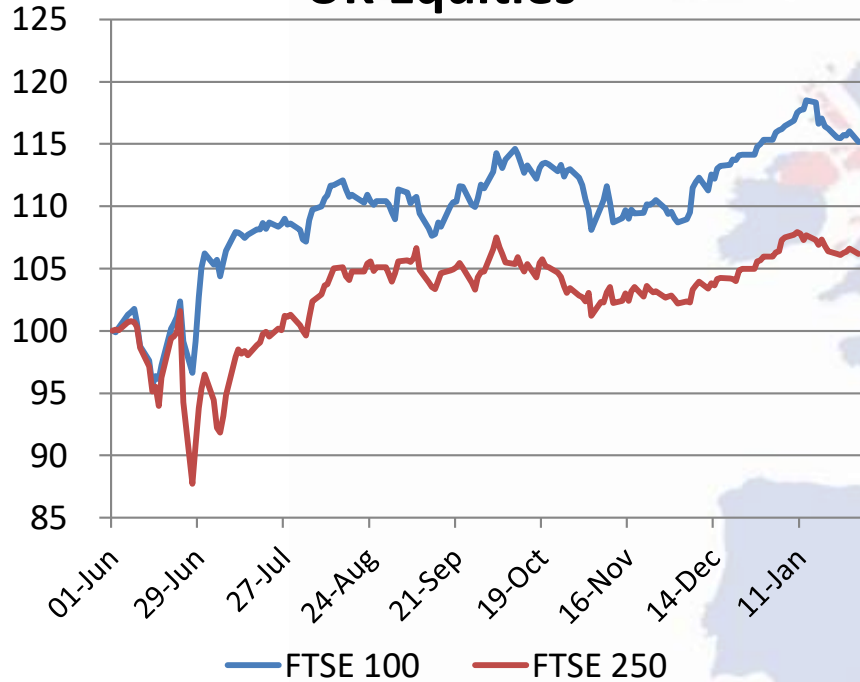
Brexit Opportunities



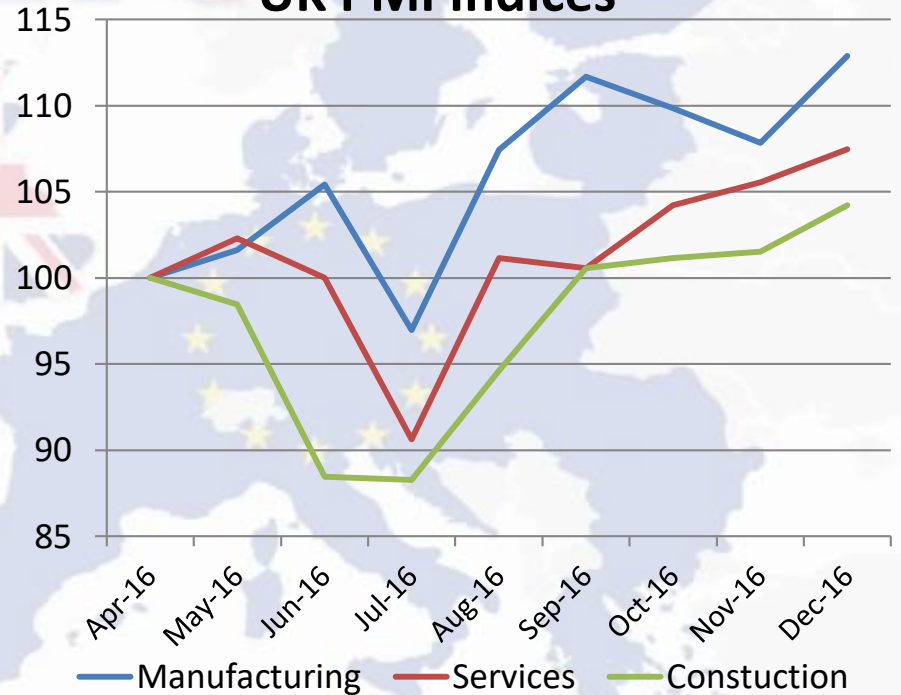
- Pursue bilateral trade deals with non-EU members
- Possibility UK to return to trade surplus by 2020
- Free from burden of EU regulation

Financial Markets and Economic Indicators

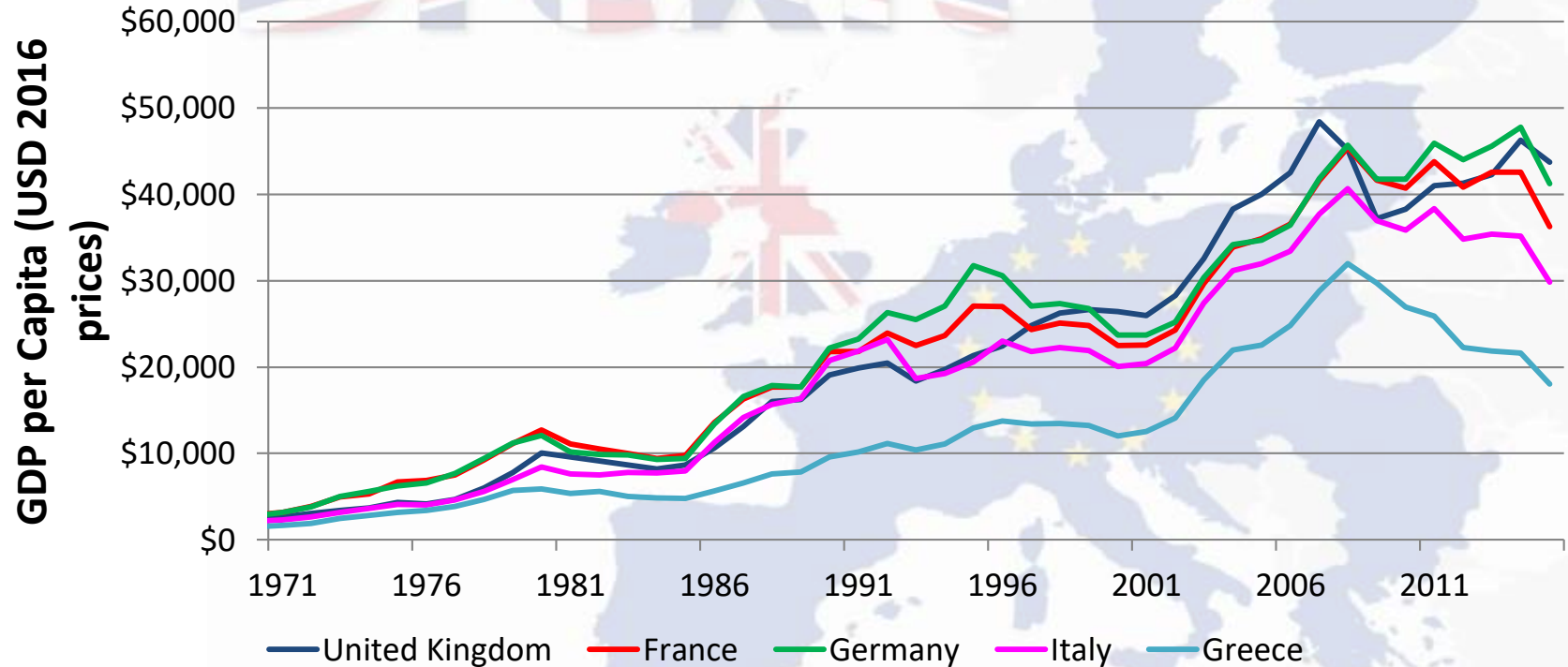
UK Equities



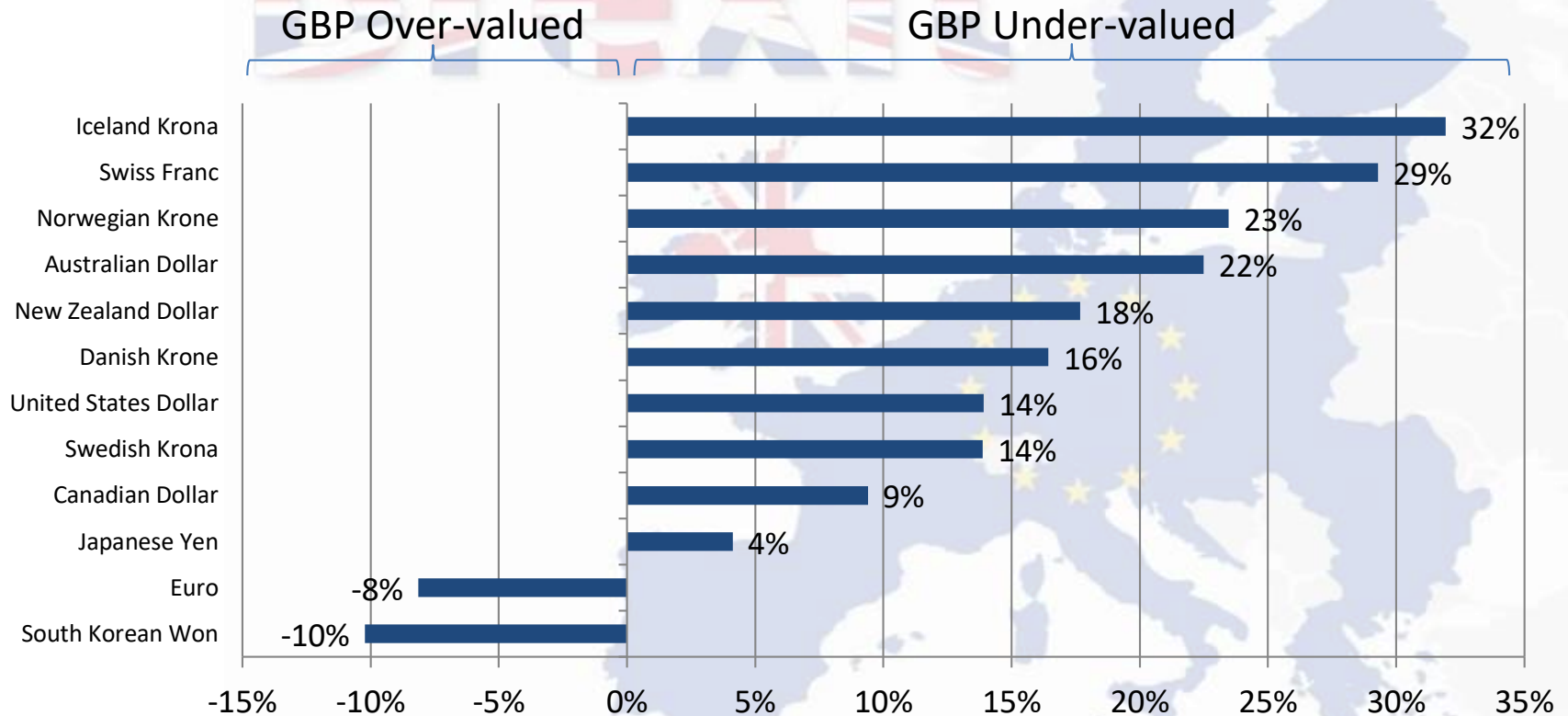
UK PMI Indices



GDP per Capita



GBP Purchasing Power Parity





Investment Ideas

Macro Investment Ideas

- Long Gold & Silver
- Long GBP
- Long Nikkei
- Long AUD
- Short EUR
- Short CHF
- Short JPY
- Short negative yielding bonds

Single Stock Ideas – UK & Global

- Royal Dutch Shell Plc
- BP Plc
- Diageo Plc
- Imperial Brands Plc
- Summit Therapeutics Plc
- Condor Gold Plc
- SalvaRx Group Plc
- Persimmon
- Sony Corporation
- FANUC Corporation
- Gilead Sciences Inc
- Galapagos NV
- Arrowhead Pharmaceuticals
- Synergy Pharmaceuticals Inc
- Regent Pacific Group

Summary



- Brexit will be a sideshow compared to what's about to happen in Europe
- Euro currency unsustainable has 1-3 years of life
- Major political risks in near term
- Massive trade opportunities outside EU

Please join me at Master Investor!

25th March at the Business Design Centre, Islington



Visit www.masterinvestor.co.uk for tickets