

OMNIS INVESTMENT UPDATE

Implications of UK-EU trade deal for investors

The UK and the EU agreed a post-Brexit trade deal at the eleventh hour. As many economists and investors had anticipated, a 'no deal' may well have been significantly detrimental to both sides. So, no matter how 'light' it feels, we have a deal, nonetheless.

Even though for many the deal only covers the bare minimum, a deal will be good news for investors in UK equities and, coupled with the cautious optimism around the Covid-19 vaccine rollout, we have already seen this translate to markets. Since the first signal of a deal was announced, the FTSE 100 is up 2.4%*

Companies relying on domestic economic activities should benefit the most. We are also more likely to see Sterling appreciate somewhat, which in turn should make global investors view the UK market as investable without having the 'Deal / No-Deal' conversation looming over us. So, a deal is undoubtedly good news for investors in the UK, but the focus in the short term will return to how we navigate the Covid-19 pandemic.

Longer term, we still need more clarity on the implication of this new relationship with the EU, for example for financial services and air travel, but this deal gives us a degree of additional certainty that the valuation of UK equities will begin to close in on their discount.

For clients who are invested in Omnis Investments' funds through either the Omnis Model Portfolio Service or the Openwork Graphene Portfolios, this is undoubtedly good news given that portfolios have a high weighting towards UK Equities at a strategic level. Furthermore, within the Omnis Model Portfolio Service, where we are able to tactically amend the asset allocation, we currently have an overweight exposure to UK equities.

*SOURCE: Bloomberg, from 21st December 2020 to 4th January 2021

FOR FURTHER QUERIES PLEASE CONTACT:

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