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UK PARLIAMENT REJECTS MAY'S BREXIT DEAL - FLASH

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May's deal looks doomed: UK Parliament tonight voted down Prime Minister Theresa May's deal by a margin of 230 votes (202 for and 432 against), making it the biggest loss for a government in history according to the BBC. The bigger-than-expected defeat for PM May has probably dealt the decisive blow to the Withdrawal Agreement and political declaration of the future relationship with the EU that she had spent nearly two years negotiating.

In our view, the news is modestly positive as May could soon be forced to explore different Brexit options that could get a majority in parliament and not waste more time pushing her doomed deal. It appears to come ever more down to three options, a hard or soft Brexit, or a second referendum. Of these, a hard Brexit probably has the least support in parliament and a soft Brexit probably has the most support.

The key takeaways are as follows:

No confidence vote in government: Far-left Labour leader Jeremy Corbyn has tabled a vote of no confidence in the government. This will take place tomorrow, likely at 7pm. The Conservative-DUP alliance commands a slim 13-seat working majority in the House of Commons. We expect the government to survive the vote. The threat that a socialist could end up in Number 10 is the glue that binds the warring Conservatives together. The DUP shares the Conservative's antipathy towards Mr Corbyn and has said it will back the government in the vote. Moreover, since the DUP's main objective is to avoid a Brexit outcome that would split Northern Ireland from the UK, it suits the DUP that parliament rejected Mrs May's deal.

May looks to parliament for the answer: Immediately after the vote PM May said that she would work with parliament to find out if there is a majority for a different framework for the future UK-EU relationship. She did not say that she would go back to Brussels to renegotiate her deal, suggesting she may give up on this endeavour. This would be a positive outcome. If May indeed moves on from her deal towards a new end that parliament can support, that would reduce the risk that she could run down the clock to raise the pressure on MPs to eventually back her deal.

Market reaction likely to be muted: Markets had widely expected PM May to lose the vote and thus we would be surprised if UK assets sold off much tomorrow. The hopes that the big defeat for May's deal can make way for a softer Brexit outcome may neutralise any negative impact of higher uncertainty and the vote of no confidence.

Make way for a softer Brexit: With May's deal off the table and – probably – the snap election risk out of the way very shortly, parliamentarians can get to the business deciding what Brexit the UK should go for. So far, a pro-EU cross party majority has expressed a strong will against a hard



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Brexit. However, a hard Brexit is the default option unless the UK and the EU come up with some agreement for the future partnership. Parliament now has around 10 weeks to decide exactly what it wants. In the end, we expect parliament to back one of the off-the-shelf soft Brexit options or a second referendum.

Amid the uncertainty, one thing is certain – events will develop fast in the next few days. Watch this space!

Further reading

[Brexit update: Time for parliament to decide](#)

[Brexit: The real crisis may be yet to come](#)

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