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UK: OBAMA SIGNALS BREXIT COULD CHANGE THE ‘SPECIAL RELATIONSHIP’

Berenberg Macro Flash

Obama hints Brexit could be a game-changer for the special relationship: Pro-EU Prime Minister Cameron couldn't have asked for more. On his visit to London, US President Obama plainly stated that he thought the UK should vote to stay in the EU, and that it would be in the interests of the UK, the EU and the US for the UK to do so. After listing his views on the economic and political benefits of the UK remaining in the EU, he offered a warning. He said that, if the UK left the EU, it would be 'at the back of the queue' for a trade agreement with the US, who would focus instead on the on-going negotiations with the much larger EU-27.

What impact could this have on the vote? Because Obama is popular in the UK, and possibly more so than in the US, his friendly advice could bolster the Remain camp. Under the leadership of populist-left-winger Jeremy Corbyn, the Labour Party, against its tradition, has not yet voiced a strong argument for keeping the UK in the EU. There will be some undecided voters on the centre-left who are reluctant to support the views of centre-right Cameron. Cameron probably knows this. The introduction of centre-left Obama into the vacuum created by Corbyn could therefore bolster support for the Remain camp.

What a difference a week makes: In the midst of the Panama scandal and in the wake of the Brussels attacks, the narrow poll lead held by Remain had evaporated by the end of last week. This week has been different. Remain have been ahead by an average of 7 points in the last five polls. Of course, we have to adjust this for the fact that this count includes more telephone polls than usual. Telephone polls tend to exaggerate the "Remain" vote slightly. But even adjusting for that, votes seem to have shifted by around 3 percentage points this week. The current tally compares to an average lead of just 3 points for 2016 so far. Cameron's Remain campaign has apparently gained momentum this week after the Treasury's assessment of the impact of a Brexit delivered a stark economic warning. Obama's comments this evening can add to that.

We keep our risk of a Brexit at 35%. The campaign has barely started and opinion polls are volatile. Event risks continue to loom large. But the balance of risks to our call may be starting to shift towards a smaller Brexit risk.



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