



EU Elections: UK Election Watch

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Prime Minister Theresa May's gamble to call an early election backfired as the Conservative Party loses their majority resulting in a hung parliament and will now be forced to form a coalition. Ms. May of the Conservative Party faced off against Labour Party leader Jeremy Corbyn in Britain's election on June 8th in a vote seen as how, not if, the UK should leave the EU. Both Ms. May and Mr. Corbyn viewed the election as an opportunity to increase the number of seats of their respective political parties in Parliament which would strengthen positioning power and influence during Brexit negotiations. The two parties possess very different visions of post-Brexit rules of engagement with the EU with a range of economic and political consequences. Ms. May and her Conservative Party have indicated they would pursue a "hard" Brexit, while Mr. Corbyn and his Labour Party prefer a "soft" Brexit. This is the third in a series of closely watched elections that will help shape the future of the EU.

Key Points:

- Ms. May and her Conservative Party failed to win a majority amid wavering doubts and loss of confidence in her ability to negotiate Brexit with much of this coming from policy shifts and lackluster campaigning. Markets would have liked Ms. May to have a strong mandate to negotiate. The election results increase investor uncertainty.
- While the British pound weakened 2%-2.5% against most major currencies, other asset classes have remained broadly stable and the reaction in the bond market was muted.
- Following a meeting with Queen Elizabeth II earlier today to ask permission to form a government despite losing majority, Ms. May announced that the Conservative Party would form a government alliance with Northern Ireland's Democratic Unionist Party (DUP) to secure a parliamentary majority.
- EU leaders have expressed concern that the election results could hamper or stall negotiations. However, Ms. May has indicated that the complex Brexit negotiations will go ahead as scheduled on June 19th. Entering talks in a severely weakened state, it is unclear if Ms. May can garner the support for a "hard" Brexit.
- Our outlook for global equities is founded on valuations and a long-term outlook. In the current environment, valuations are more compelling outside the U.S. than they are within. Despite elevated political risks such as the UK election and the upcoming German election, DiMEO Schneider & Associates, L.L.C. does not find compelling reasons at this time that would justify overriding our methodology.

For further information and assistance, please contact any of the professionals at DiMEO Schneider & Associates, L.L.C.

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Jackie performs research and operational due diligence on core investment managers. She is a team member of the Core Investment Strategy Group. Jackie also participates in the firm's Outsource Chief Investment Officer (OCIO) practice for financial institutions. In 2012, Jackie was a contributing author to *Nonprofit Asset Management* (John Wiley & Sons) and in 2005, she co-authored *The Practical Guide to Managing Nonprofit Assets* (John Wiley & Sons). She received a Bachelor of Business Administration (BBA) from Iowa State University and is a Certified Financial Planner (CFP[®]) from the College for Financial Planning. Jackie is a former member of the Board of Trustees for The Chicago Academy for the Arts, an independent college preparatory school dedicated to the performing arts. In her free time, Jackie can be found testing her luck at her favorite vacation destination, Las Vegas.

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