

R3 BREXIT UPDATE



An "odd" look at Brexit

What are the odds?

Les jeux sont faits?

With 31st October exit date looming, and increasingly nebulous political manoeuvring, it seems no one really knows what's going to happen to the UK as we approach yet another deadline in this never-ending Brexit saga. Over the last three years, R3 has published numerous updates on the effect Brexit was having on the property market, and likely consequences on the relocation world of us leaving the EU.

An odd way to have fun

In this newsletter, we have decided to take a slightly more light-hearted approach to it all. We are going to take a look at some of the betting that is taking place on issues relating to Brexit.

We are a cautious organisation, and wouldn't wager on this ourselves, but betting companies are normally quite good at "pricing" predictive outcomes and we thought it would be fun to look at the world of Brexit through their probabilistic lenses. Who knows, it might inject a little clarity on the comprehensive ambiguity which was left following the June 2016 referendum.

Don't bet on it!

The main betting companies reviewed were Sky Bets, Belfair, Paddy Power, and William Hill. And all odds were taken as at 16 August 2019.

As always, this newsletter is published for general information only. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research. In other words, don't use it to make important decisions about your affairs! Or whether now is the right time to apply for a non-UK passport...

Against all odds?

Leaving the EU before 1 Nov 2019?

On average, excluding the odds given by an Irish-based betting company, the implied probability of the UK leaving the EU by 1st November 2019 is now less than 50%.

FIGURE 1 – Leaving by 1 Nov
Average implied probability



Oddly (*Ed: sorry, I can't help it*), Paddy Power places the probability of the UK leaving by 1 November 2019 at 62%! Why Ireland? Why?

But will we leave eventually?

Of course, not leaving by 1 November 2019 doesn't mean not leaving at all. All betting companies estimate that the chances of the UK revoking Article 50 at any point before the end of 2020 stands at over 30%. So not terrible, but unlikely.

FIGURE 2 – Revoking Article 50
Average implied probability



So if we're not leaving before 1 November (according to the odds!) and we're not revoking Article 50 anytime soon, where does that leave us mere mortals in trying to make decisions about our company's direction? About our will to live?

No confidence!

Well, it seems that if you're a betting person the clear favourite bet to back at this stage is yet another vote of no confidence in the Government to take place between now and the Brexit deadline. In fact, following Corbyn's recent letter, this now seems a "dead cert". And then what?

General Election or referendum?

Or both!? And in which order?

There is a general consensus that there won't be a 2nd referendum prior to the end of 2019. Even though polls suggest that remainers would now outnumber leavers at 55/45 if there were one.

FIGURE 3 – 2nd referendum
Average implied probability



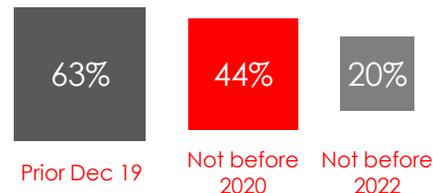
That's not to say it won't take place at all following a possible general election, of course.

Odds against in the short term

It seems that betting companies generally feel that if the UK is to leave at all, the chances of leaving diminish as the clock keeps ticking.

Should we hope for some more indecision, for a very long time?

FIGURE 4 – Leaving the EU
Average implied probability



Odds and sods

Who knows? If all this has just added to your state of confusion, or despair, then you might find some light relief in the knowledge that betting companies are also predicting that there is a 17% chance that Boris Johnson will be the UK's shortest serving PM, that Nigel Farage has a close to 50/50 chance of becoming PM himself before 2025 (*Ed: God help us...*), and that if Brexit happens – bizarrely – there is a 12.5% chance that the UK will run out of contraception by the end of 2019. But by then, presumably, we'll all be far too depressed to try and make more babies. So it won't matter that much. If only we were better protected against all this Brexit nonsense instead...