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International

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Economic Alert: A Clean Brexit

- Theresa May laid out a Brexit plan for a clean break with the EU – including leaving Single Market and taking control of borders – and will give MPs a vote.
- The PM says Britain will no longer pay "vast sums" of money to the EU when we leave, and that she doesn't want a "half-in, half out" agreement.
- She said she did not want a "partial membership of the European Union, associate membership of the European Union, or anything that leaves us half-in, half-out.
- In a highly-anticipated speech, the Prime Minister confirmed that Britain would leave the Single Market after Brexit, and she would fight for a new deal for access to it.
- Mrs. May said that any deal must mean her government is able to "control the number of people who come to Britain from Europe" and promised she would deliver crucial changes to immigration rules.
- Moreover, she promised MPs and peers a vote on the final Brexit deal, which sent the pound appreciating.
- Currency markets have been jittery in recent days, pushing the pound marginally lower amid fears that Mrs. May would convey the message that politics may prove a bigger consideration than economics in the withdrawal talks. Instead, the pound rose as much as 1% against the dollar during her speech.
- Mrs May insisted that she would still not provide a "running commentary" on the negotiations, but confirmed that she could walk away from a bad deal with the EU.
- She also confirmed that the UK would seek a "transitional arrangement" to "avoid a disruptive cliff-edge" when Britain leaves the bloc.

- The prospect that Britain would remain part of the single market has been fading since Mrs. May demanded complete control of migration from the European Union and release from the European Court of Justice while speaking at the Conservative Party convention in October 2016.
- Although Britain will almost certainly leave the single market, it will then try to maintain some of its privileges through a deep trade and cooperation agreement with the European Union.
- Its ability to accomplish that would still depend on the willingness of the 27 other European Union nations, as well as the European Parliament, which would have to vote on any new trade deal.

Initial Market Reactions

The pound jumped in intraday trade by the most since the immediate aftermath of the EU referendum after Prime Minister Theresa May promised a parliamentary vote on Britain's deal to leave the EU. It spiked by as much as 1.74% to \$1.2278 against the US dollar, that's its biggest intraday jump since July 14 last year when it climbed 2.15% It also gained around 0.8% to 87.36 pence per euro.

Europe's bank index turned positive and is now up 0.3% after Prime Minister Theresa may said the government will seek a transition for financial services regulations.

Europe's Stoxx 600 slightly reduces losses, now down 0.37%

FTSE 100 extends losses, now down 0.42%



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