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International

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Economic Alert: Britain's Prime Minister Theresa May calls for early election, stunning UK political world

- Theresa May has said she wants to hold a snap general election on June 8, despite repeatedly claiming that she was against the idea of an early vote.
- In a surprise statement outside Downing Street on Tuesday morning, the British prime minister claimed that opposition parties were jeopardizing her government's preparations for Brexit.
- The prime minister used her announcement in Downing Street to frame the election as a vote of confidence in her management of Brexit and an attempt to strengthen her hand in the negotiations. A bigger majority could also offer her greater room for manoeuvre in those talks, particularly over sensitive issues such as the nature and duration of any transitional arrangements after Britain leaves the EU.
- In recent weeks, May has signalled a shift in emphasis, making clear that she expects free movement of people, budget payments to the EU and the jurisdiction of the European Court of Justice to continue beyond March 2019.
- Until now, hardline Brexiteers on her backbenches have been supportive of her approach but that support is likely to crumble once hard compromises become necessary.
- Under the Fixed-Term Parliaments Act, general elections take place every five years, meaning Mrs May would have had to carry on until 2020 before the chance to strengthen her position.
- In order to call the early election, she will need the support of two-thirds of the 650 MPs in the Commons.
- Labour Party leader Jeremy Corbyn has backed Mrs May's call for an early general election.

Initial Market Reactions



The pound saw some upswing by 0.8436% hit USD\$1.2583 as details emerged. It dropped to USD \$1.2530 after trading as high as USD \$1.2608 earlier on Tuesday. Against the euro, the pound also saw some appreciation by +0.5591% traded at €1.1870; it had dropped to €1.1748.



London's FTSE 100 deepened losses on Tuesday after Theresa May called for a snap general election to be held in the UK on 8 June, unleashing a fresh wave of uncertainty across financial markets.

The index of blue chip companies was down around 1.2% immediately after Mrs. May's announcement, although most of those declines had stemmed from losses across the mining and natural resources sectors earlier in the day.



European shares hit three-week lows on Tuesday in volatile trade after Britain's prime minister called for an early election and the first round of France's presidential election loomed.

The STOXX 600 index was down 0.9%.

Source: Research & Analytics , Bloomberg

- Holding an election gives Mrs May her first opportunity to win a direct mandate to be prime minister. She took power last July without a public vote, after David Cameron resigned and her remaining rival in the Conservative leadership contest, Andrea Leadsom, pulled out of the race.
- Donald Tusk, president of the European Council, said the vote would not change his preparations for Brexit. Although Mrs May triggered Article 50 last month, many observers had expected little progress until after the French and German presidential elections.



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