CAXTON FX
BUSINESS

BREXIT PROOF YOUR BUSINESS

1. Currency Risk
2. Exposure Percentage
3. Exposure Schedule
4. Use the Right FX Products
5. Expert Insight and Support

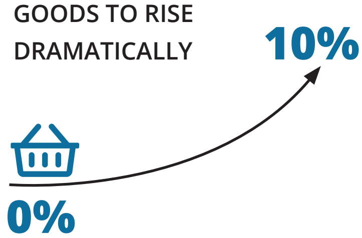
How to deal with a no-deal

With the March 2019 deadline for Brexit fast approaching, the latest odds from high street bookies are 5/4 for a 'no-deal.' In the absence of any agreement, the government has already published guidance for businesses on how to prepare for this, with Theresa May repeatedly saying: "no-deal is better than a bad deal".

What is a no-deal?

If Britain cannot agree a collective deal with the EU, it will have to negotiate individual terms with its 27 member states. Clearly, that would be a complex and time-consuming process. Instead, Britain would most likely default to World Trade Organisation policies, which are already used by many global nations when trading with the EU. This is the most likely no-deal scenario. The WTO outcome would almost certainly increase tariffs on trade with the EU. The average rate is currently around 1.5%. However, experts believe WTO tariffs on some important sectors – cars for example – could be as much as 10%. Whatever brand of no-deal materialises, most experts agree it will be disruptive, damage the economy (in the short term at least) and weaken the pound.

PREDICTED WTO TARIFFS ON GOODS TO RISE DRAMATICALLY



BUSINESS BREXIT INSIGHT

50% BELIEVE BREXIT HAS HAD AN IMPACT ON THEIR FX

40% SEE A NEED TO MANAGE RISK BETTER

Is Brexit affecting FX and cross border payments?

Caxton's study revealed that nearly 50% of clients believe that it has had an impact on their FX and International Payments needs. 40% see a need for additional risk management. A CBI survey revealed that 61% of UK firms are developing a contingency plan for no-deal.

Thankfully, the doom-laden predictions for Britain's post-Brexit economy have proved wrong, at least so far. The UK economy has remained robust.

In fact, political events, rather than the economy, have caused the most marked fluctuations in the pound since the vote in summer 2016. The steady economy may be why many UK firms seem relaxed about the Brexit effect on FX.

Preparing the right currency strategy for Brexit

With under six months to go, planning your risk management strategy should start now. Having a plan that takes you past the March 2019 exit from the EU timeline and beyond is something you should consider as experts expect further volatility weeks, if not months, after we leave the EU. By following these simple steps, savvy businesses can manage the risk posed by foreign currency markets and help protect their profits.

5 STEP PLAN TO BREXIT PROOFING YOUR BUSINESS

1	**Currency Risk:** Decide what currencies you want to be exposed to after Brexit. You may want to ensure you are protected against the 'major' currencies including EUR, USD, CAD, AUD and CHF or what you trade most.
2	**Exposure Percentage:** Allow yourself flexibility with your exposure. Typically, businesses look to hedge their exposure to foreign currency from 40-70%. This approach gives flexibility should markets move towards your favoured rate.
3	**Exposure Schedule:** The majority of businesses are now looking at having a currency strategy that takes them 3-6 months past the March 2019 exit timeline. This is to ensure protection against expected further volatility after we leave the EU.
4	**Using the Right FX Products:** Using a simple forward will allow you to lock in a rate for a period of up to 18 months. Alternatively, using a currency option allows you the same protection, but you potentially benefit from positive market moves.
5	**Expert Insight and Support:** Majority of banks and FX partners will give daily market insight alerts. Ensure you use an expert that provides guidance and support and not just good rates.

Brexit-proof your business

Any business that relies on raw material imports from abroad will feel the effects of a weaker sterling. The same applies for companies of any size that regularly send their staff to Europe and further afield. So, with just months to go till the exit part of Brexit, it's time to plan and manage your exposure and become Brexit ready.

At Caxton FX, we help businesses become Brexit proof by providing expert guidance, insight and support.

- ✓ Sign up to our daily market report
- ✓ Speak to our Brexit FX experts
- ✓ Get your free Brexit Review

To find out more, speak to us today on +44 (0) 207 201 0554