



Is there any chance of EU economic stability after Brexit?

Currency trading opportunities are growing thanks to the uncertainty about the future of the EU, argues Ben Barlow

As soon as it was announced that the UK had voted to leave the EU in its historic referendum at the end of June 2016, the financial markets reacted immediately. A day after the result the pound hit its lowest level in **30 years** and the euro was down, while the US dollar and safe haven currencies such as the Japanese yen all strengthened.

Stocks and shares were volatile and there was a lot of uncertainty introduced into the markets across Europe and beyond. While things may have calmed down a bit since then, there are still a lot of hopes and fears around the EU's economic future. With Article 50 due to be triggered in the next few months, what will affect the EU's chance of economic stability?

Negotiation outcomes

A lot of the EU's economic future without Britain being a part of it will depend on what is agreed during the upcoming negotiations. Once Article 50 is triggered, believed to be by the end of March at the very latest, the UK Prime Minister Theresa May has said she expects negotiations to be complete within two years.

One of the major negotiation points appeared to be the UK retaining membership of the single market, but May has **stated** this cannot possibly happen. Instead the UK will look for a deal that allows the 'freest possible trade', while other trade deals will have to be created for both the UK and EU to have a chance of economic stability.

Future of Italy

Italy has undergone a lot of political turmoil in the past few years and a rejection of constitutional reform in a referendum at the end of 2016, resulting in another Prime Minister stepping down was further proof of this. It brings about new uncertainties about the future of the EU.

Experts fear that the result could derail plans for Italy's banks to be rescued, potentially introducing fresh financial worries and crises to the eurozone and EU. It could signal another populist movement, and if Brexit becomes a success then Italy may follow.

Strengthen US ties

The EU will need to work closer than ever with the USA, strengthening ties to help ensure economic stability for the EU's future. Both sides rely heavily on each other for trade, with the USD/EUR currency pair one of the major and strongest ones in the world.

The European Commission's new financial regulatory chief has made [maintaining the EU's financial stability](#) his top priority, with strengthening ties with the USA and creating a forum to meet and discuss co-operation regularly part of that strategy.

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German, French and Dutch elections

In 2016 there are set to be important national elections in Germany, France and The Netherlands, three of the EU's most important members. Depending on the outcome of these there could be a swing in the future of the EU and its economic security. Angela Merkel has been a key cog in the EU's economic stability, so if she goes then the entire future could be up in the air.

All this uncertainty about the future of the EU and its economic stability provides a lot of [currency trading opportunities](#). Stability for the EU is what it will be striving towards, but whether it can achieve that without the UK remains to be seen, especially as no other country of such size and importance to the EU has ever left before. ■