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Snap reaction: what is the impact of the Prime Minister's resignation?



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Head of investment strategy



John Wyn-Evans, Head of Investment Strategy, shares his first thoughts.

The latest development in Downing Street is the resignation of Liz Truss as Prime Minister. In other times, this might have been a market-moving event, but it has elicited only a minimal reaction, probably because the writing was already on the wall. Furthermore, the extreme policies that rattled both the Gilts market and sterling just a few weeks ago have already been largely reversed and a new Chancellor installed. Even so, on balance investors appear to approve of Ms Truss's departure and that is reflected in gains for the pound, which has risen more than a cent against the dollar today (although it should be pointed out that the dollar is weaker today against a wider basket of currencies).

Government bond yields are moving largely in line with those of other countries, with the ten-year gilt yield at 3.86%. The fact that a new Prime Minister will be anointed within days rather than weeks comes as a relief, as it shortens a period of potential uncertainty, and it is clear that the Party must choose someone who is sympathetic to the markets. We shall await the identity of the successor, and, more importantly, the fiscal statement scheduled for 31 October, which will provide a much clearer picture of the sustainability of the country's finances in the years ahead. For now, though, the situation from a market perspective is one of relative calm.

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