



## Brexit Deal Calms Stock Market Recession Fears

### Description

This morning, the European Union and the United Kingdom announced that they have reached a deal on the U.K.'s exit from the European Union. [Recession fears](#) are subdued, but we aren't completely out of the woods yet.

Markets have been volatile, if not for the U.S. trade war with China, due to uncertainty over how the U.K.'s exit from the European Union will impact international trade and financial markets.

Now that some considerable progress has been made to finalize a deal by October 31, Canadian investors can relax to some extent. But this doesn't mean that we won't have some more Brexit-related volatility on the Toronto Stock Exchange.

Not everyone has ultimately signed onto Brexit. Until things are officially finalized, investors will still be on edge.

## Democratic Unionist Party opposes new Brexit deal

The Democratic Unionist Party (DUP) of Northern Ireland has released a statement that they will not support this deal: "These proposals are not, in our view, beneficial to the economic well-being of Northern Ireland and they undermine the integrity of the Union."

The DUP of Northern Ireland has 10 M.P.s in the U.K. Parliament, who will vote on the new Brexit deal. On Saturday, U.K.'s Parliament will vote on the Brexit proposal, which will only begin the process to ratify the Withdrawal Agreement in the House of Commons.

To understand the situation, it is essential to note that Northern Ireland and Southern Ireland are two separate nation states. Northern Ireland is a part of the United Kingdom, while Southern Ireland is an autonomous Republic with strong ties to the European Union.

## What's the deal with Northern Ireland?

When the United Kingdom officially withdraws from the European Union, there will arise a need to conduct customs checks at the border of Ireland and the European Union.

Because the United Kingdom will no longer be a part of the "single market" of the E.U., the U.K., Ireland, and the E.U. must agree on whether and how to erect a physical barrier and border security between Northern Ireland and Southern Ireland.

The majority of Irish citizens in the North and the South support an open border with the European Union. The Democratic Unionist Party opposes the erection of an Irish border separating the United Kingdom.

## What are Boris Johnson's options?

U.K. prime minister Boris Johnson needs to convince the U.K. Parliament to approve this new Brexit plan. If he cannot, then there may be a general election to override the parliamentary vote.

The real danger is in the uncertainty over how Brexit will affect exporters and importers. Businesses need to know what tariffs the government will impose upon goods. Consumers need to understand how new taxes will alter the prices of the products they buy in the stores.

## Foolish takeaway

Canadian investors should still watch the situation in Europe. Brexit has vast implications that extend beyond just U.K. and E.U. trade. The U.K. break from the European Union will have broad effects on global trade.

Even the foreign [currency markets](#) have been volatile, and they will continue this way even after Brexit terms are negotiated. The new tariffs will influence not only imports and exports but also the price of the pound relative to other currencies.

The good news about the volatility? The downward volatility represents substantial buying opportunities for Canadian investors.

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