

BM Political Highlights

Week Beginning 02/04/18

Top 3 Political Stories This Week

- UK PM May plans a [“custom partnership”](#) to break N Ireland border deadlock; Labour leader Corbyn faces [calls to dismiss anti-Semitic MPs](#) from the party
- China responds to US metal tariffs with threats of their [own tariffs on 128 US products](#); US lays [out plans for tariffs](#) on over 1,300 Chinese goods
- 5-Star [rules out coalition](#) with Forza Italia; League leader [Salvini wants “dialogue” with 5-Star](#)

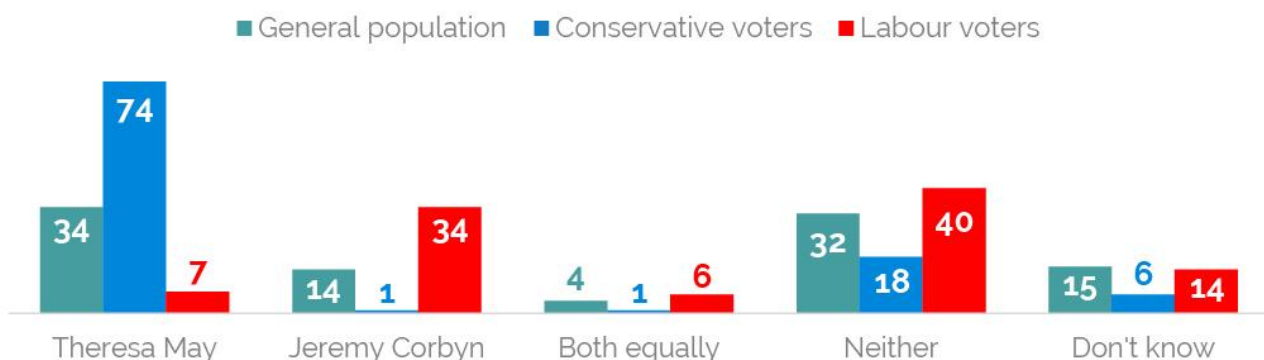
BlondeMoney View

- The Labour leader continued to fend off accusations off anti-Semitism within his party, attending a Passover [dinner with a fringe left-wing Jewish group](#) who, in a bizarre twist, are [themselves accused of anti-Semitism](#). The Times reports that [Labour has lost 17,000 members](#) and even the pro-Corbyn Momentum group [warns](#) the claims “cannot be dismissed simply as right-wing smears” and “unconscious bias is... more widespread... than many of us had understood even a few months ago”. With a [major party donor leaving](#) due to a lack of action, many Labour supporters will be hoping for a quick remedy to this problem. Some call for Corbyn’s resignation but with no clear alternative choice, the Labour Party remains split between its Momentum and Blairite flanks. This disarray provides a welcome break for UK PM May from the spotlight. She’s avoided too much grumblings over [leaked news](#) that she will offer a ‘customs partnership’ for N Ireland even though the EU described this option last year as [“magical thinking”](#). The Russia poisoning has dealt her a strong hand, unifying her party and her allies globally. News that the Porton Down scientists [cannot prove exactly](#) where the nerve agent was manufactured could undermine this unity if the government doesn’t up its PR game.
- In a sign of a clear unwind of decades of globalisation, China and the US began to trade their trade war blows. China followed through on a [threat made over 2 weeks ago](#) in response to US metal tariffs, by announcing their own tariffs of up to 25% on 128 US-made products. Initially the White House merely decried the [act as “unfair”](#); but followed up 48 hours later, with The Donald doing his MAGA-thing, slapping tariffs on 1,333 sino-made products. At the time of writing, [media reports that China](#) has responded less than 3 hours after this announcement with duties to be taxed on another [106 US-made products](#) including the all-important soybeans. Despite both sides having signalled the war of words would be followed up with action, [markets wobbled](#). We expect more tariffs to come, and we expect markets, surprisingly, to be surprised, given the current appetite to take risk off the table.
- Italy’s coalition talks begin in earnest this week, with President Mattarella officially inviting the main parties to lay out their initial demands on [Thursday](#). Ever since the election every party has considered and rejected working with all of the others, which shows how difficult the process will be. Some red lines are now out in the open. In a blow to Berlusconi, 5-Star leader [Di Maio has rejected](#) any possibility of a power-sharing arrangement with Forza Italia. Instead they reiterated their commitment to discussions with the League and the centre-right party PD (although only if toxic former PM Renzi is not involved). League leader Salvini [reiterated](#): the “coalition that won the most votes is the centre-right and this is our starting point [for talks]... we will dialogue with Five Star, but reject [their] vetoes or commands”. Can 5-Star and the League overcome their egos and work together? Let’s not forget the lesson from Germany, where the SPD’s Schulz ruled out a Grand Coalition only for it to eventuate – albeit without him as leader. Avoiding fresh elections will be a disciplining force on Italian negotiations, just as it was in Germany. Don’t rule anything out.

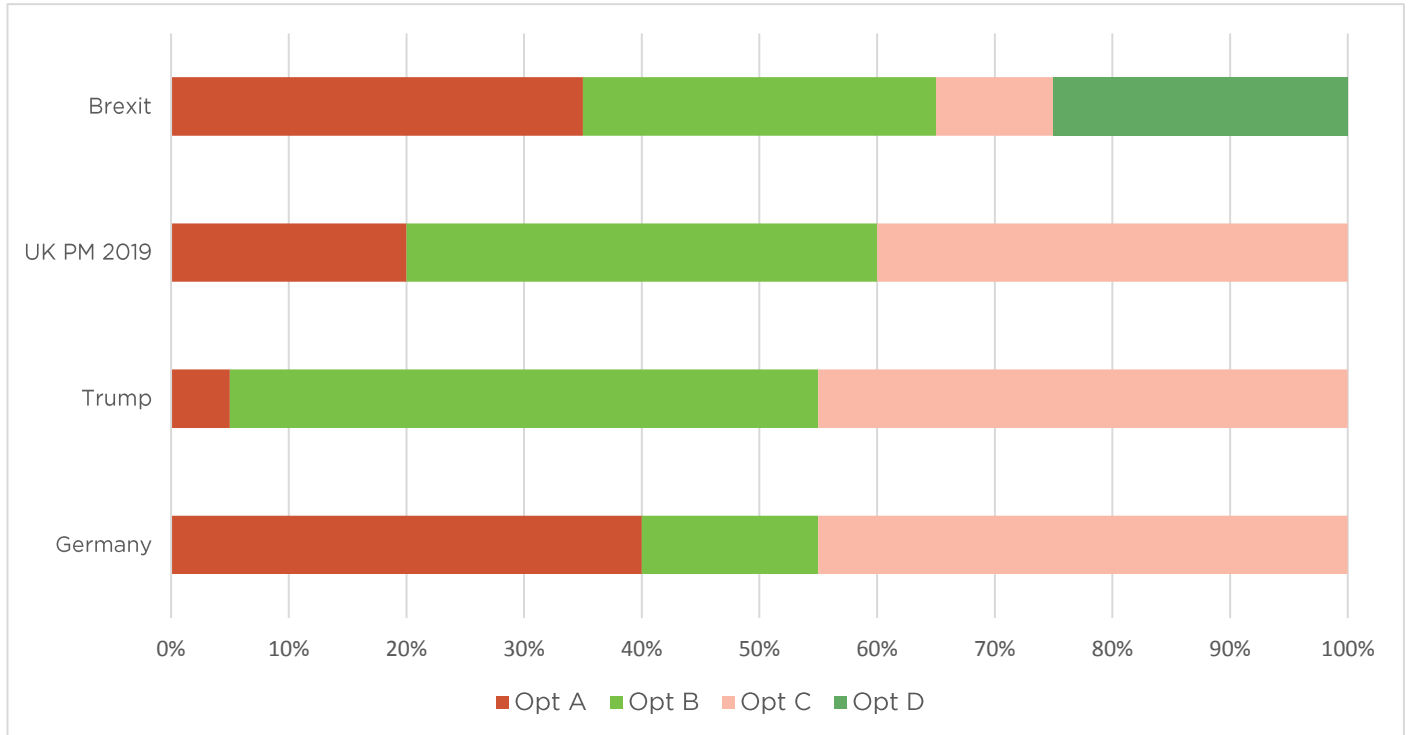
Chart of the Week

Theresa May is the preferred party leader to negotiate Brexit

Who would you trust most to negotiate Britain's exit from the European Union? %



BlondeMoney Probabilities:



n.b. these are subjective estimates made by BlondeMoney

	OPTION A	OPTION B	OPTION C	OPTION D
BREXIT	No Brexit	Leave March 2019	Leave after March 2019	Disorderly Brexit
	0%	0%	0%	0%
UK PM JAN 2019	Jeremy Corbyn	Theresa May	Other	-
	-5%	+5%	0%	
TRUMP	Trump leaves before end of term (resigns, removed, Impeached etc)	Trump wins a second term	Trump leaves after one term	-
	0%	+5%	-5%	
GERMANY	Merkel leaves before end of term (resigns or removed)	Merkel stays, AfD national support falls	Merkel stays, AfD national support increases	-
	0%	0%	0%	

Change in percentage points from last week's edition