

BM Political Highlights

Week Beginning 05/03/18

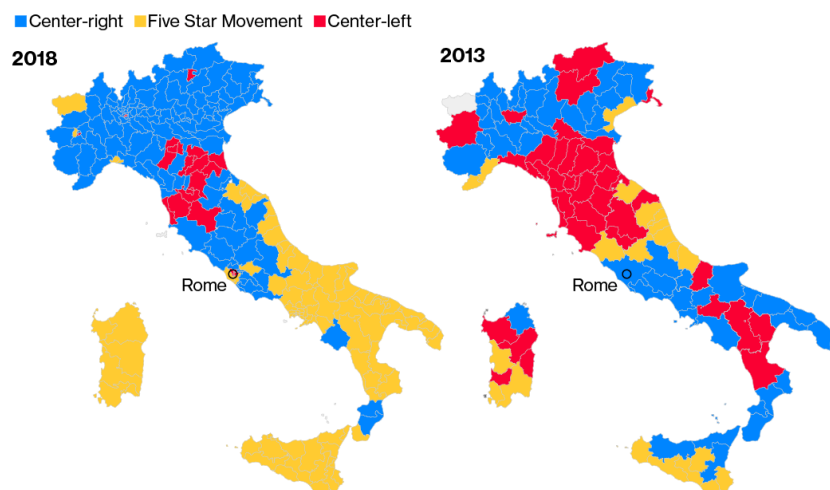
Top 3 Political Stories This Week

- UK PM May's ['Five Tests' Brexit speech](#) fails to [impress EU leaders](#) but [cautiously welcomed by Brexiteers](#)
- [Republicans split](#) over Pres Trump's proposed tariffs as White House [economic advisor Gary Cohn resigns](#)
- Germany's SPD members vote to [enter a Grand Coalition](#); Italian election [results leave hung parliament](#) with Berlusconi's centre-right coalition having the most seats & [Five Star being the single largest party](#)

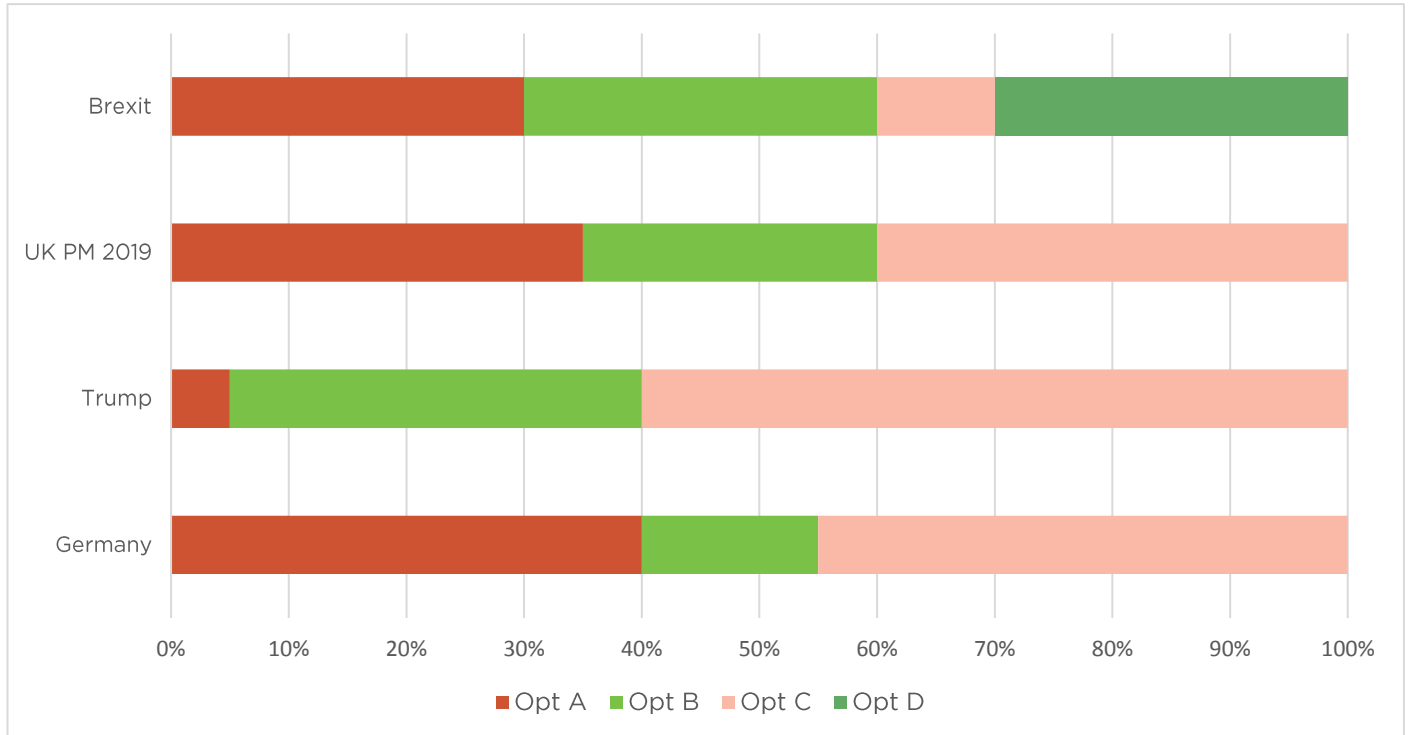
BlondeMoney View

- May aimed to unite both her Brexiteers and pro-EU rebels ([threatening to break rank](#) to join Labour) with Friday's speech, [warning 'no-one will get everything they want'](#) from negotiations. Prominent Brexiteer [Jacob Rees Mogg welcomed her speech](#) as "a clear statement of how we can leave the EU". However, in Europe there was a much more muted reaction, with many echoing EU Parliament Verhofstadt's worry that "Theresa May needed to move beyond vague aspirations". The [Brussels briefing note for the EU27](#) cautioned the speech was merely "a change in tone, but not in substance", and declared her proposed trade framework as "double cherry-picking". A US-Canada style N Ireland border was rejected by [Irish PM Varadkar](#) as "definitely not a solution that we could possibly entertain". US Pres Trump's tariffs also threw cold water on UK plans for a special deal to match the 'special relationship'; this was reinforced by the [US offering an inferior 'open skies' flying agreement](#) than the one in place with the EU. To bring attention back to the domestic front, TM announced her govt will lead a new [cycle of house building to tackle the national housing crisis](#). With the European Council meeting approaching, the PM appears to have settled her troops - for now. She lives to fight another day, but the Customs Union proposal from Labour is quietly gathering support, and even an agreed transition period doesn't clarify what the UK is transitioning to. Short-term the UK govt gains a reprieve; long-term many questions remain unanswered and businesses will still need to trigger contingency plans.
- Following through on one of his campaign promises, Pres Trump [announced plans for import taxes](#) on steel and aluminium. International response was categorical with [UK](#), [EU](#) and [China](#) all denouncing the move although only the EU responded in kind by publicly threatening [their own 25% import tariff on all US goods](#). The Donald waved away any worries by [tweeting](#) "Trade wars are good, and easy to win". These reassurances failed to subdue domestic lawmakers with several high-level GOP names coming out against the proposed tariffs. [Speaker of the House Ryan](#) said that they are "extremely worried" about the unseen consequences and that tariffs could "jeopardise" the recent GOP tax cuts. Pres Trump's economic adviser Gary Cohn reportedly [refused to back the tariffs when confronted by the President](#) and was forced to resign - leaving another Administration position empty. Despite White House trade adviser Navarro [saying no country will be exempt](#) from the proposed tariffs, it's clear that Trump could use the tariffs as a [bargaining chip in the upcoming NAFTA talks](#). Trump continues to deliver on campaign promises, with White House staff becoming collateral damage along the way. His momentum remains strong and he's right that a trade war might be more easily won by America than anyone else. This issue is not going away.
- A sigh of relief in Europe as Germany continues with its [Grand Coalition](#) and Italy settling into a deep freeze as [no electoral bloc can easily command a majority](#). Stasis does not mean the storm clouds have disappeared, although short term danger for both economies has been averted. In both countries the youth are agitating for reform. The SPD youth wing will not rest on its laurels; having campaigned for [No GroKo](#), it will be a thorn in the side of new SPD leader Nahles if she cannot deliver on SPD policy as the junior coalition partner. In Italy, the 5 Star Movement gained a massive [44% of votes](#) from those aged 18-30. With the AfD now the official opposition in Germany, policy will be dragged in an anti-establishment direction whatever happens. That means a return to borders, protectionism, and an existential question over the role of supranational institutions, such as the European Union itself.

Chart of the Week



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%	+5%	-5%
UK PM JAN 2019	Jeremy Corbyn	Theresa May	Other	-
	0%	+5%	-5%	
TRUMP	Trump leaves before end of term (resigns, removed, Impeached etc)	Trump wins a second term	Trump leaves after one term	-
	-5%	+10%	-5%	
GERMANY	Merkel leaves before end of term (resigns or removed)	Merkel stays, AfD national support falls	Merkel stays, AfD national support increases	-
	-5%	+5%	0%	

Change in percentage points from last week's edition