

BM Political Highlights

Week Beginning 14/05/18

Top 3 Political Stories This Week

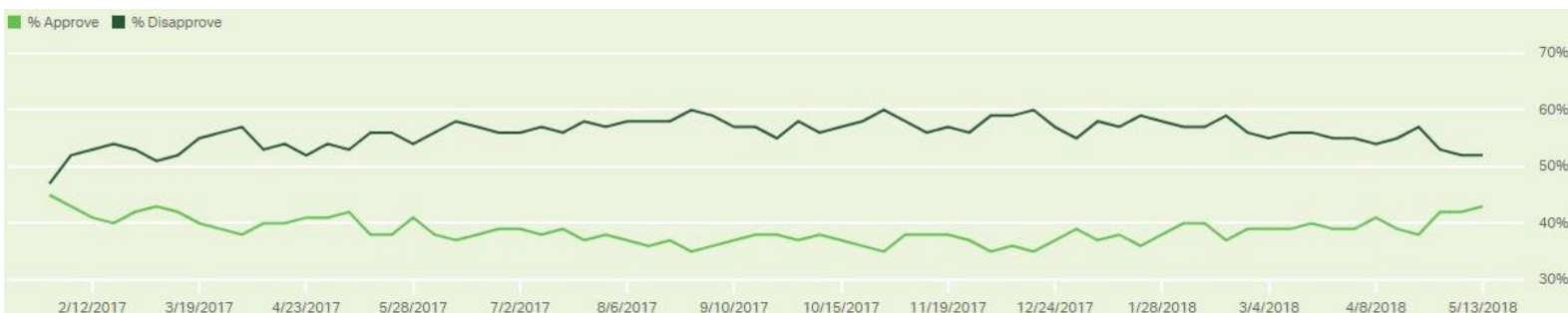
- UK PM May to publish [Brexit 'White Paper'](#) before June EU summit despite ongoing Cabinet [divisions](#)
- Pres Trump [U-turns on trade with China's ZTE](#); [NAFTA talks continue](#) beyond another deadline; [North Korea](#) threatens to pull out of summit if it's "one-sided"
- Italy 5-Star and League [reach broad policy agreement](#) to govern; 5-Star Di Maio [asks](#) for "a few more days to conclude" talks; [leaked document](#) proposes ability to exit Euro and forgive 250bn EUR of debt

BlondeMoney View

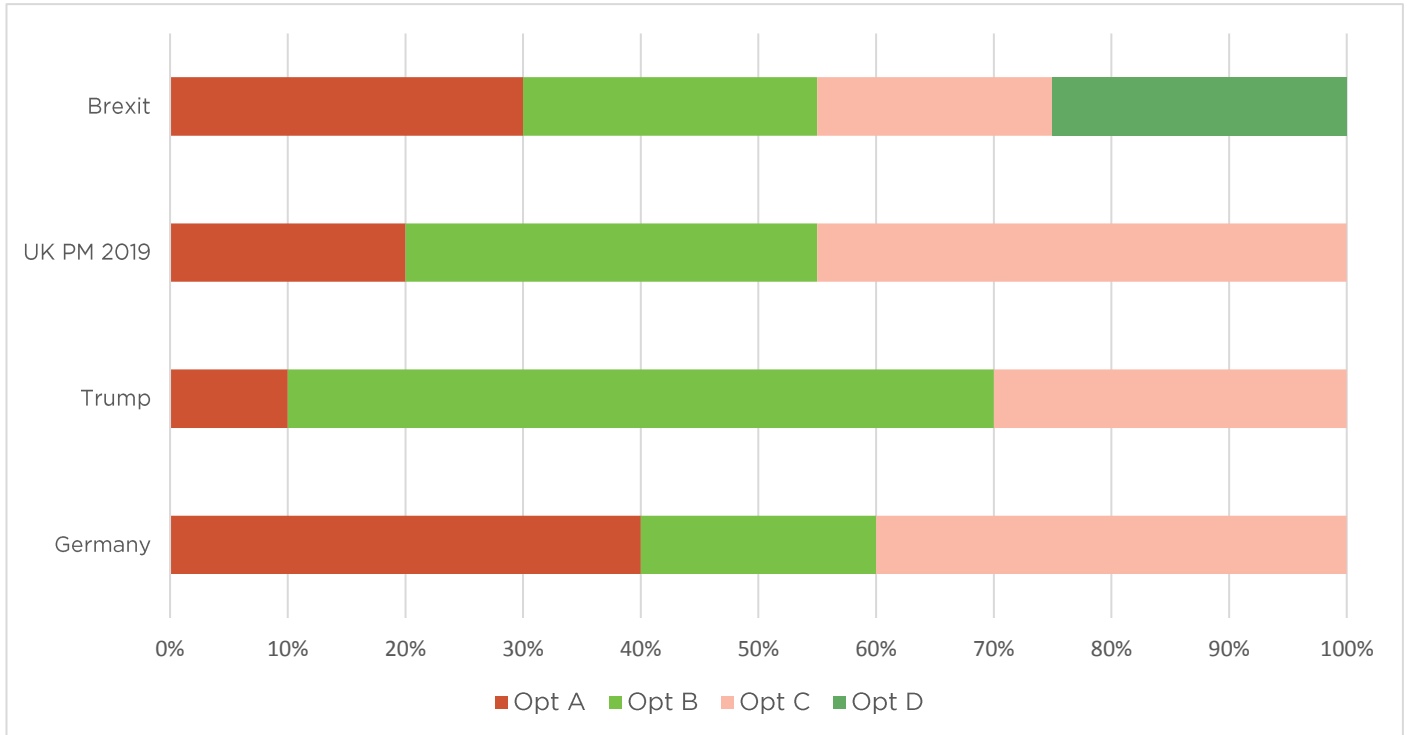
- EU's chief negotiator Barnier echoed the sentiments of many when he stated there has been "[little progress](#)" on Brexit. UK PM May has remained unable to convince her Brexit War Cabinet of the merits of her preferred 'customs partnership' but there's no majority in favour of the alternative 'maximum facilitation' model. Brexiteer stalwart [Gove argued her plan](#) had "significant question marks" over whether it was "deliverable". Brexit Sec Davis wrote to her warning it may even be [illegal](#). TM brought [all her MPs together](#) for "technical briefings" but failed to reassure them, with many believing it will lead to a longer transition period while the UK remains in the current Customs Union. With French Foreign Min Le Drian and Barnier both calling the [June EU summit "the ultimate deadline"](#) and the "key rendezvous" point to resolve the ongoing N Ireland issue, TM had to announce a White Paper would be ready for that summit. Theresa's [open letter to the public that "you can trust me to deliver"](#) illustrates that she is more vulnerable and needs to keep public opinion on her side – the 'final vote' in any minority government. There are more tests ahead as [Scotland rejected the Brexit bill](#) due to a lack of power in Holyrood (and threatened [another independence referendum](#)) and the ongoing saga regarding [UK involvement in the EU Galileo satellite programme](#). June remains the flash point as time runs out for Theresa's customs plans.
- Pres Trump and the 'Art of the Deal' took centre stage this week as the President performed a U-turn on [US sanctions on Chinese phone company ZTE](#). The company was nearly bankrupted after it was revealed they had sold to Iran and N Korea. Trump defended his decision as part of [the on-going trade deal that the US is negotiating with China](#). This administration is far more willing than previous ones to apply laws, or not, to strong-arm opponents rather than traditional diplomatic means. [N Korea](#) flexed their own muscles, warning the summit will be off if it's just a "one-sided" demand for them to give up their nukes. Foreign and trade policy are now part of Trump's arsenal when applying 'The Art of the Deal' to Make America Great Again. [NAFTA talks remain locked](#), with Speaker Ryan declaring [talks need to be finished by May 17th](#) to guarantee a vote this year. At the time of writing this looks unlikely, although other trade deals – notably [with Japan](#) – look to be on the table. Domestic policy has taken a back seat after last year's tax cuts and with an upcoming Korean summit, trade deals and China talks on the table Trump will continue to dominate the world stage. This will boost the Republican image for November and improve his re-election bid in 2020.
- Nearly 2 months after the initial election, 5-Star and the League arrive at the same place that they started. However, this time, Salvini was not attached to their centre-right coalition partner Berlusconi – the epitome of the Italian establishment. Mr 'Bunga Bunga' [had given his blessing for the 2 parties](#) to attempt to form a coalition. Di Maio and Salvini have managed to create an unlikely pact of two equally populist parties from opposite ends of the political spectrum. Fiscal policy will be a worry as Italy's debt laden economy might not be able to withstand the sweeping reforms proposed by Di Maio ([universal basic income](#)) or Salvini (flat 15% tax rate). Although both parties have dropped calls for exiting the Euro, [leaked documents](#) suggest this was on the table only days ago. The same document reveals a pledge for 250bn EUR of debt bought by ECB QE to be [removed](#) from Italy's Debt-to-GDP ratio in a reform of the Stability & Growth Pact. With Brexit fresh in the minds of the EU, and this being the 65th government in Italy for 74 years – anything is possible.

Chart of the Week

Source: [Gallup](#): Trump's approval rating hits highest in last 12 months



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%	-5%	+5%	0%
UK PM JAN 2019	Jeremy Corbyn	Theresa May	Other	-
	0%	0%	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