

BM Political Highlights

Week Beginning 04/06/18

Top 3 Political Stories This Week

- Cabinet considers giving N Ireland [joint UK & EU status](#); publishing of Brexit policy white paper is delayed until [after EU June Summit](#); Brexit Bill back in Commons on [June 12th](#)
- [G7 Fin Mins](#) warn that “*cooperation is at risk*” over US metal tariffs; Pres Trump re-confirms [N Korea summit](#)
- Germany Chlr Merkel sets out views on [Eurozone reform](#); Spain PM Sanchez announces “[no early elections](#)”

BlondeMoney View

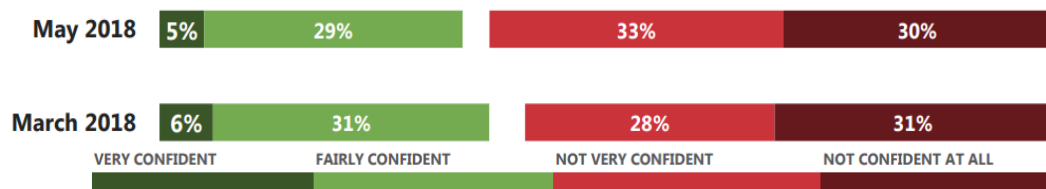
- As the EU summit draws closer, pressure mounts on PM May to have her Brexit policy in order and on time. Having previously promised a [govt 'White Paper'](#) before the 28th of June, TM was [forced to delay](#) as her Cabinet still remains unable to reach a consensus. EU's Barnier has [promised not to "freeze" talks](#) with the UK should no agreement be reached but TM still faces domestic pressure from business leaders, MPs and a despondent electorate to see progress. Europe's biggest businesses working in the UK say “*time is running out*” and UK-based companies stated that maintaining “*frictionless trade*” was [more important](#) than any potential tariffs. The announcement that the Brexit Bill will be put to the House of Commons on June 12th has forced Cabinet to search and present a firmer border proposal. The [DUP are adamant](#) a Schrodinger's in+out border wouldn't work – and they are of course giving TM a majority in Parliament. Pushing this is not a wise move ahead of a crucial vote in Commons although hopes will be that Remainers from both parties will pass the legislation. June is shaping up to be the make-or-break moment for Theresa's premiership. Odds that she will not be PM come July have been slashed amid reports that MPs are planning for [Gove and \(eventually\) Ruth Davidson](#) to replace her. Crunch time draws closer. It's now 50-50 whether it blows up this June or ahead of the next EU Council meeting and eventual final deal parliamentary vote in October.
- As any US trade victory is popular with DJT's base, he continues to search for easy wins ahead of midterms. Implementation of postponed metal tariffs on politically weak US allies provided this: Mexico is hamstrung by an [upcoming election](#), Canada is economically reliant on the US, and the EU reeling from Brexit, Italy and Spain crises. Theresa May [called the president](#) to tell him that the move was “*unjustified*”. The French were equally distressed: Fin Min Le Maire referring to [the G7 as "more a G6 plus one"](#) along with reports of a “*terrible*” [phone call](#) between Macron and Trump. China remains a more stubborn problem, with the third round of trade talks completed with [no resolution](#). The high-stakes gamble with N Korea yielded results with senior official Kim Yong-chul arriving in Washington this week to finalise summit details. News that the White House is also planning a summit between [Pres Trump and Russia's Pres Putin](#), illustrates the Administration's willingness to work with traditional enemies of the US rather than her allies. Domestically, Mueller's probe into Trump took another unprecedented turn with DJT suggesting he could pardon himself, which, if triggered would create a constitutional crisis. After 500 days in office, the president's approval rate from within his own party is the [second highest ever since WW2](#) (87%) at the same stage. Preparations for 2020 are going well.
- With the EU in a state of moderate calm following news that Spain will not be [holding early elections](#), Germany Chlr Merkel seized the moment to break [her 8-month silence on EU reform](#). Working with and taking lead from Europe's new darling Macron, Merkel agreed to [some broad ideas proposed](#) by the French President. Merkel concurrently called for [increased European cohesion](#) to “*strengthen Europe's ability to act in an uncertain and unstable world*”. However, an unwillingness to go beyond limited fiscal and political reform, however, illustrates two points: one, Germany remains the power within the EU. The tide is moving towards France and Macron, but for the moment Paris still need Berlin's backing to successfully push through reforms ahead of the June summit. Two, Germany have misread Europe's changing political landscape. Despite losing ground to the [populist party AfD](#), Merkel believes that maintaining the status quo is the best approach to keeping cohesion within the Eurozone. Italy's new Euroskeptic govt along with nationalistic right-wing governments in Poland, Hungary and [now in Slovenia](#) all threaten to destabilise the Bloc. Despite the example of Brexit and the associated disarray of political crisis playing out in the news, Germany and EU are underestimating the chance of this occurring on the continent itself. This misprice is also seen in continental assets, with a failure to proper price the political risk within the Eurozone.

Chart of the Week

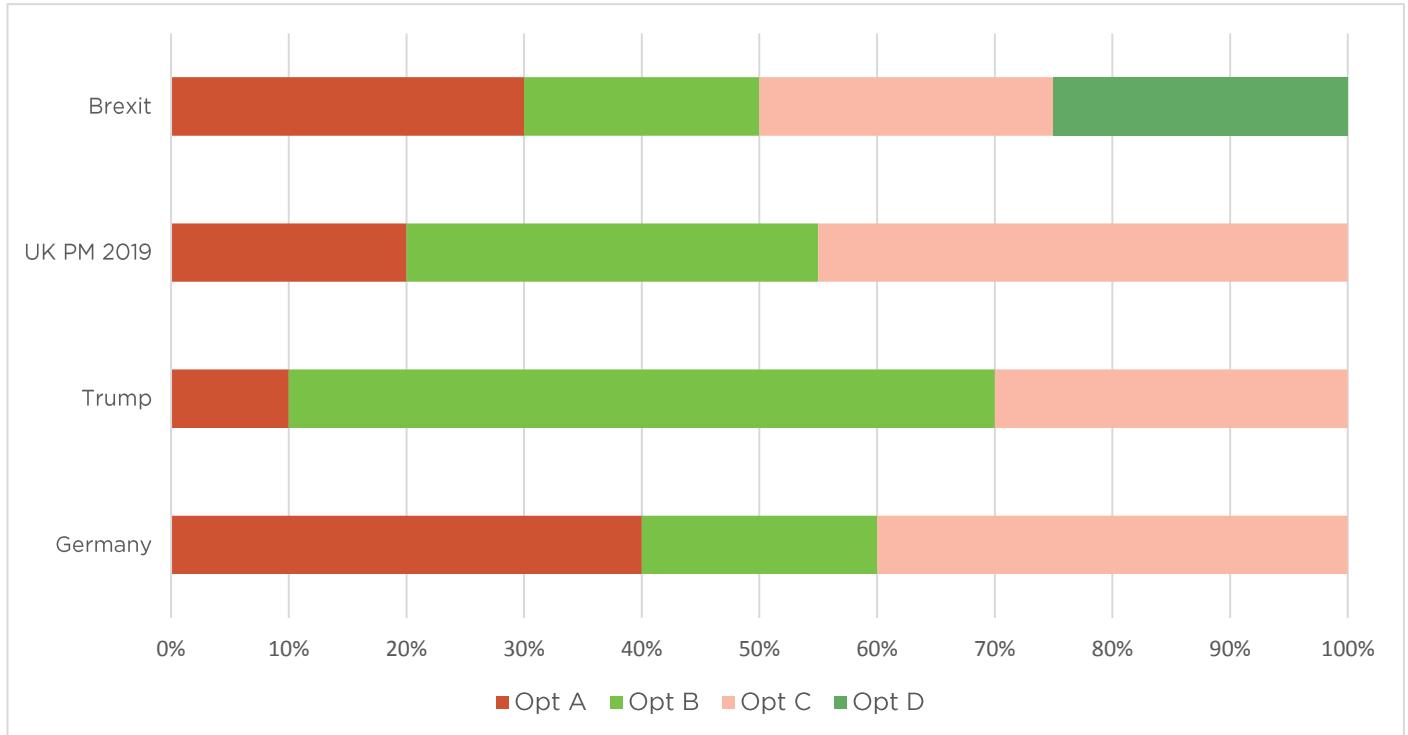
Source: [Ipsos Mori](#)

Confidence in May to get a good deal for Britain

PLEASE TELL ME HOW CONFIDENT, IF AT ALL, YOU ARE THAT THERESA MAY WILL GET A GOOD DEAL FOR BRITAIN IN NEGOTIATIONS WITH OTHER EUROPEAN UNION LEADERS?



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	-
	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%	0%	0%	
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