

## BM Political Highlights

Week Beginning 28/05/18

### Top 3 Political Stories This Week

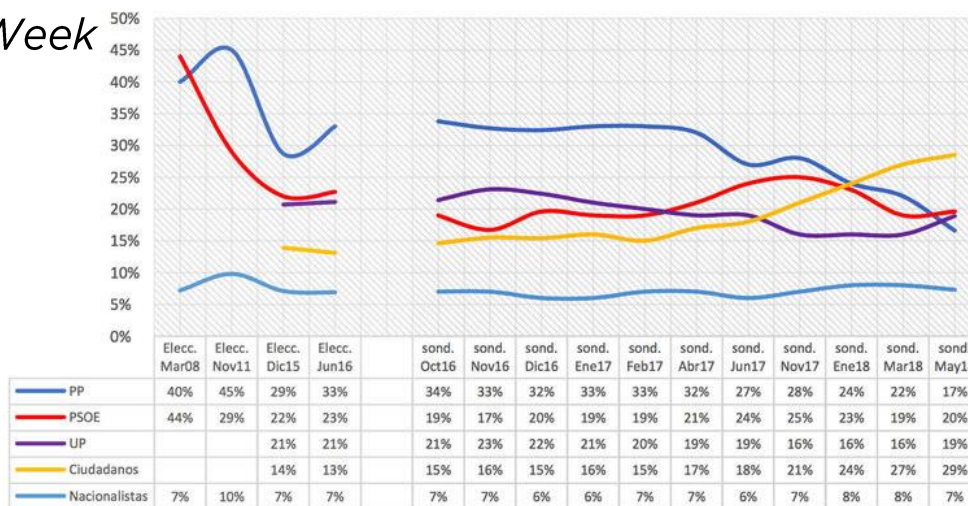
- UK PM May plans to ask the [EU for a second transition period running until 2023](#); industry leaders warn against 'max fac' model as a ["non-starter"](#)
- White House announces [re-commencement of \\$50bn](#) of China tariffs; Pres Trump & N Korea [Kim restart summit talks](#)
- Italian 5-Star/League govt is rejected by Pres Mattarella sparking [political crisis](#); Spain PM Rajoy faces [no confidence vote](#)

### BlondeMoney View

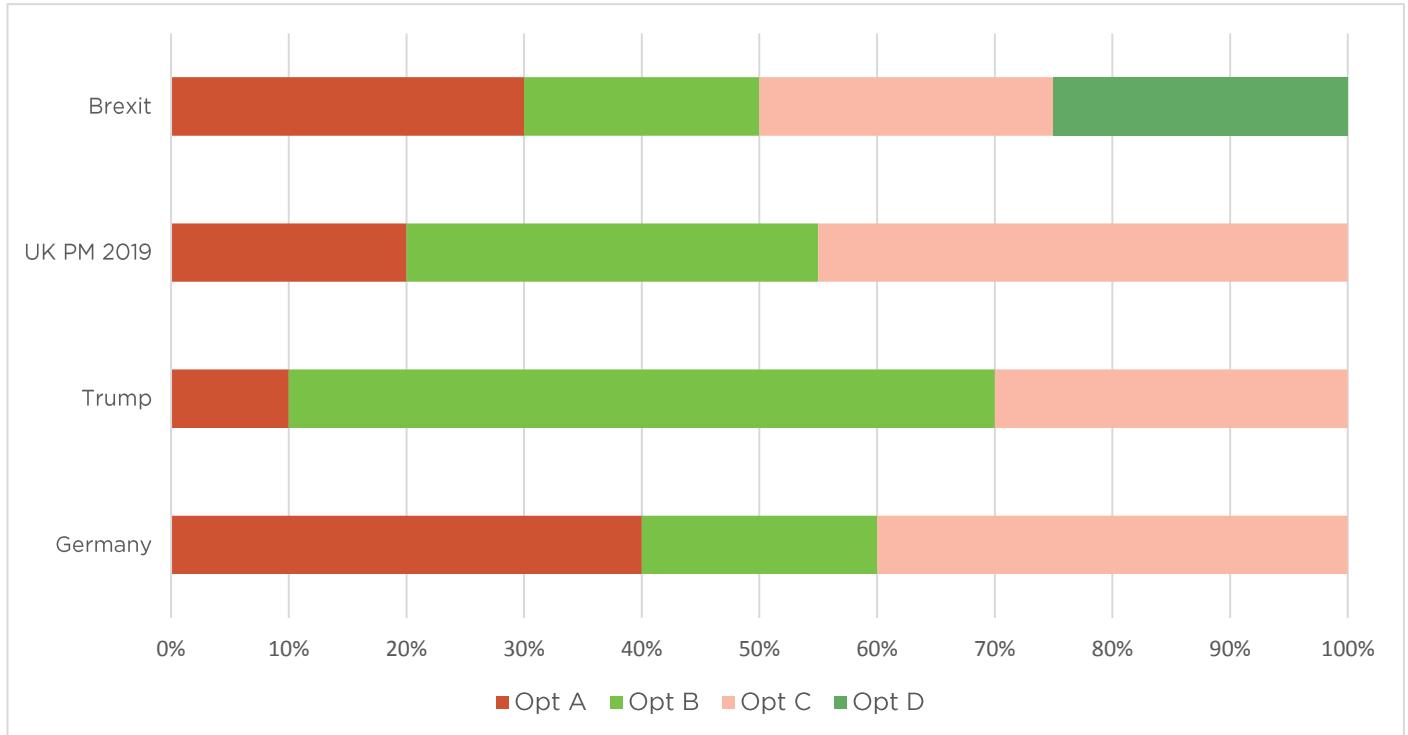
- After Ireland's [historic referendum](#) to repeal the 8<sup>th</sup> amendment, UK PM May faced calls to repeal similar laws in N Ireland. Although she insisted it was [an issue for Stormont](#) (despite its lack of a functional govt) it illustrates the multiple problems stemming from the border issue. The head of HMRC and the trade body EEF both dismissed TM's preferred 'maximum facilitation' as it would cost businesses ["up to £20bn a year"](#) and the border [technology is not available](#) yet. The June EU summit continues to be the crunch date, with the PM announcing she wants [the vote on the Brexit bill](#) in parliament prior to the date. Conservative MPs have made an effort to put party divisions to one side with JRM announcing that the [PM was "crucial"](#) to delivering Brexit and Welsh Con leader Davies saying [Tories "must unite"](#). However, leaks that [relations between the Treasury and the Bank of England](#) have reached breaking point shows the extent of internal disharmony. International tensions rose between the EU and the UK over the future of the Galileo project leading Brussels to accuse the London of ["chasing a fantasy"](#) and warned against any attempts to strong arm them. [Reports](#) that the Maybot would ask for a second transition period until 2023 were unsurprising as it is the only viable solution available to avoid a hard border. June 28<sup>th</sup> inches closer and with no agreed solutions, the UK is potentially weeks away from a constitutional crisis should the Brexit bill fail to pass (an outcome the government have [failed to prepare for](#)). Campaigns for a [second referendum](#) are gearing up in anticipation although Theresa still has a month to find a workable outcome.
- After announcements last week that [China trade talks were "on hold"](#), it was reversed by the White House this week. Although a negotiating tactic, it has not been received well on the other side on the Pacific (especially given recent requirements from DJT [to save China's telecom giant ZTE](#)). China's Commerce Min [released a statement](#): *"if the US wants to play games, then China would be more than willing to play along"*. After an [open letter and press conference cancelling](#) the joint US-N Korea summit, where the president flaunted US nuclear strength warning the *"military is ready if necessary"*, N Korea have reconsidered. The delay of any US sanctions and the trip by a senior Kim advisor [Kim Yong Chol to the US](#) to meet with Sec of State Pompeo points to a probable summit later this month. However, DJT's heavy handed approach does not work closer to home. Canada PM Trudeau took a 'Trumpist' stance, [declaring](#) *"Canada would rather have no NAFTA than a bad deal"*. Trade and foreign policy continue to dominate Pres Trump's agenda ahead of mid-terms, however, it's a high-risk game given that Trump's rust belt voters could be hit the hardest should any talks backfire. His bets are paying off so far.
- Europe has been rocked this week by the disintegrating Italian political situation. For the BlondeMoney view on Italy, read our articles ["Stem the Bleeding"](#) and our [10 bullet-point](#) summary. In Spain incumbent PM Rajoy is facing his own political crisis. News that the former treasurer of his ruling People's Party [Luis Barcenas had been convicted of corruption](#) for receiving bribes has caused the official opposition to bring a vote of no confidence against Rajoy. Opposition leader Sanchez intends to vote Rajoy out of office and call [fresh elections "in a few months"](#), in the hope his party's polling improves. In the 2016 election, Rajoy's People's Party lost their majority, relying [on centrist Ciudadanos to pass legislation](#). While the Ciudadanos (who rose to prominence on a hardline approach to Catalonia) do not support the [opposition's no confidence vote](#), their leader Rivera has said they are considering tabling a second motion with an eye to calling early elections. Whether or not the no confidence vote passes in the Senate, elections edge closer. If it passes, the Socialists will govern and hope to win on a 'we did a good job so far' vote. Should the motion fail, the centrists will hold Rajoy's minority government to ransom and force an early election. Friday's vote of no confidence is now an indicator of when Spain should expect elections rather than if they will have any. Markets are re-pricing the future path of risk and nowhere is political risk more alive and well than in the Eurozone.

### Chart of the Week

Source: [El Espanol](#)



## BlondeMoney Probabilities:



*n.b. these are subjective estimates made by BlondeMoney*

	OPTION A	OPTION B	OPTION C	OPTION D
<b>BREXIT</b>	No Brexit	Leave March 2019	Leave after March 2019	Disorderly Brexit
	0%	0%	0%	0%
<b>UK PM JAN 2019</b>	Jeremy Corbyn	Theresa May	Other	-
	0%	0%	0%	
<b>TRUMP</b>	Trump leaves before end of term (resigns, removed, Impeached etc)	Trump wins a second term	Trump leaves after one term	-
	0%	0%	0%	
<b>GERMANY</b>	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*