

BM Political Highlights

Week Beginning 02/07/18

Top 3 Political Stories This Week

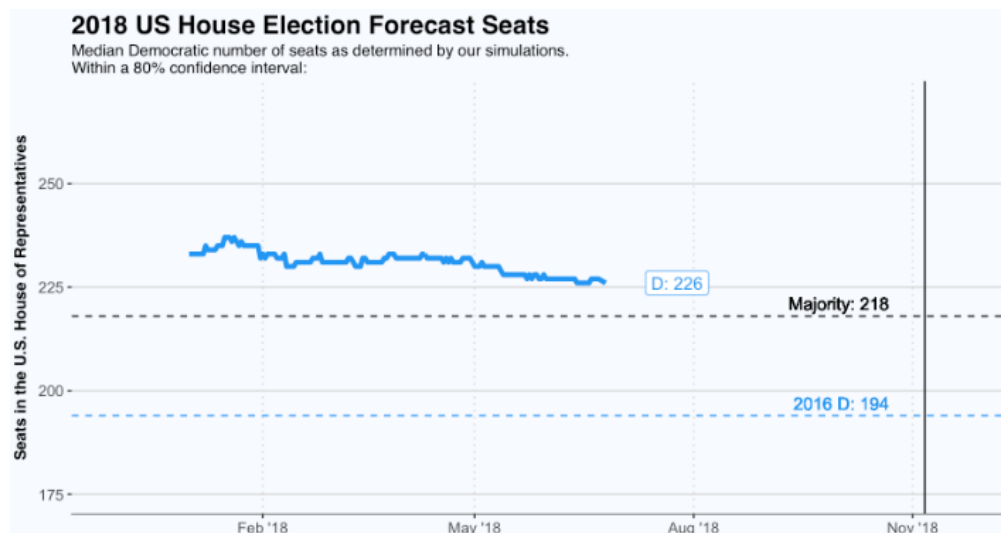
- UK PM May devises [third 'new' Brexit customs plan](#) which is “*the best of both worlds*”
- Pres Trump considers [his next Supreme Court Justice nominee](#) as Justice Kennedy announces retirement
- Germany Chlr Merkel quells CSU dispute over migration with [asylum compromise](#)

BlondeMoney View

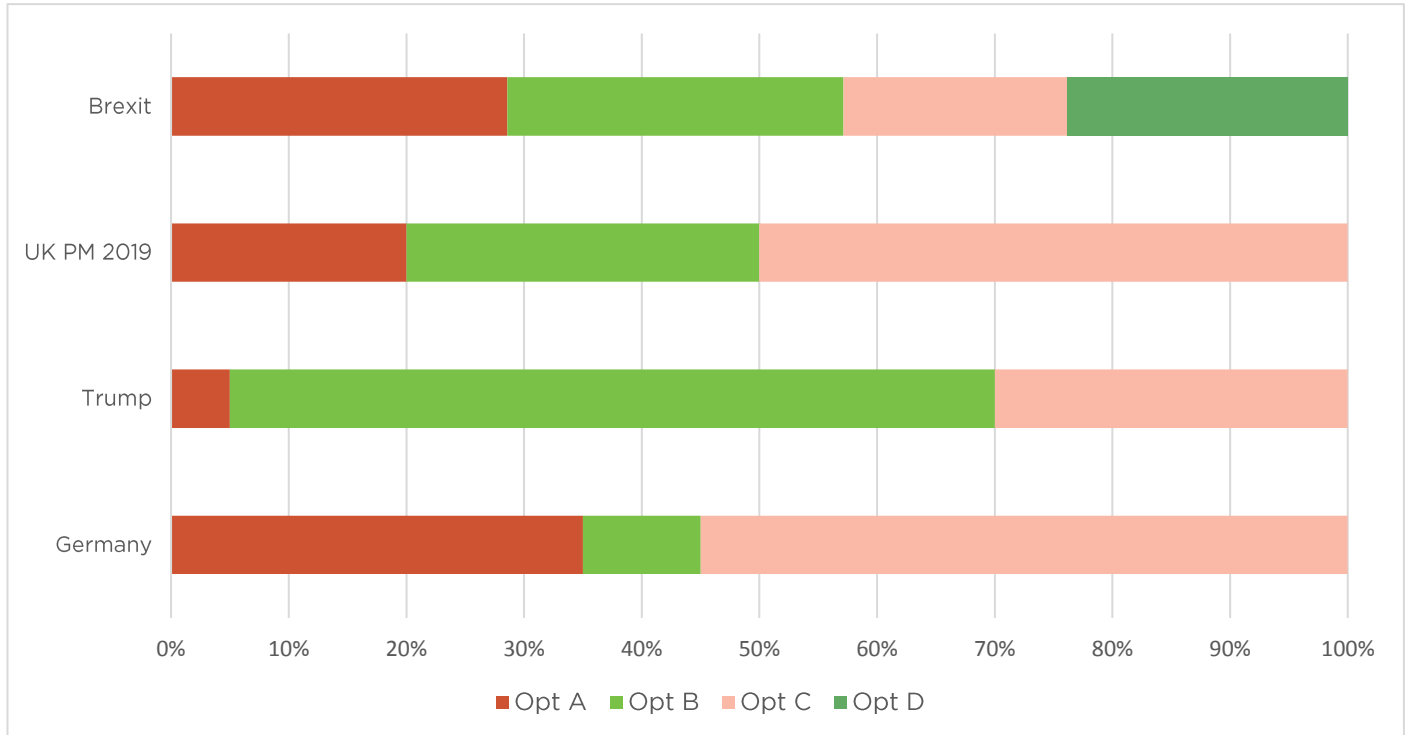
- UK PM May failed to deliver any meaningful Brexit progress with other EU leaders at June's EU summit as [migration](#) took centre stage. It was more of the same from the EU as their [Brexit statement](#) offered no new information and Euro Pres Tusk concluded “*there is a great deal of work ahead ... the most difficult tasks are still unresolved*”. Irish PM Varadkar took a more conciliatory tone offering potential [Single Market access for goods](#) but not services. The UK is still negotiating with itself, as more than [30 Tory Brexiteer MPs demanded](#) May “*gets tough*” and that “*our departure [from the EU] must be absolute*”. [UK businesses](#) signalled that they were at “*breaking point*”, and with even the NHS engaging in “*significant planning*” for a no-deal scenario, trust in the PM's ability to avoid a no deal is eroding. [Leaks from Downing St](#) say a new customs plan has been devised and May has [met with ministers](#) to convince them of this proposal ahead of Friday's crunch Chequers getaway. Time is running out for the Maybot as she fights off murmurs of [party mutiny from “Brexit bullies”](#). Scotland's [Sturgeon is preparing for another election](#) due to the state of Brexit talks, which suggests the widening cracks within the Conservative party could soon give way. We continue to expect this to spill out into the open in Q3.
- The [retirement](#) of swing vote Justice Kennedy has gifted Trump a chance to shape US social policy for decades. Worry that the Congressional GOP majority will be eroded in the midterms has prompted the White House to want a [nominee formalised and put before the Senate](#) in time for November. This could be difficult given that Republicans blocked [Obama's final Justice nomination](#) for nearly 300 days as they said it was not fair to expect a vote to occur during an election year. With DJT looking at four potential replacements this week, and plans to look at “*two or three more*” we expect Democrats to turn this into a proxy fight. Away from the US, the election of left-wing AMLO in Mexico will give DJT a clean slate to work with. Both men believe NAFTA needs to be rewritten, although The Wall will remain a deeply contentious issue. While foreign policy continues to shape the Trump Presidency, it his domestic policy that will decide his re-election likelihood.
- In Germany, the migration crisis that Chlr Merkel faced last week did not disappear quietly. Merkel's tenacity cajoled EU leaders into agreeing to broad migration reform despite “*many different approaches*”. This was not enough for Interior Min and head of Merkel's Bavarian sister party CSU Horst Seehofer [who threatened resignation](#) over the issue. He could only threaten, however, given public opinion was on Angela's side with Die Welt reporting [67% of Germans](#) thought the CSU and Seehofer acted ‘irresponsibly’. She still needed urgent overnight talks [and what she described as a “good compromise” on ‘closed facilities’](#) to keep the CDU-CSU coalition intact. She also had to balance the other half Germany's Grand Coalition. The SPD frothed that they were [not consulted](#) and that they “*do not just buckle*” in their open stance towards migration. Even they wouldn't sacrifice power however, with their leader Nahles supporting Merkel's decision albeit with the caveat it has “*a number of unresolved issues*”. Beyond Germany's border, right-wing Austrian Chlr Kurz warned Austria will “*take measures for the protection our of Southern borders*”. This will encourage other populist governments. Italian PM Conte has already started turning away boats and may soon be joined by Hungary PM Orban and Slovenia's new PM Jansa in implementing a tighter immigration policy without reproach from Western EU countries. The balance of power is shifting within the EU and it's not yet clear who will emerge as the long-term victors, even as Merkel survives in the short term.

Chart of the Week

Source: [CrossTab](#): likelihood of Democratic majority is reducing



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	-
	-10%	+5%	+5%	

Change in percentage points from last week's edition