

# BM Political Highlights

Week Beginning 23/07/18

## Top 3 Political Stories This Week

- EU says that UK PM May's Brexit white paper "[needs to be workable](#)"; UK Government steps up '[No Deal](#)' preparations
- Pres Trump attacks Federal Reserve stating he is "[not thrilled](#)" about rate hikes; White House announces [\\$12bn plan to aid farmers](#) hit by trade war
- EU Juncker announces that he is keen to "[de-escalate](#)" [trade relations with US](#)

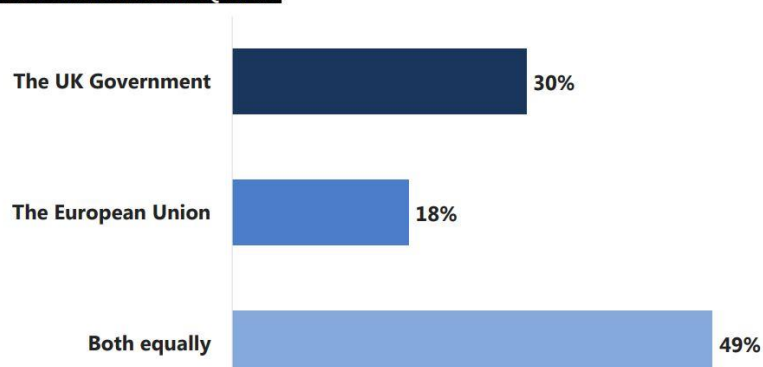
## BlondeMoney View

- Having put forward what she believes to be a viable Brexit plan, UK PM May and her Cabinet now need parliamentary and European support. This involves presenting a 'No Deal' as a likely outcome should Chequers be rejected. Foreign Sec Hunt warned that the EU could push the UK into a Brexit 'No Deal' "[by accident](#)" which would be "[incredibly challenging economically](#)". New Brexit Sec Raab struck an optimistic tone, stating he expected to have a [deal done by October](#) but admitted that 'No Deal' plans were being put into place. His authority was reduced in any case by the announcement that [the PM would be running negotiations](#). EU Barnier believes the White Paper breaches "[fundamental](#)" European principles. However, other EU negotiators called it a good starting point for talks. As we enter the summer recess, TM will use this time to consolidate her own support within the Conservatives and use the conference at the end of the summer to present her plan to the nation. Brexiteers and Remainers will be happy to lose the battle, but will be determined not to lose the war. We expect, over the summer, leaks suggesting leadership bids although none will manifest themselves. 'No Deal' threats will continue until the October EU summit with businesses speaking out and market reaction prompting political action.
- President Trump continues to defy recent convention. He [attacked](#) the Fed: "[tightening now hurts all that we have done](#)" although he retraced his steps adding he was "[letting them do what they feel is best](#)". Treasury Sec Mnuchin reiterated the President's [support for the Fed's independence](#) and that there's no intention to interfere in the FX markets. We shall see. The Donald has been hunting for levers of power and The Treasury's control of the Dollar is an easy one, particularly to use against the Fed. This marks the first time a sitting president has commented on activities of the Federal Reserve since the 70s and the '[Nixon Shock](#)'. DJT critics have said this a retaliation for the Chinese Yuan ongoing devaluation (which Donald [blames the Chinese for and they deny](#)) and the next move in an ongoing trade war. Former Treasury Sec Summers agreed, calling it a "[strategy of turning the US into a banana republic](#)". Potential Republican 2020 candidates will use this as the President interfering in free market behaviour, something many US conservatives prize. DJT's normal voter base will remain unfazed and will continue to support his MAGA agenda. However, markets will be uneasy as they remain uncertain about other unusual ways that DJT could hurt China.
- Despite signing a [new trade deal](#) with Japan that covers 30% of global GDP and ongoing trade talks with China, the EU still needs amicable US economic relations. EU Juncker will be in Washington this week ahead of talks. Germany Foreign Min Maas was defiant stating that the [EU will not arrive with any trade proposals](#), despite the US' recent threat to tariff European cars. Although DJT last week threatened "[tremendous retribution](#)" against the EU on trade, Treasury Sec Mnuchin has announced the administration is [open to a European Free Trade Deal](#). France Fin Min Le Maire cautiously agreed, although warned there was no way the EU would make any overtures "[with a gun to the head](#)". Expectations are mixed as Pres Trump tweeted that he will "[drop all tariffs](#)" against the EU hours after saying that "[tariffs were the greatest](#)". As US-European relations hit a new low, Juncker's visit provides a moment away from multilateral organisations (something DJT is famously critical of) for a remedy. The EU is in flux. Losing the UK, falling behind the US and Asia on technology, and ongoing political populism – Juncker will be aware of the need to boost its international image.

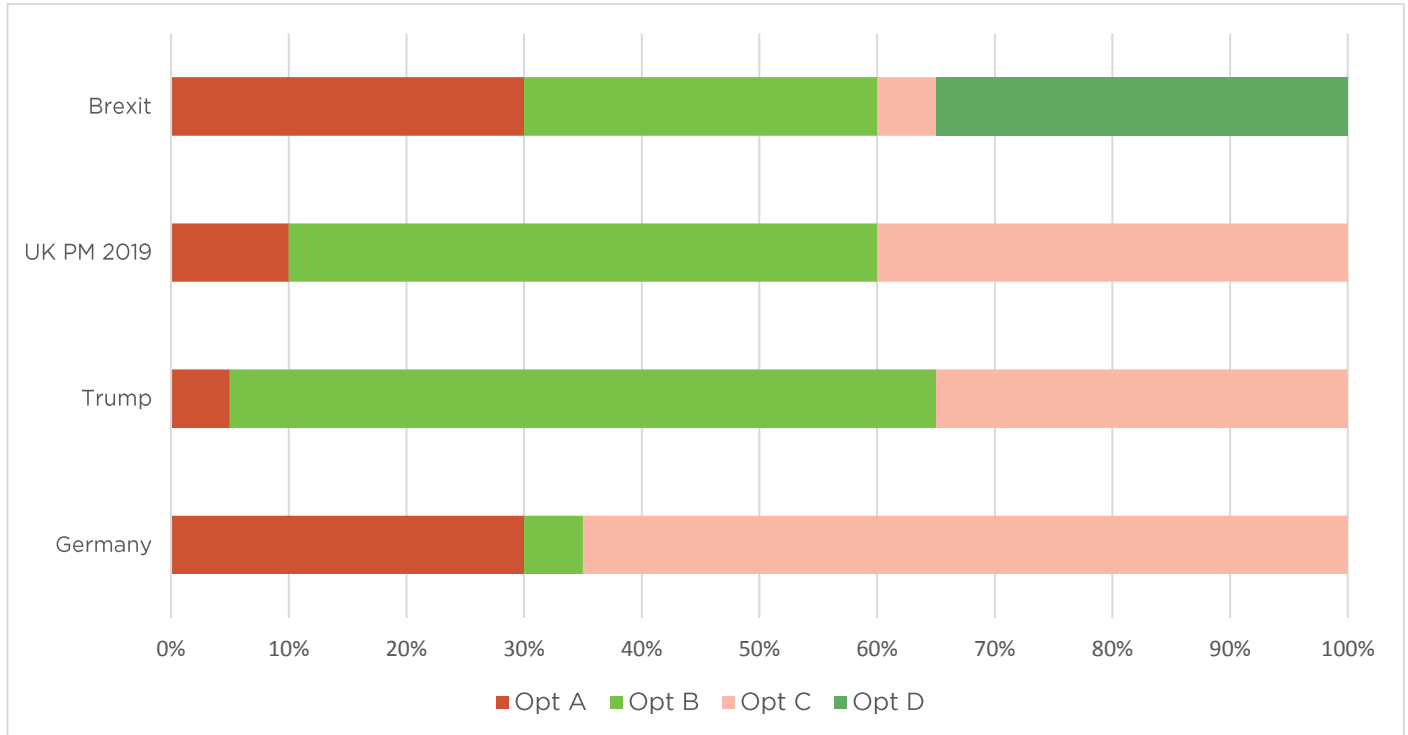
## Chart of the Week

Source: [Ipsos Mori](#)

**AND IF BRITAIN AND OTHER EUROPEAN UNION LEADERS FAIL TO REACH AN AGREEMENT ON THE NEW TERMS OF BRITAIN'S FUTURE RELATIONSHIP WITH THE EU BY THE TIME BRITAIN LEAVES, WHO IF ANYONE, DO YOU THINK WILL BE MOST TO BLAME? THE UK GOVERNMENT, THE EUROPEAN UNION OR BOTH EQUALLY?**



## 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*