

# BM Political Highlights

Week Beginning 24/09/18

## Top 3 Political Stories This Week

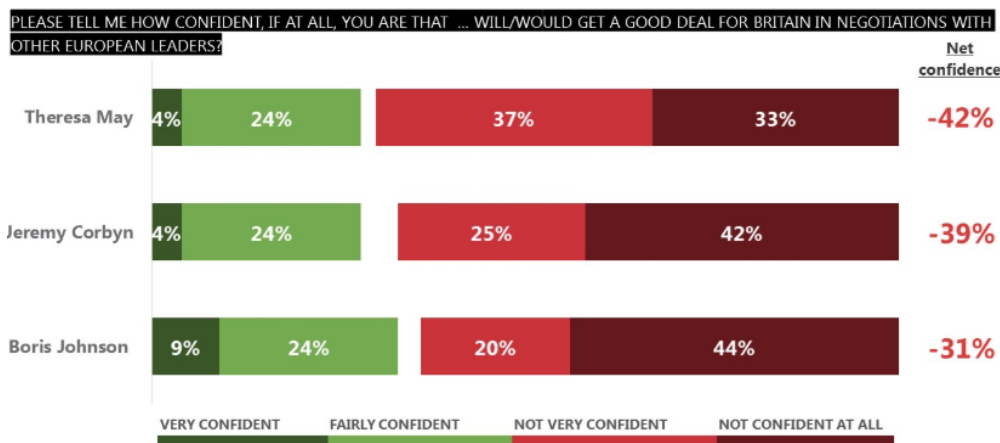
- Labour suggest they are open to supporting [another 'In-Out' referendum](#); UK PM [May rules out another election](#) as “*it is not in the national interest*”
- US-China trade talks are [cancelled](#); weekend deadline to include NAFTA is “*all but certain*” to be missed
- Italy prepares to unveil controversial 2019 budget with [1.9% deficit](#)

## BlondeMoney View

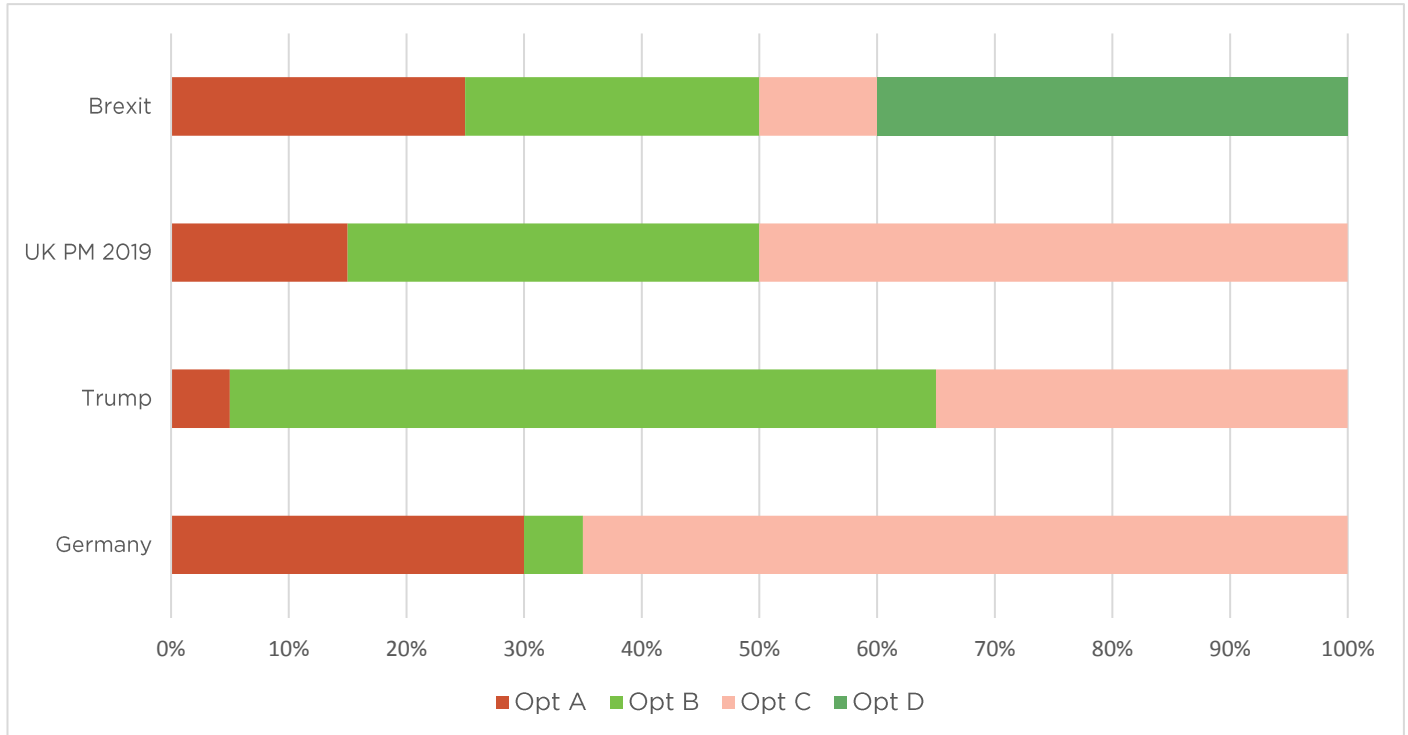
- Labour’s Annual Conference was an opportunity for the party to clarify their Brexit position as talks move into the final stage. After a 5-hour meeting, 100+ delegates with members of the shadow cabinet concluded that Labour “*must support all options remaining on the table, including ... a public vote*”. Details beyond this statement remain unclear. Shadow Brexit Min Starmer said that “*nobody is ruling out remain as an option*” a day after shadow Chlr McDonnell had said any vote [should not include](#) a remain option. However, Labour was united behind their desire for a general election. Downing St leaks suggested that a snap election would be [called in November](#) although this was [ruled out by the PM](#) as it is not in the “*national interest*”. Pro-Brexit think-tank [IEA](#) released a ‘Plan A+’ paper outlining how the UK could operate in a Canada-style deal post-Brexit in the only published counter to May’s Chequers proposal; this was supported by [Tory MPs Rees-Moog, Davis and BoJo](#). With Chequer’s support dwindling after Salzburg, [some Cabinet ministers](#) came out in support of a Canada-style deal although TM said that a [‘No Deal’ would be better](#) than that deal. Where does this leave Downing St now? TM has stuck to her guns over Chequer’s and will continue to do so. Although her Cabinet are moving away from her plan, her news conference [challenging the EU](#) will have bought time... but the tide is moving against her. All eyes will be on Boris at the conference as he remains the lead contender for the top job, and his absence at the IEA launch event suggests ulterior motives. Watch this space.
- As the Trump Administration’s tariffs came into effect, China moved to [cancel all trade talks](#). It’s become a war of words with [DJT tweeting](#) “*China has been taking advantage of the US on trade for many years*”. China responded by accusing the US of “*trade bullying*” and calls the situation “*lose, lose*”. An announcement of a [new bilateral S Korea-US trade deal](#), as well as promises from N Korea on continued [US-led denuclearization talks](#) will boost President Trump’s and the GOP’s approval ratings as midterms draw closer. Although the impact of the China trade war has not yet been felt by DJT’s rural voter base (China now buys over [85% of Brazil’s soy bean](#) crop compared to -70% six months ago), the White House will hope that these remain unfelt until after November and that [their \\$4.7bn in subsidies](#) are enough to keep anger subdued. NAFTA talks with Canada remain stalled and another deadline will likely be missed. US Trade Rep Lighthizer suggests that if talks are not concluded he [will request Congressional support for a Mexico deal only](#), cutting Canada out. Despite ongoing drama surrounding DJT’s Supreme Court pick Kavanaugh, the Trump Administration will continue their ‘cheap win’ trade offensive to capture marginal rural voters ahead of midterms.
- Italy’s populist government will put forward their 2019 budget on Thursday. Both populist parties 5-Star and League have had ongoing clashes with the EU and [technocrat Economy Min Tria](#) as their proposals require larger government spending. Even after months of negotiation, 5-Star leader Di Maio called on his party to vote down the budget if it does not include spending for [‘citizenship wage’ basic income](#). Media reports suggest that a [compromise has been reached](#) with a 1.9% deficit (despite League and 5-Star asking for >2%) but with an “*aggressive series of cuts*” and up to €36bn of new investments. Should the 2019 budget pass, while still enacting the populists’ pledges and not going against EU financial constraints, it will act as a blueprint for other populist parties to follow. Nowhere more prominently than in Sweden, where incumbent centre-left PM Lofven failed a [mandatory vote of confidence](#) ousting his Social Democratic party. The third largest party, far-right Sweden Democrats, backed the vote to remove him, although it remains unclear whether they will enter govt. The centre-right bloc have previously said [they will not govern](#) with the far-right party and that looks unlikely to change. Sweden will remain in political stasis until this deadlock can be removed. With populism on the rise and European Parliament elections next year, we expect more political discord across the continent.

## Chart of the Week

Source: [Ipsos Mori](#)



## 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*

