

BM Political Highlights

Week Beginning 01/10/18

Top 3 Political Stories This Week

- Boris [Johnson speaks](#) at the Conservative Party Conference and urges UK PM May to “*chuck Chequers*”
- US agree United States, Mexico and Canada Agreement ([USMCA](#)) to replace NAFTA; US-China [rhetoric](#) continues
- Italy’s proposed budget deficit of 2.4% throws EU [into chaos](#); EU Juncker wants to [avoid another Greece-style crisis](#)

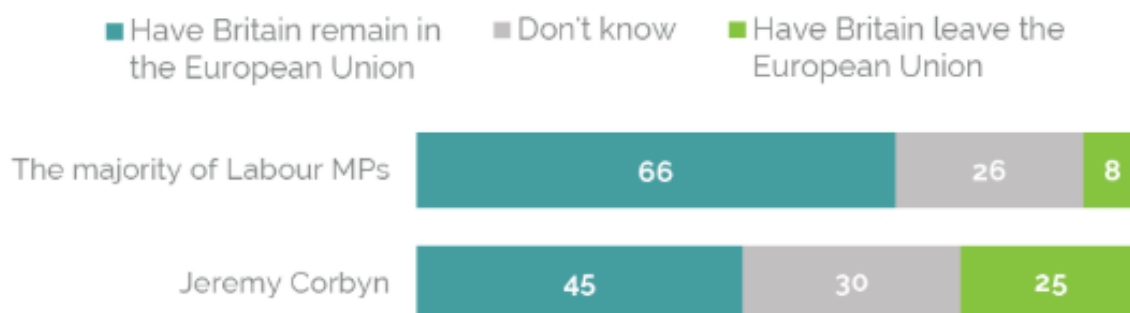
BlondeMoney View

- Despite UK PM May’s concerted efforts to drown him out with the announcement of their new ‘taking back control’ [immigration policy](#), former Foreign Sec Johnson’s “*chuck Chequers*” [speech](#) has dominated the Conservative Party conference so far. Touted by media and MPs alike as BoJo’s leadership bid, his speech dismantled the PM’s Brexit solution – calling it “*dangerous and unstable – politically and economically*” and a betrayal of the referendum. Theresa was swift with her [rebuttal](#), saying she was “*cross*” with Johnson for his willingness to put a hard border in Northern Ireland. In her [keynote speech today](#) she took another dig, saying she would “*Back Business*” rather than the other four letter word BoJo was rumoured to have used. Her solid speech also attacked Corbyn and stirred patriotism. Will it keep her safe? Boris’ speech set up the ‘well I warned you that Chequers would not work, but let me take over as PM and I’ll fix it’ challenge later in the year. Media leaks that [Johnson plans to delay Brexit by 6 months](#) to renegotiate the Brexit backstop and trade terms shows he has a longer term plan in place. In the meantime, we expect UK assets to depreciate short term as chances of No Deal continue to rise.
- President Trump was successful in renegotiating NAFTA and changed what he called “*the worst deal in history*” to “*the most important trade deal we’ve ever made*”. After nearly a year of talks, DJT’s aggressive MAGA agenda won over his other North American neighbours. The swiftness to rename the “*brand new deal*” as USMCA shows an eagerness from the White House to illustrate how their administration got it over the line – another ‘easy win’ before November’s important midterms. Despite a release of pressure domestically, the impact of this new deal will be felt by international partners of the US. The USMCA puts export quotas on autos, suggesting that new auto tariffs could be coming for other countries in the future – the [EU in particular](#). Despite Mexico Pres Neito calling the agreement “*win-win-win*”, the deal still needs to pass through the Senate of all 3 countries meaning that some finer points could still be changed. The midterms are increasingly becoming the Democrats vs the President himself rather than Republicans. At this point, it appears that the Donald is winning more than losing.
- The Italian budget drama rumbles on. The budget represents the first real roadblock between the EU and the new populist govt. The EU’s concern is to “*avoid*” [another “Greece Crisis”](#), but the populists need to sell their break with the past to their electorate. Ultimately the budget needs to pass the Italian parliament and then be presented to the [Commission by October 15th](#). We expect this date to be the real ‘deal breaker’, with any news up to this date a precursor to the main event. When [Italian media](#) reported the deficit will not be 2.4% for the next 3 years, but rather 2.2%, and then 2% the year after, EUR rallied in anticipation of the news. However, it is important for the market to remember are these numbers achievable? While 5-Star and League are appearing to play ball with the Commission now, in reality they are agnostic towards the Commission as any public disagreements will only serve to feed anti-EU sentiment in Italy.

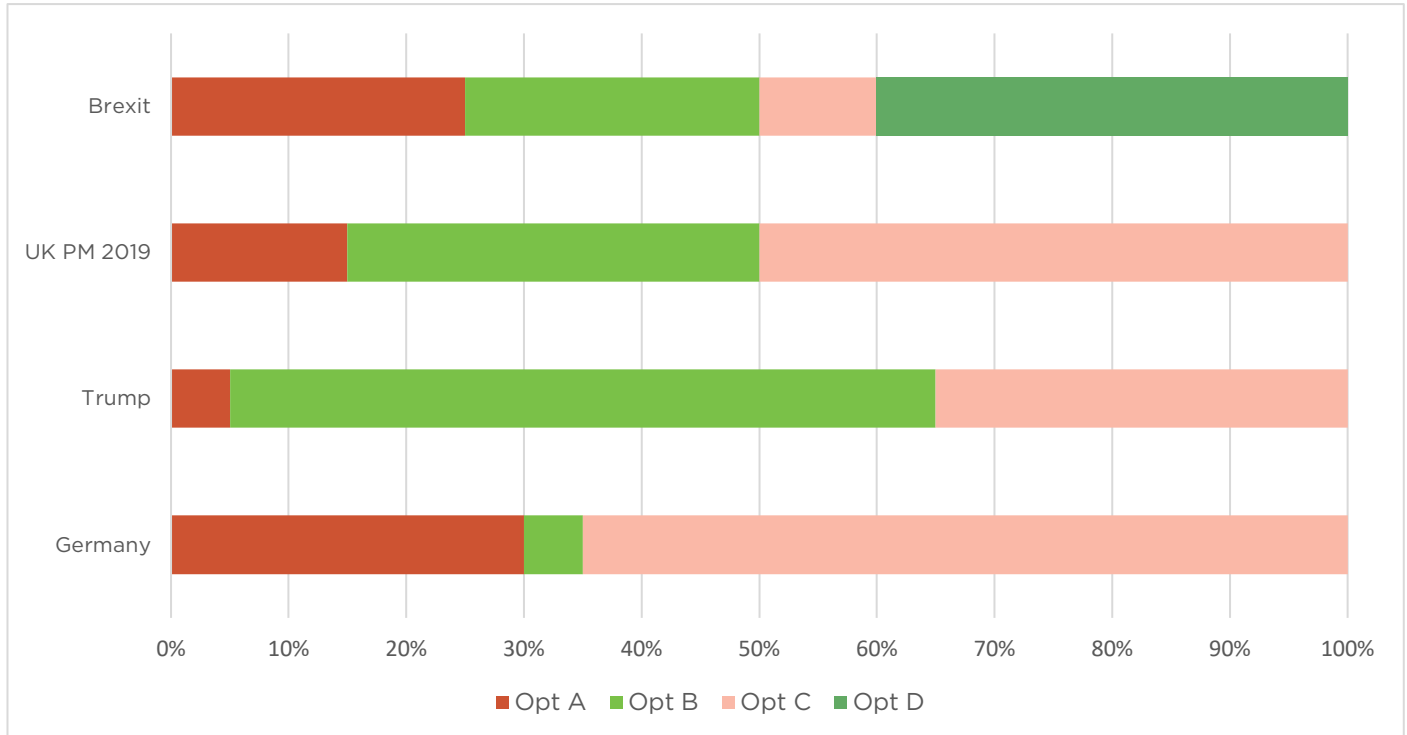
Chart of the Week

Source: [YouGov](#)

If each of the following politicians could have their way on Brexit, without having to worry about what the public or their party would think or do about it, what do you think they would do? % of 2017 Labour voters



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 |
| | -5% | +5% | 0% | 0% |
| UK PM JAN 2019 | Jeremy Corbyn | Theresa May | Other | - |
| | 0% | +10% | -10% | |
| 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