

BM Political Highlights

Week Beginning 08/10/18

Top 3 Political Stories This Week

- The Times and FT both report that over [30 Labour MPs are willing to defy Labour whip](#) and vote for PM May's Chequers deal in Parliament
- Pres Trump thinks the Fed are [raising interest rates "too fast"](#); US Amb to the UN [Haley announces her resignation](#)
- Italy's fiscal watchdog refuses to [validate proposed Govt budget](#); PM Conte, Dep PM Di Maio and Interior Min Salvini all remain defiant and [refuse to deviate](#) from their budget plans

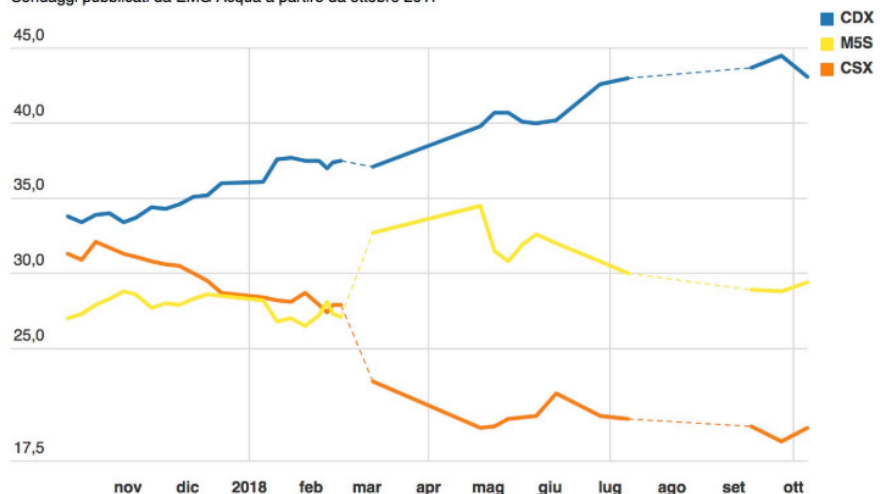
BlondeMoney View

- The Houses of Parliament came back this week after a two-week break following conference season. Agenda item one: Brexit. At the start of "hell week" (as one [Cabinet minister called it](#)) PM May, fresh from her successful Conference speech, had to find a way to progress EU talks while respecting the DUP's "blood red" lines on the Irish Border. Thus we now have an expectation of a backstop that would provide a [UK-wide Customs Union for the transition period](#). Brexit Sec Raab assured Brexiteers that any [Customs Union would not be "indefinite"](#) and have a "clear path" for exiting. The response from pro-Brexit MPs was swift: former Brexit Sec Davis warned of "[dire consequences](#)" and former Whip Harker argued only a "[looser Canada-style](#)" deal would guarantee MPs' support. TM's minority govt have been [wooing Labour MPs](#) over the summer to secure passage for the Chequers Deal - a shrewd move given former minister and leading Eurosceptic Baker said "[at least 40](#)" MPs will vote against it. The EU and Downing Street are expected to agree something by [next Monday](#) with both sides actively cutting down on media appearances to make sure nothing leaks. The meaningful vote should then take place either late November or early December. GBP will have a bumpy ride, as media silence will lead to market uncertainty. Any UK risk premium should remain intact.
- Unlike many who leave the White House, Nikki Haley orchestrated her resignation in harmonious terms with the President who swooned "[we will miss you](#)". Kept secret from many aides, US Amb to UN [Haley told DJT at the start of the year](#) she wished to leave. As a high profile proponent of the Trump Administration, Haley's resignation has prompted talk of [her running in 2020](#) against the incumbent, which she summarily dismissed. Cynics may be unconvinced but she had always wanted to do the eight year term of a Governor before she was tapped for the UN role. Smart for her to exit before midterms (November) and the conclusion of the Mueller probe (expected in Jan) to avoid accusations of 'abandoning ship'. Rumoured replacements include Goldman executive [Dina Powell](#), and [Ivanka Trump](#) (she ruled herself out due to, of all things, nepotism). Trump's inner circle is shrinking but The President will continue to create a bigger role for himself, casting this November's vote as The Donald Trump, 'President Extraordinaire' vs. the weak and divided Democratic party. With comments this week again attacking the Fed, the White House is seeking to ensure voters it will not be his fault should the market tank. The Donald juggernaut continues.
- The political noise surrounding Italy's 2019 budget persists. Bad news for the populists flowed in with Italy's fiscal watchdog [refusing to back the budget](#) along with [reports](#) that the European Commission are preparing to reject the budget altogether. Technocrats PM Conte, FinMin Tria along with the 5-Star and League leaders Di Maio and Salvini fought back, arguing Italy's [economic fundamentals were strong](#) and the market reaction was unfounded. A reversal would "[betray the citizens](#)" who voted for them. We expect them to create market panic to force the EU into concessions on their budget. As we pointed out in last week's piece, the growth of anti-EU sentiment would only boost the popularity of the ruling parties. At the time of writing the spread between Italy-Germany bonds is near 300bp and Italy-Greece 100bp, and while FinMin Tria has said the government would step in should the BTP-Bund spread reach 400bp, the correlation to the Greece crisis is alarming.

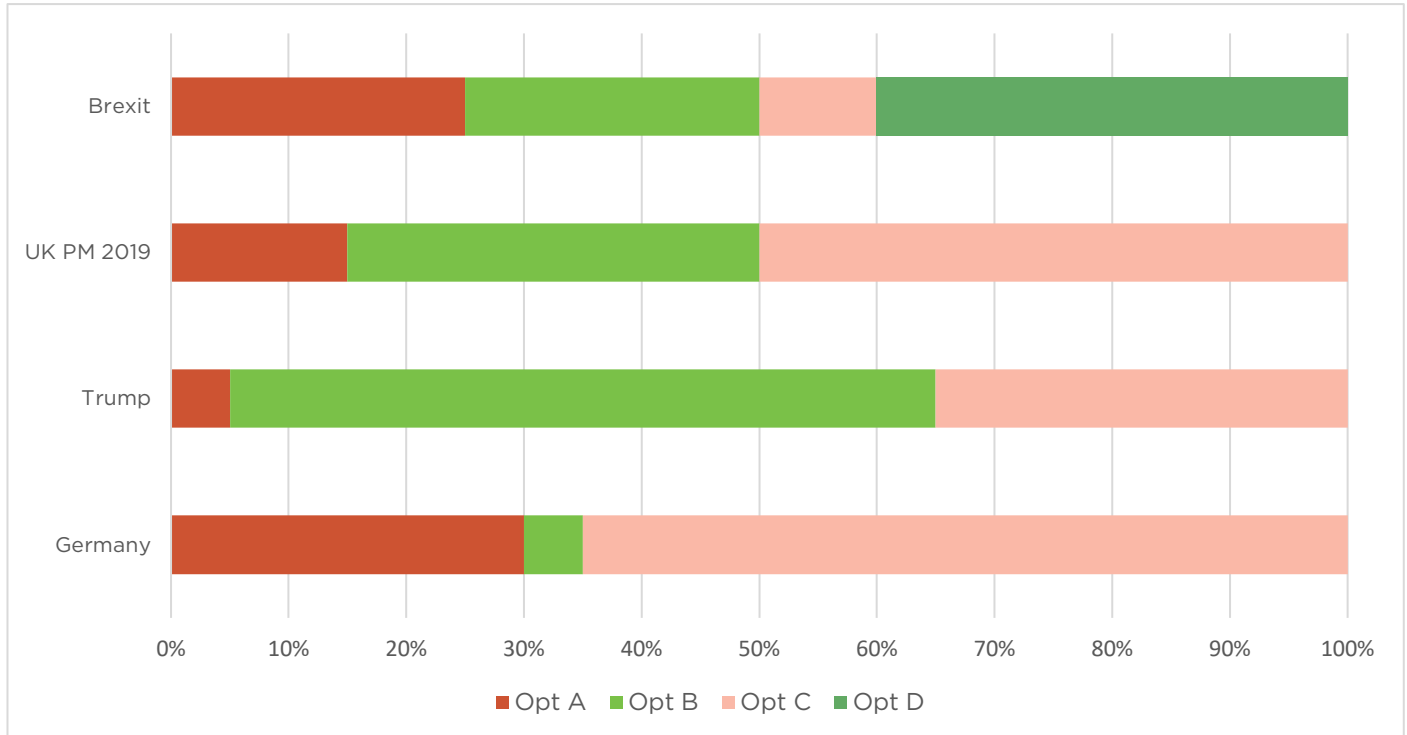
Chart of the Week

Sondaggi pubblicati da EMG Acqua a partire da ottobre 2017

Source: Italian [Opinion Polls](#)



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	-
	0%	0%	0%	

Change in percentage points from last week's edition

