

BM Political Highlights

Week Beginning 03/12/18

Top 3 Political Stories This Week

- MPs finds PM May and her Govt in [contempt of Parliament](#) over failing to publish Brexit legal advice
- US and China reach [trade war ceasefire](#) at G20; Pres Trump [tweets](#) "my meeting with President Xi... was an extraordinary one. Relations with China have taken a BIG leap forward!"
- Italy political theatre continues as PM Conte 'convinces' deputy PMs Salvini and Di Maio the new budget proposed by the EU still [allows them to implement](#) their flagship policies

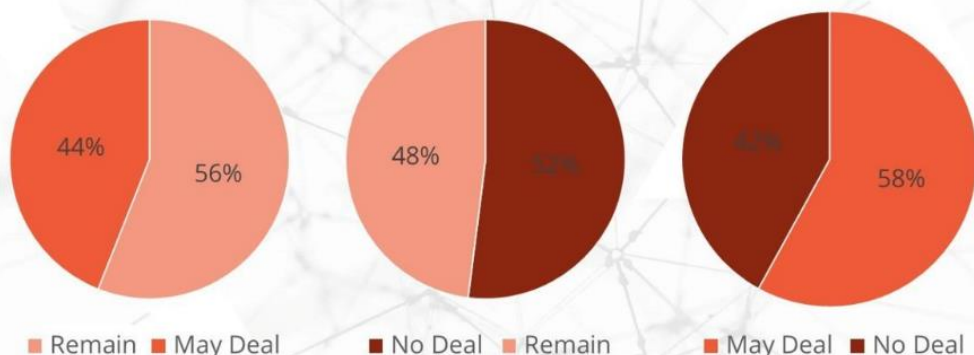
BlondeMoney View

- With only a week left until the final vote on PM May's deal, Parliament continues to wrestle with Downing St over who controls the Brexit process. Last night, the Government became the first ever to be held in [contempt of Parliament](#) for failing to publish the full legal advice from Attorney Gen Cox. Further history was made as May became the first [PM to lose 3 votes](#) in one day in 40 years, including losing an amendment put forward by the former Cameron Attorney Gen Grieve allowing [MPs to dictate a "plan B"](#) should the Meaningful Vote be lost. This amendment is designed to mitigate the chances of No Deal as there is no consensus in Parliament for this, whilst opening a new avenue for MPs to amend future Brexit legislation for such objectives as a 'People's Vote'. Parliament has taken back control. After suffering the losses, [Theresa pleaded to MPs](#) "I have spent nearly two years negotiating this deal... lost valued colleagues and faced fierce criticism". It looks increasingly unlikely that May's deal will pass Parliament, with former loyalists voting against her even as Cabinet critics like Leadsom will vote with her. Next step will then be the Labour 'inevitable' vote of No Confidence in the Government. [BlondeMoney does not expect](#) a general election, but a change in Prime Minister instead. Theresa May will probably have the quiet Christmas she hoped for.
- A 90-day ceasefire has been agreed in the trade war between the US and China by both President Trump and Xi following their meeting at the G20 Summit in Buenos Aires. Pres Trump was quick to promote his triumph, [tweeting](#) relations have taken "a BIG leap forward!" (what a choice of words) while China only said talks have a "[clear timeline and road-map](#)". China did admit that they would purchase "[substantial](#)" amounts of agricultural, industrial and energy products from the US, though the exact quantity is yet to be decided upon. They are also said to be considering chopping auto tariffs from 40%: W House advisor [Kudlow optimistically](#) "expects those tariffs to go to zero". Beijing are struggling more with the war for now, with official growth at its [worst level](#) since the financial crisis. Trump's foreign policy gun can again turn to N Korea. With China now onside, Trump has predicted a second Kim summit "[fairly](#)" soon with an invite to the N Korean leader to come Stateside "[at some point](#)". Trump will keep the MAGA PR machine running which means more volatility ahead for the market as he plays the trade war game.
- Aware of the potential fiscal backlash from the EU's 'Excessive Deficit Procedure', [PM Conte now has the role](#) of lead negotiator rather than FinMin Tria, as he tries to "[convince](#)" his political deputies of Salvini and Di Maio that a budget deficit lower than the original 2.4% will still allow them to implement their policies. The technocrat's interference has yielded results, as Conte announced that as a result of a "[positive meeting](#)" with EU Juncker and Moscovici at the G20 that he is in "[agreement with the EU](#)". The BTP-Bund spread narrowed in response, but the turbulence is not over. Unhappy with the direction Conte had taken the Government, Salvini remains in [open dispute](#) with the Italian Chamber of Commerce over their fiscal projections. Some of this confected row between Conte and Salvini/Di Maio is political theatre. The true leaders of the revolution can use Conte as a scapegoat while they continue to agitate for results as the EU bulldoze their budget plans. [Riots in France](#) show what can happen if anti-establishment forces don't deliver. Europe remains a continent in flux, and the risk of a flare up is currently underestimated by the markets.

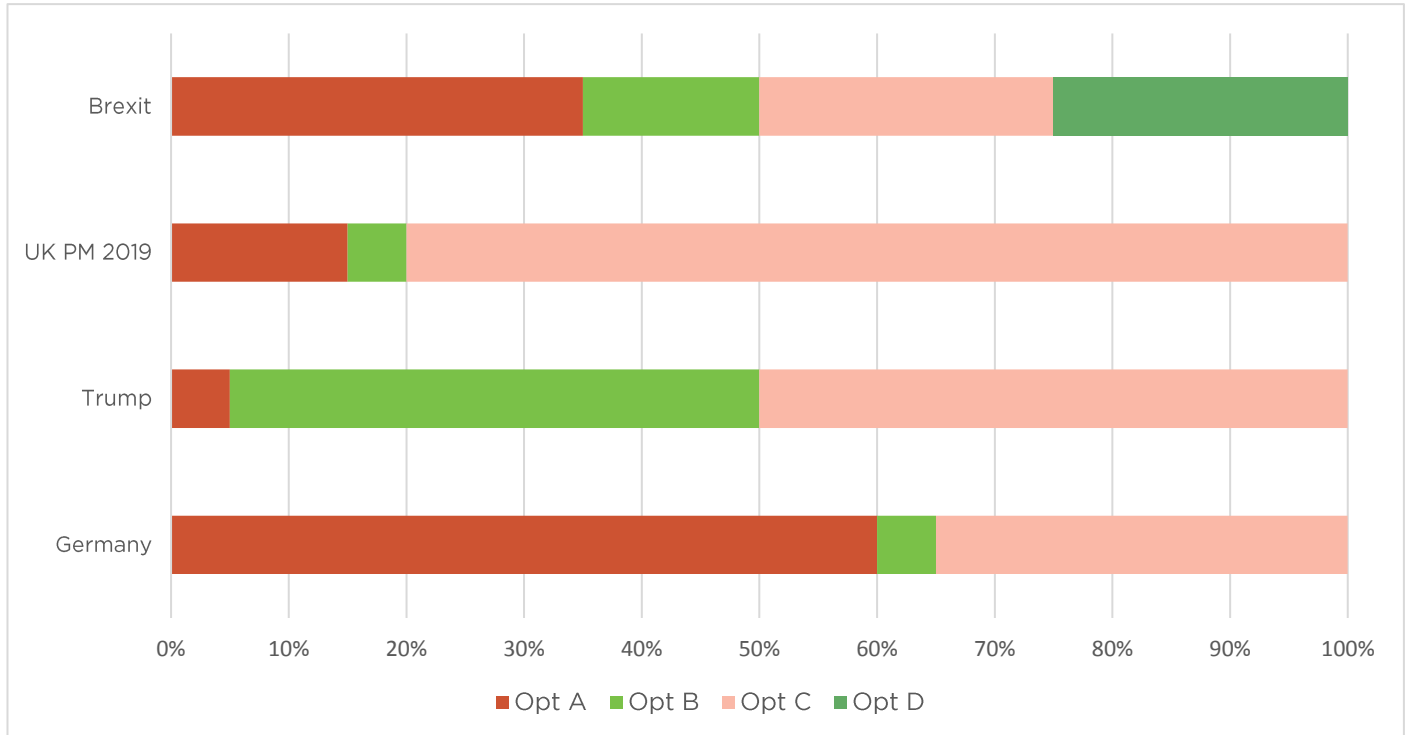
Chart of the Week

Source: [DeltaPoll](#)

Thinking about your view of Brexit, for each of the following please say if it would be your first preference, second preference or third preference.



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

Change in percentage points from last week's edition

