

BM Political Highlights

Week Beginning 05/11/18

Top 3 Political Stories This Week

- UK Cabinet ministers agree that Withdrawal Agreement must be "[wrapped up by Christmas](#)"; PM May calls another Cabinet meeting on Friday to "[rubber-stamp](#)" a deal
- Democrats take [the House](#) and the Republicans extend their [majority in the Senate](#); Pres Trump calls the results a "[tremendous success](#)"
- CSU and Free People Party reach [coalition agreement in Bavaria](#); France Pres Macron faces [deepening unpopularity](#)

BlondeMoney View

- A Deal is inching into view. The [Sunday Times](#) claimed the UK had secured a "[future economic partnership](#)" with the EU along with a UK-wide Customs Union backstop, though Downing St fervently [denied it](#). Responses from Tuesday's Cabinet meeting suggest that PM May wants a deal done by this week (although Parliament is now on recess [until November 12th](#)) to make sure things are "[wrapped up by Christmas](#)"; TM has told ministers to be prepared for an [emergency Cabinet meeting on Friday](#) to 'rubber-stamp' a deal. Disagreements still rage about the nature of the Backstop with Brexit Sec Raab publicly stating he wants only to be [tied to it for 3 months](#), and privately stating [he feels "undermined" by Downing St and the PM](#) over the Irish border question. Optimism from the UK side has been quashed by Ireland's Dep PM Coveney [tweeting](#): "[time-limited backstop or a backstop that could be ended by UK unilaterally would never be agreed to by IRE or EU](#)". The EU's Deputy Chief Negotiator Weyand even felt moved to retweet this, [adding](#), with a hint of frustration, "[Still necessary to repeat this, it seems](#)". EU Barnier joined in, warning a "[serious divergence](#)" remained in talks. Pressure is deliberately building on both sides. [Attorney General Cox](#) has been charged with solving the Irish border conundrum from a legal stand point. But this is just to get a deal on the Withdrawal Agreement. Can the PM get it voted through parliament and buy time to settle the final trade deal? The real battle is still to come.
- Democrats gained more than the 23 seats needed to take control of the House with the most significant in [Virginia's capital Richmond](#) where Dem Spanberger, a former CIA operative, beat GOP Tea Party stalwart Brat – who had said if he lost his seat it would [signal a Democratic "tsunami"](#). Democratic performance in the Senate was poorer with Democrat Beto [O'Rourke failing to upset](#) 2016 Presidential runner Ted Cruz in the traditionally Red state of Texas. President Trump inevitably focused on his [party's success in the Senate](#) but now his bipartisanship will be tested. Let's not forget that his own Party didn't support him when he started his administration, so he has already learnt something on how to work with enemies in the other branches of government. We expect the White House's broad China policy to be welcomed by right-leaning Democrats although there will need to be a softening of rhetoric. Trump's [campaign promise of an Infrastructure Bill](#) should have support; however this will certainly have some caveats such as no funding for 'The Wall' and financial help for Dreamers'. Most importantly, the Democrats will increase pressure on Trump's personal dealings with Russia and tax status although with a strengthened Republican Senate, impeachment proceedings are very unlikely. The House will now seek to block anything which could boost Trump's 2020 chances and with the President's previous responses in mind, we think the chances of Govt shutdown in the next 2 years has risen sharply.
- Once Germany's Merkel revealed her plan to stand down from her [role as CDU chairman](#) in December and her Chancellorship by at least 2021, a power vacuum has opened up in Europe. Reports have surfaced that Merkel's decision was forced due to a [rising coup against her](#) (led by long-time quasi-ally Bundestag Pres Schäuble); in effect she jumped before she was pushed. That strengthens her position in the short term, forcing her rivals into the open, but it's a risk to her succession in the long term. France Pres Macron, who is facing his own domestic problems as his secret police arrest six people who attempted a [plot to attack him](#), needs an ally in Germany for his EU reforms. The future direction of the EU is now up for grabs. Domestically, Merkel's CDU party is in poor shape. In the southern state in Bavaria, her sister party the CSU has scorned their traditional allies, the SPD, and [turned instead to centre-right Free Voters](#) of Bavaria for a [coalition](#). Should this trend continue, we expect the Grand Coalition at the Federal level to struggle to last out the parliamentary term.

Chart of the Week

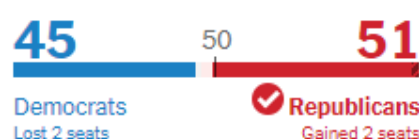
Source: [New York Times](#)

House Results >



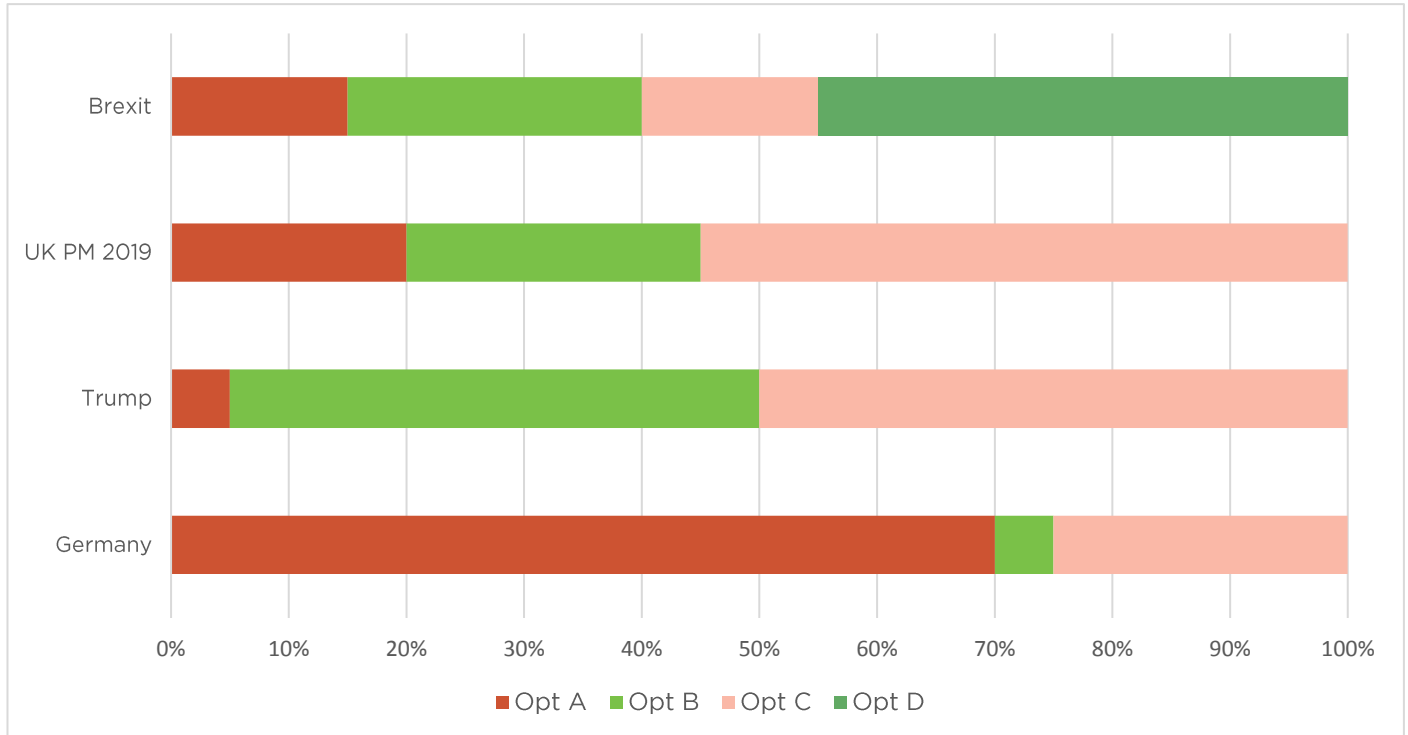
Full results >

Senate Results >



Full results >

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
	-10%	+5%	0%	+5%
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	-
	-10%	+5%	+5%	
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

