

# BM Political Highlights

Week Beginning 10/12/18

## Top 3 Political Stories This Week

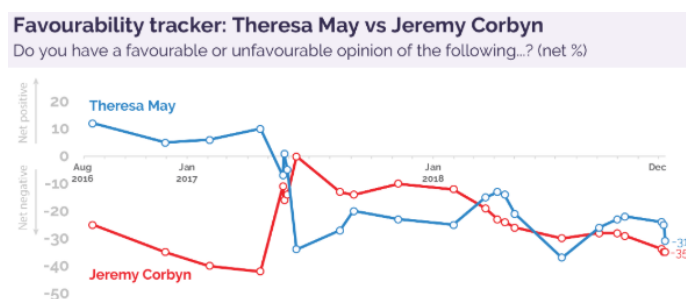
- PM [May delays the Meaningful Vote](#) due to happen on the 11<sup>th</sup> of December; PM May faces a [Conservative Party leadership challenge](#)
- Chief of [Staff Kelly will leave his post](#) before the end of the year; China-US trade talks [enter first phase](#); Mueller Probe reaches end provoking reaction from [Pres Trump on twitter](#)
- France Pres Macron declares the country in a ["social and economic emergency"](#)

## BlondeMoney View

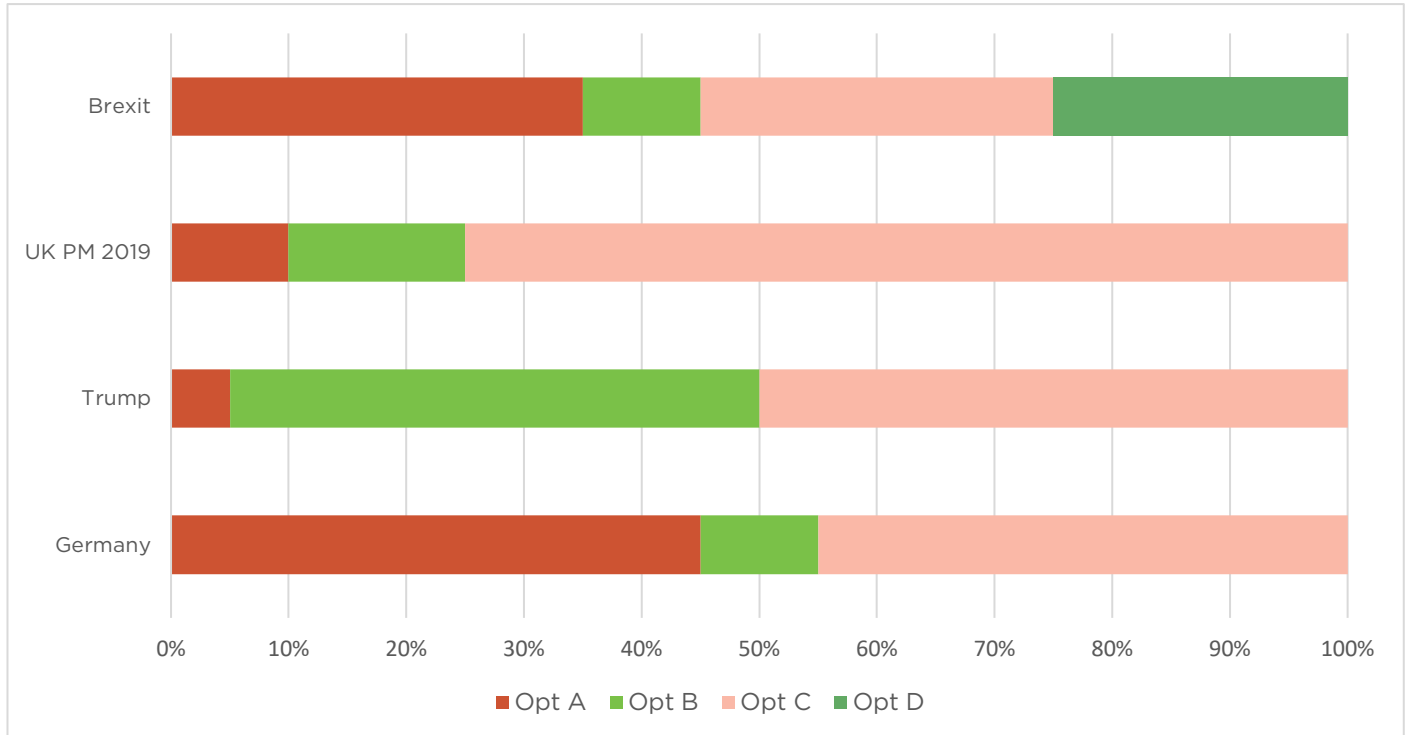
- And so it begins. Chairman of the Tory backbench committee Brady announced this morning that the 48 letter threshold had been reached to [trigger a leadership challenge](#) at the very top of the Conservative Party. The vote is expected tonight between [6pm and 8pm](#). PM May will fight tooth and nail to remain in Downing St ["with everything \[she's\] got"](#). She has support across Tory MPs with (at the time of writing) over the necessary [158 MPs coming out](#) to back her (half the party). However, there is discontent with at least 48 MPs unhappy enough to demand a change. Who will vote which way? It is clear that pro-Brexit Tory MPs will want a replacement PM as soon as possible. Should May be ousted, it is expected that a much more hard-line Brexiteer would replace her (Raab, Bojo and Davis are front runners). However, Remainer Tory MPs, who already feel forgotten in their party, would become more marginalised in this scenario. Uber-Remainer [Soubry coming out in support of May](#) demonstrates their fear of the Brexiteer alternative. Some have already stated should a Brexiteer such as Johnson or Rees-Mogg come to power, they will [resign the party whip](#). The Conservative Party is now in freefall. If May leaves Downing St, pro-EU MPs have said they will resign and should May stay, it is clear that at least 15% of her party don't want her there and could resign. All this points to a lower Conservative majority in Parliament and a tricky road for whoever is left as Prime Minister to navigate. Should May leave, we would expect the chances of an extension of Article 50 (as Johnson has alluded to [previously](#)) and chances of No Deal to go up.
- As the sentencing memo for Trump's former lawyer Michael Cohen was released this week, the lack of leniency was surprising. Details of Cohen's ["extensive, deliberate and serious criminal conduct"](#) will warn other potential Mueller witnesses of the consequences associated with anything less than full and forthcoming cooperation in his investigation. President Trump in response reiterated his assertion from earlier this year, that he has the ["absolute right"](#) to pardon himself, and went further suggesting he should file a ["counter report"](#). The potential personal fallout from Mueller investigation appears to be the least urgent of the President's worries. Reports suggest that the Trump Administration believe [impeachment is now a "real possibility"](#) when the Democrats take control of the House. Given the reluctance of Democratic candidates to discuss impeachment during the mid-terms, we think it is unlikely that House would pursue such an action against a GOP-controlled Senate and a Republican voter base energised by Trump's MAGA agenda. Away from home, the White House has begun negotiations with China to break the trade war impasse. Progress has begun slowly with US Trade Rep Lighthizer continuing the rhetoric threatening that the 90-day delay on Chinese tariffs was a ["hard deadline"](#). Trump's political world has always been and continues to be dominated by the collection of 'cheap wins'. We expect heading into 2019, Trump will secure several more before the Democratic House block his progress.
- After weeks of unrest in France, French President [Macron has declared a state](#) of ["social and economic emergency"](#) and admits he is ["partly responsible"](#). The 'Yellow Vest' protest started due to Macron's sweeping reforms and while he may be willing to address [aspects](#) of their demands, Macron made it very clear in a speech on Monday that he would do nothing that was ["going backward"](#). Despite concessions, the speech did little to [quell the perception](#) of Macron as the 'President of the Rich' and out of touch with the working middle classes. In Germany, the race which looked capable of tearing the country's leading party apart has finished with firm Merkel ally [Krupp-Karrenbauer narrowly elected the new CDU chairman](#). Chlr Merkel should now retain her position until the next election, assuming the current working relationship between the two women continues to prosper. Time shall tell whether she does indeed become a 'Merkel 2.0'. A compromise is yet to have been reached regarding the Italian budget for 2019. Dissatisfied with Rome's proposed deficit target of 2.4% of GDP, Brussels continued to force Italy to readdress their budget. Italy PM Conte and FinMin Tria are now [pushing for below 2%](#), in an attempt to stop the impact of the EU's fiscal punishment being felt. Europe remains a continent in political flux. As France looks to increase public spending and increase their deficit beyond the EU's limits, the EU must be seen in dealing with them equally to Italy. Italy Dep PM Salvini condemnation of the [Parisian riots as Macron's fault](#) was a threat and reminder to the EU that the ongoing French situation had not gone unnoticed in Rome. With Merkel retiring, Macron weakened, the UK leaving and Italy in the political quagmire, a new power vacuum is opening at the top echelons of the EU27 with no obvious successor to fill it.

## Chart of the Week

Source: [YouGov](#)



## 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%	-5%	+5%	0%
<b>UK PM JAN 2019</b>	Jeremy Corbyn	Theresa May	Other	-
	-5%	+10%	-5%	
<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	-
	-15%	+5%	+10%	

*Change in percentage points from last week's edition*

