

# BM Political Highlights

Week Beginning 29/10/18

## Top 3 Political Stories This Week

- UK Chlr Hammond announces [the Budget](#) for 2018 with austerity “*coming to an end*”
- President Trump responds to [anti-Semitic attacks](#) in Pittsburgh; White House guides expectations of a [poor performance in the midterm](#) elections
- Germany Chlr Merkel confirms she will stand down from CDU leadership and [will not run for re-election](#) in 2021 federal elections

## BlondeMoney View

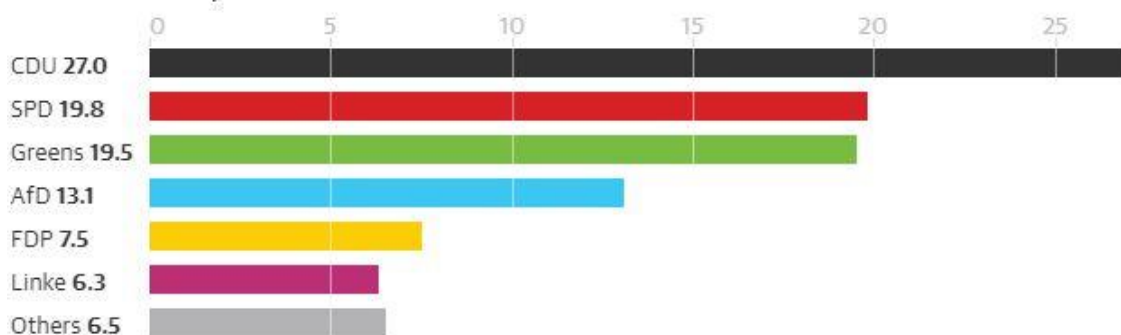
- A breather from the Brexit drama as UK Chlr Hammond announced the 2018 Budget ([click here](#) for the BM round-up). PM May had stolen Spreadsheet Phil’s thunder at the Tory Party conference by announcing the most eye-catching policies, particularly the “*end of austerity*”. Fiscal Phil amended this slightly, announcing austerity was “*coming to an end*” rather than ended. Both No 10 and No 11 will be pleased though, with the famously dour Chancellor being referred to as ‘[Phil-Good factor](#)’ by the Daily Mail. This was a Budget still dominated by Brexit however, with reference to a “*double deal dividend*” when the Brexit Deal is done – and [warnings of a re-imposition of austerity if it is not](#). Many see this budget as having the hallmarks of a pre-election budget: giveaways for all sectors of society, all savings immediately spent & a boost to the NHS. That’s a gamble given [the underestimated risk](#) that the Brexit Deal might not make it through parliament. Even if it does, May and Hammond might have been sacrificed to push it through. Then a whole new Budget plan will be required. This is [dangerous policy making](#) and we expect Gilt yields to rise before 2019 as the market adjusts.
- The White House wrote to senior GOP members warning that keeping any majority in the House would be “*challenging*” and their goal would be to “*minimise their losses*”. The memo went on, however, that any states they won would not be ‘Republican States’ but “*Trump States*”. This guidance of expectations reiterates the White House’s desire to paint this as ‘Donald Trump vs the Democratic Party’. Both parties have focused on [energising the base to come out and vote rather than capturing swing voters](#). Trump continues this theme, announcing that he will [dispatch the army](#) to stop the migrant caravan, repel the constitutional right for all [those born in the US to claim citizenship](#), and plans [additional tariffs on the Chinese](#) should the meeting with Pres Xi fail to yield results. While these policies traditionally invigorate his base, events this week could offset that support. [Pew Research](#) states that most Americans (from either party) see the President’s role as that of ‘national healer’. In the wake of a [spat of ugly political attacks](#), Trump’s lack of cross-party unity hurts him on all sides – with some in [Pittsburgh calling for the President not to visit at all](#). The President has a week to turn the voter sentiment around. With many polls [putting the House as a certain loss](#), DJT will hope not to lose the Senate as well.
- After another poor result for her party in [local state elections](#), Germany Chlr Merkel announced she would step down as CDU leader in December of this year. Unexpectedly, in her speech to members Mutti also announced she would not [run for re-election or any type of voted office](#). The announcement opens a power struggle and inherent uncertainty within the foundations of German politics, with the Grand Coalition with the SPD already stretched. The Chancellor, [as recently as last month](#), had continuously stressed the need for the Chancellor and Chairman of the CDU to be the same person in order to guide the policies of the Bundestag’s largest party. Two outspoken internal critics of Merkel, Health Min Spahn and traditionalist Merz, have already announced [their intentions to run](#) – and should either of them win Merkel is widely expected to stand down triggering an early election. Alongside the ongoing drama in Italy, another German election will throw the biggest player in the Eurozone into political limbo with anti-establishment parties like the AfD and the Greens maintaining their upward momentum.

## Chart of the Week

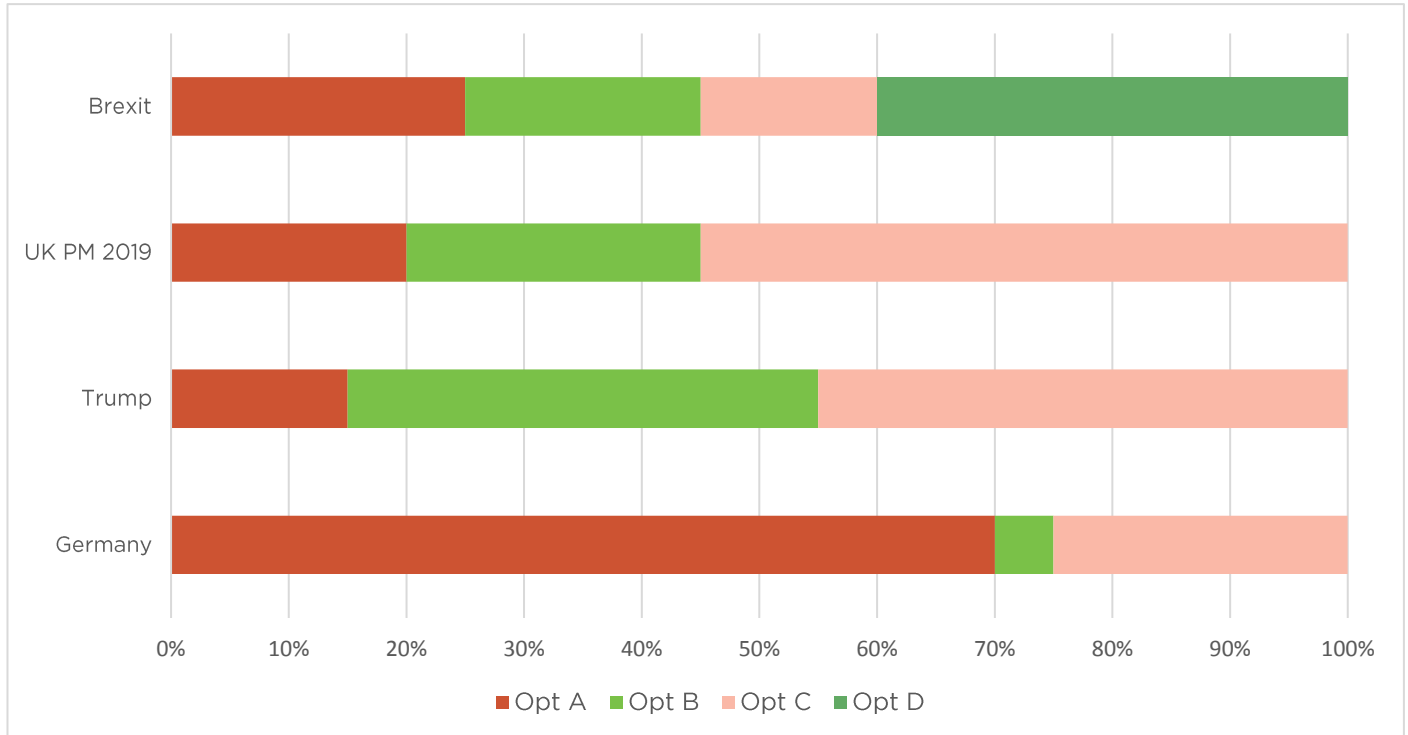
Source: [Guardian](#)

### Support for the CDU in Hesse falls 11 percentage points to 27%, its worst result there since 1966

Share of the vote, %



## 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%	0%	0%	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%	-5%	+5%	
<b>GERMANY</b>	Merkel leaves before end of term (resigns or removed)	Merkel stays, AfD national support falls	Merkel stays, AfD national support increases	-
	+30%	0%	-30%	

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

