

BM Political Highlights

Week Beginning 07/01/19

Top 3 Political Stories This Week

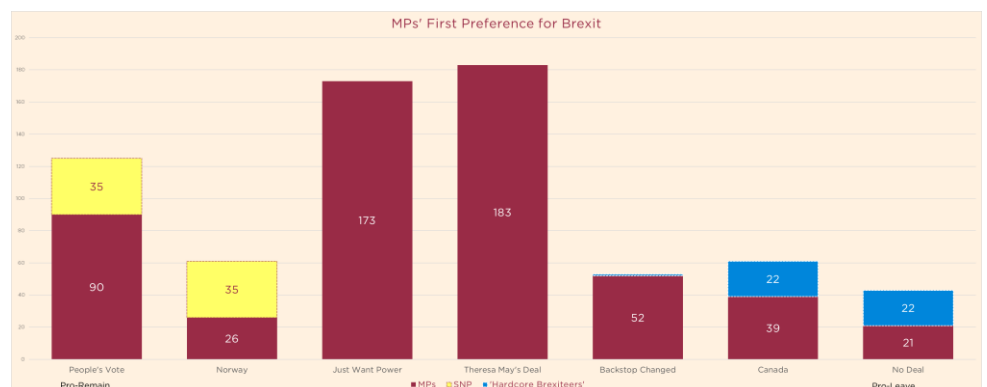
- UK [Govt suffers defeat](#) on amendment to Finance Bill over No Deal; Meaningful Vote will take place at [7PM on Jan 15th](#)
- President Trump in TV address on Southern Border wall: “This is a [humanitarian crisis... a crisis of the soul](#)”
- Italy Dep PM [Di Maio pledges support](#) for Yellow Jacket protests in Paris; Italian Govt guarantees up to [3bn EUR for Banca Carige](#)

BlondeMoney View

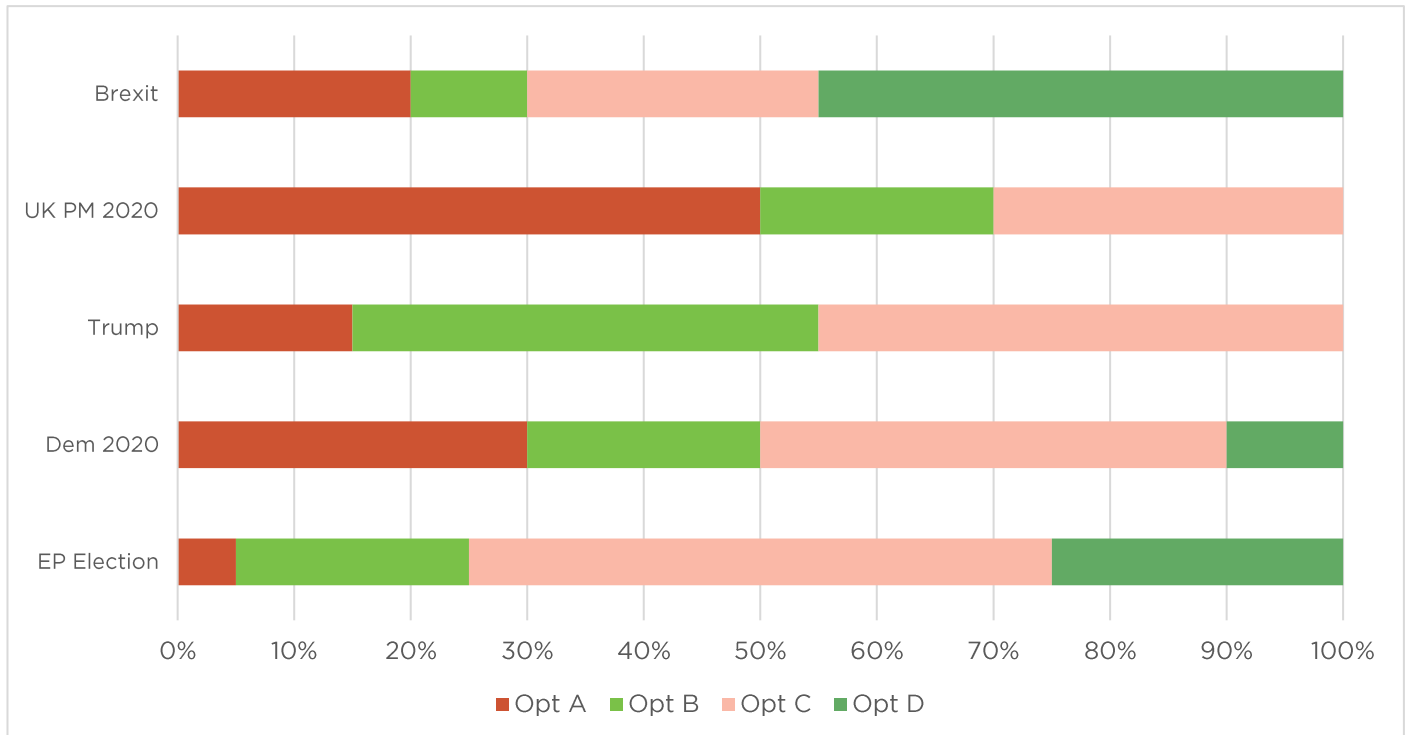
- PM May and her ministers suffered their first defeat in 2019 and the first on a finance bill for 41 years; an amendment designed to [add another barrier](#) to a No Deal outcome was passed 303 to 296. The practical application of the amendment is legally unclear for now, but the political message to Downing St was plain: there is no majority for a No Deal in Parliament. Another cross-party amendment has been tabled for a vote today which would force PM May to present an [alternative to her plan within 3 days](#) should the Meaningful Vote fail. The date for May’s deal to go to Parliament has been set, and now Downing St must sell it. Our Christmas analysis shows that [she does not have the numbers](#), and even if she delivers her “[hat-trick of new concessions](#)” – which will likely be [cosmetic changes](#) at best – it looks bleak. Market expectation remains an EEA-style deal, however, No Deal remains the default destination. Although some MPs are agitating for revocation or extension of Article 50, PM [May will not do](#) this unless forced by Parliament. UK asset prices will reset their expectations of No Deal once the PM’s Deal fails next week. We also believe a [General Election will occur in 2019](#) as the government stagnates. Short term GBP will be steady up until the Jan 15th vote, with a long-term outlook of under-priced risk in all UK assets.
- President Trump [remains unyielding in his pursuit of The Wall](#) along the Southern border. With the Government shutdown now entering its third week (making it the [second longest ever](#)), the repercussions are beginning to be felt. The Internal Revenue Service has been operating with [only 12% of staff](#) impacting taxpayer filings, refunding and ability to manage Government revenue. Democratic leaders attempted to [split the GOP](#) away from the President by offering funding for the Wall in a basic package but at the detriment of leaving IRS funding in its current stasis. US farmers are also hit [as they do not receive subsidies](#) needed to grow their crops this spring, which could impact commodities pricing later this year. The longer the shutdown goes on, the bigger impact on the economy and the USD. With Trump and the GOP bearing the brunt of [public blame for the shutdown](#), a quick conclusion would be beneficial for any 2020 bid. Elsewhere, the Greenback remains responsive to US-Sino trade news. With the [first round of trade talks completed](#), we are sceptical of reports that they’re “[going very well](#)”. President Trump keeps agitating for a [quick deal to boost markets](#), as he views stock market performance as crucial to his success in the White House. A radical change in Chinese legislative scheduling suggests a [national policy meeting is imminent in Beijing](#). Moving forward, 2019 will be defined by Pelosi vs Trump. The empowered Democratic Speaker will make the President’s last two years much more difficult although they should find common ground on Drug prices, Infrastructure and a deal involving Dreamers.
- This year the European political landscape will be defined by the European Parliament elections at the [end of May](#). Establishment parties in France, Germany and other northern EU countries will be eager to stop the spread of [populism throughout the continent](#). However, the rising popularity of Salvini in Italy, defeated [Eurosceptic](#) Presidential candidate Marine Le Pen in France, Austria’s Freedom party and Germany’s AfD could change the DNA of European Parliament. Should the populist parties form a sizeable minority in Parliament, the direction of the EU could shift. Rather than promoting an ever-more-integrated future, the MEPs could be in the position of [advocating strong Euroscepticism](#). As the ongoing problems between the EU and Italy in 2018 and [now in 2019](#) can attest to, this will cause the European continent to retreat away from integration and could lead to another Greece-style crisis. EUR and European assets will have a bumpy year and should Macron’s problems continue in France – a strong Le Pen result could impact on the OATs markets in late May.

Chart of the Week

Source: [BlondeMoney](#)



BlondeMoney Probabilities:



n.b. these are subjective estimates made by BlondeMoney

	OPTION A	OPTION B	OPTION C	OPTION D
BREXIT OUTCOME	No Brexit -5%	Leave March 2019 -5%	Leave after March 2019 +10%	Disorderly Brexit 0%
UK PRIME MINISTER JAN 2020	Jeremy Corbyn +45%	Theresa May -65%	Other +20%	-
TRUMP RE-ELECTION	Trump leaves before 2020 +10%	Trump wins a second term -5%	Trump leaves after one term -5%	-
DEMOCRAT 2020 NOMINEE	Traditional Progressive (e.g. Warren, Biden) 0%	Social Democratic Populist (e.g. Sanders, Harris) 0%	'New Wave' Libertarians (e.g. O'Rourke) 0%	Non-Political Figure (e.g. Bloomberg, Winfrey) 0%
ANTI-ESTABLISHMENT PARTY % PT* CHANGE	Lose seats 0%	Gain 0 to 1% 0%	Gain 1% to 3% 0%	Gain more than 3% 0%

Change in percentage points from last week's edition

**% of total seats in EP held by anti-establishment parties*