# **BM Political Highlights**

Week Beginning 17/08/18

#### Top 3 Political Stories This Week

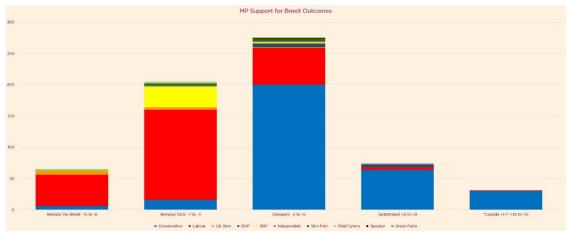
- <u>UK PM May</u>: "I think that the alternative to [Chequers] will be not having a deal";
- Trump imposes tariffs on \$200bn of Chinese goods but removes 300 products and rate only 10% before rising
  to 25% next year; Pres Trump Supreme Court nominee Kavanaugh sits before Senate committee over sexual
  assault allegations
- EU leaders meet in Salzburg to <u>discuss migration</u> and Brexit; Luxembourg Foreign Min <u>Asselborn attacks</u> <u>Italy Interior Min Salvini</u> over migration

### BlondeMoney View

- Ahead of her meeting with EU27 leaders today, UK PM May went on a media offensive to garner support for her Chequer's plan. In interviews for the BBC and the Daily Express, TM repeatedly stressed how Chequers was the "right plan for the UK" and that there was "no time for alternatives". Brexit Sec Raab, writing in a German newspaper, stated that the UK "have been very pragmatic...The ball is a little bit in the other court now too". EU Barnier looked to be on board, responding that the EU were "ready to improve" the Irish backstop proposal. Meanwhile EU officials were briefing that they expect the UK to stare into the No Deal "darkest hour" before changing its Brexit stance. At home, TM appears to have seen off a brewing leadership challenge from last week although Brexiteer Environment Sec Gove did coyly say any "future PM could always choose to alter the [EU-UK] relationship". Where does this leave the UK now? Chequers seems to be universally discredited as "dead" by the EU, Remainers and Brexiteers alike. However, it remains the only deal on the table. Tonight's Salzburg meeting is the first of many high-stakes meetings for the PM. She needs to get concessions on the Irish border to ensure votes from Tory factions and convince the EU that she really means it when she says, 'the UK will walk away with No Deal'. Should she fail on either of those two fronts, we expect a serious leadership challenge to come at the Conservative Conference at the end of the month.
- President Trump continues to up the ante on China for 'cheap wins' ahead of November midterms. Recently, Treasury Sec Mnuchin ran point to open talks with the Chinese amidst the fragile diplomatic environment. However, these talks crumpled on the news that the White House would initiate 10% tariffs on \$200bn of Chinese goods this month with that going up to 25% in 2019. This is a clear indication from the White House that they are unhappy with the pace of talks and want results quicker than they are seeing them. Domestically, Pres Trump faces a tough time over his 'moderate' Supreme Court nomination. This has become mired within the Senate confirmation process after Kavanaugh was accused of sexual assault when he was in high school. The mid-term battle continues. If he can't win enough momentum on the domestic front, we expect more noise on foreign policy. We predict that the China-US trade war will now enter a new phase.
- Italy's populist government continues to cause problems on the continent. Interior Min Salvini was accused of being like the "fascists of the thirties" by Luxembourg Foreign Min Asselborn after their meeting. The Italian responded "if you like immigrants so much, welcome them in Luxembourg. In Italy we have welcomed too many". EU Tusk has attempted to restore order ahead of the upcoming summit: "I am hoping that in Salzburg we will be able to put an end to the mutual resentment". Like the UK, the EU needs the Salzburg summit to be a success. Western powers such as France and Germany have been pushing for migration reform to avoid a repeat of Brexit. Eastern Europe continues to defy the EU with Poland joining Hungary as countries threatened by the European Parliament's Article 7 procedures. Migration continues to polarise the bloc and needs an urgent solution from this week's summit, otherwise they risk more splintering.

#### Chart of the Week

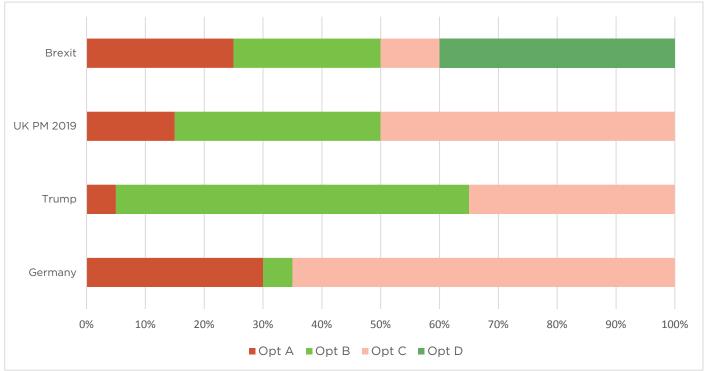
Source: <u>BlondeMoney</u>; which deal has the most 'ideological' support in Commons



#### **BLONDE MONEY**

SENSIBLE MARKET COMMENTARY

## 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%	+5%	0%
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	-
	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	-
	0%	0%	0%	

Change in percentage points from last week's edition