

# BM Political Highlights

Week Beginning 04/02/19

## Top 3 Political Stories This Week

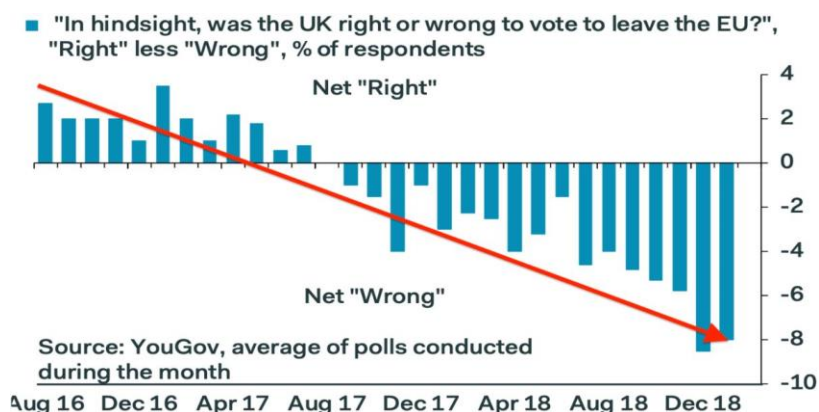
- UK PM May reiterates her [“unshakeable” commitment to avoiding a hard border](#) in Ireland, although did not rule out an [“insurance policy”](#)
- Pres Trump delivers his ‘State of the Union’: calls for [funding](#) for his Wall, announces a [second summit](#) with Kim Jong Un, any deal must involve [“real, structural change”](#)
- Germany Chlr [Merkel meets Japan PM Abe](#); France Pres Macron considers a [referendum](#) on the same day as European Elections to quell Yellow Vest protests

## BlondeMoney View

- Nissan has been the first major company withdraw their investment from the UK after citing [“continuing uncertainty”](#) around Brexit as the reason. While this seemed to be a surprise to the government (Business Sec Clark scrambled looking for [someone to blame](#)), this is the first illustration that although the political landscape changes daily - for businesses the landscape is very static: uncertainty still rules and No Deal plans will need to be triggered. We expect more contingency plans to be activated and GBP assets to suffer. PM May and her Govt remain in stasis and is (at the time of writing) yet to [officially ask the EU for a re-open of negotiations](#), and the EU have not been forthcoming with anything concrete. EU Selmayr did offer Downing St some hope with a suggestion of a [“legally binding assurance”](#) that the backstop will not lock the UK into a permanent Customs Union - although this was [not enough for Brexiteers](#) on the Committee. It has been over a week since PM May [received her mandate](#) from Parliament and it appears nothing has changed. Brexiteers remain hopeful with former Brexit Sec Davis writing [“the EU has a history of making deals at the eleventh hour”](#). We remain of the opinion: No Deal is the default as there is no majority to get May’s deal through Parliament. GBP should come to reflect this as businesses are forced to react.
- Trump’s State of Union order of [“rejecting the politics of revenge, resistance and retribution”](#) was a call for unity in a Presidency which has spluttering, but not stalled. Trump was elected and survives on being able to energise his base with a fast rhetoric and ‘easy’ wins (more of those will come e.g. a second Kim summit and bragging about the US economy). However, as the shutdown attested to, with a split Congress he now needs to find common ground with Pelosi and her Democrats to get meaningful work done and to get him re-elected in 2020. Those on the Left angling to be his competitor keeps getting greater in number with New Jersey [Senator Booker announcing his candidacy](#). While the field has swelled to over 10 candidates, who are the front runners? Names to keep an eye on are [Harris](#), [Warren](#), and rising star Booker. We now wait to see if Bloomberg, Biden, Sanders or O’Rourke make a move. How will the markets react? USD has showed strain from Trump’s sporadic behaviour and highly potent rhetoric. Although should a progressive liberal such as Warren, Harris or Sanders take the nomination, there will be backlash in anticipation of spending, a tax rise (most candidates have been quick to [adopt a higher tax policy](#)), a change of trade tactics, and Harris has even suggested [eliminating private health insurance](#) completely. A ‘B’ presidency (Biden, Bloomberg or even a Booker) should see the Greenback make gains as their pro-business liberal agenda does not fight against corporate interests.
- European leaders have remained out of the international news in anticipation of upsetting the delicate truce between the EU27 on Brexit. Merkel has turned her [attention eastward](#) and, in a bid to pre-empt a more nationalist agenda from Washington, held a summit with Japan’s Abe. The EU and Japan recently signed a new trade deal and thus [created the biggest trading zone](#). The Chancellor’s visit was more than symbolic as German interests in Asia have grown hugely (5200 German companies operate in China alone) and both Japan and Germany’s automobile industry will be hit in the event of a No Deal Brexit. Similarly, Germany (and by extension the EU) is attempting to manoeuvre themselves to the summit of the world global order. As London reels from the chaos surrounding Brexit and Washington struggles with their role in the world under Trump, it is Germany and Japan that are working to maintain the global system. Merkel looks Japan as a useful partner in protecting free trade and a rules-based economy against the growing Chinese-state-model. Despite the threat of [recession](#), and growing domestic political turmoil - Germany remains the lynchpin of power within the EU and plans to stay there.

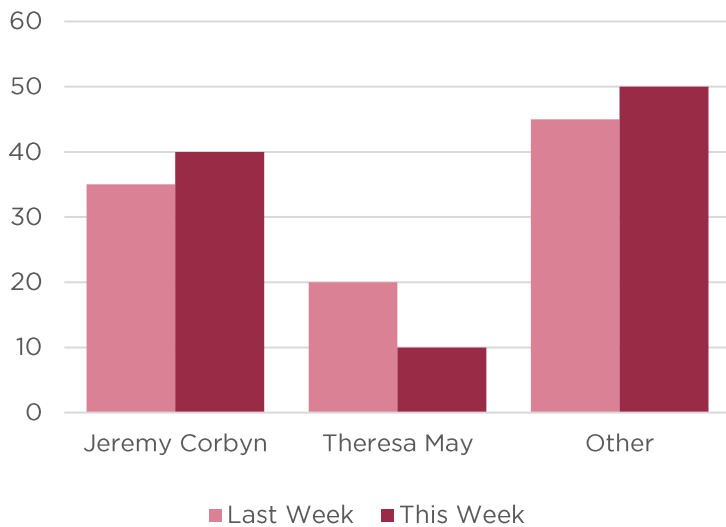
## Chart of the Week

Source: [BusinessInsider](#)

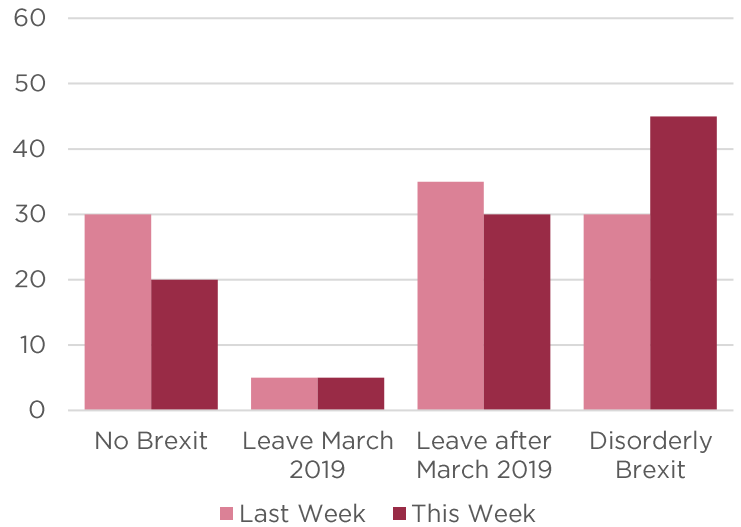


## BlondeMoney Probabilities:

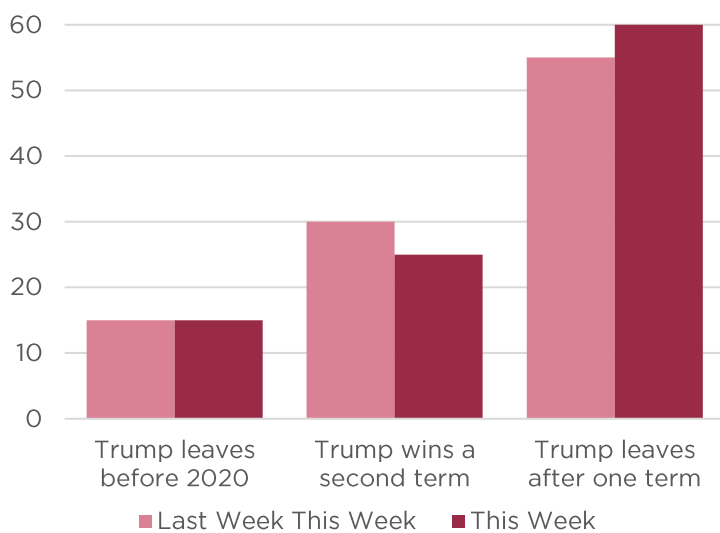
### UK PM in Jan 2020



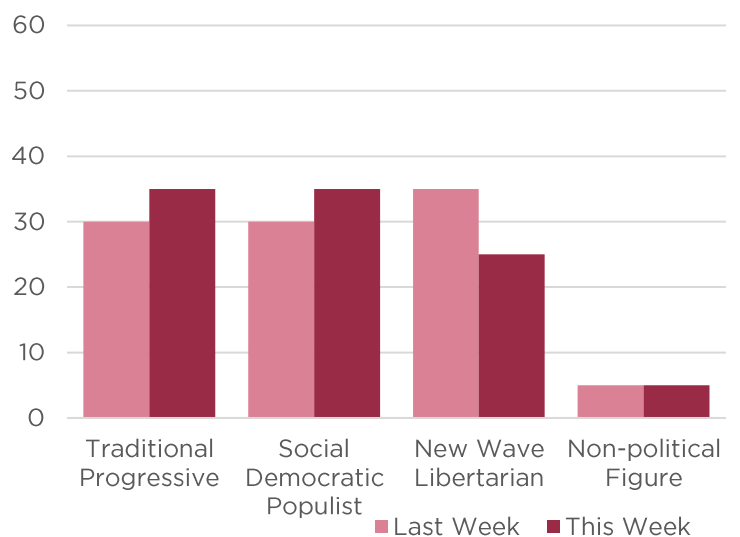
### Brexit Outcome



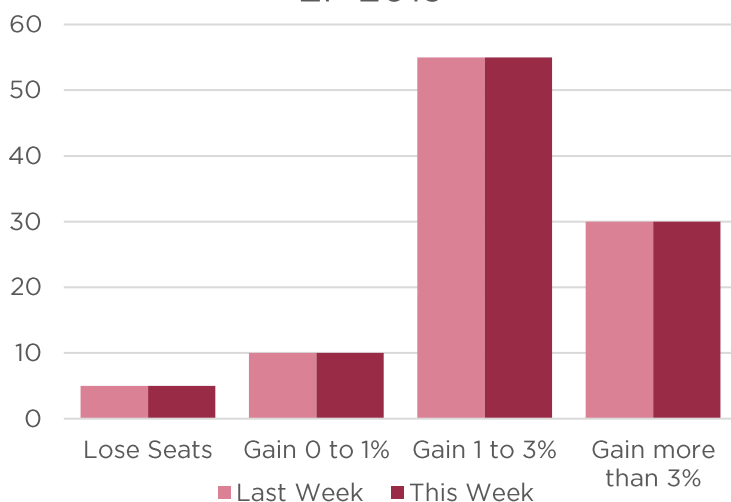
### Trump Re-Election



### Democrat 2020 Nominee



### Populist Party Performance in EP 2019



- UK PM Jan 2020: PM May's lack of leadership during this crucial time of Brexit re-negotiation makes it more likely she will not survive the year.
- Brexit: with no other options even being discussed, the chances of a disorderly 'No Deal' increases at the detriment of all other options
- Trump: Trump's re-election chances hinge on whether he can work with the Democrats on getting things done - he said the right things during the SOTUS but Pelosi's reaction was a cold one
- Democrat Nominee: we are still waiting for all the names being in the ring, but Booker's announcement and Harris' campaign really kick-starting, people need to make a move soon to catch up
- EP Election: Salvini continues to try and cajole continental support with help from Le Pen.