

# BM Political Highlights

Week Beginning 11/02/19

## Top 3 Political Stories This Week

- UK PM May tells MPs she needs “[some time](#)” to get changes to her Withdrawal Agreement
- Senior Congressman announce they have a “[framework](#)” for Govt funding including [\\$1.38bn for 55 miles](#) of Pres Trump’s Wall; Pres Trump is willing to let [China tariff deadline “slide”](#) if there is a “[real deal](#)” available
- Italy ruling League party drafts terms for possible [sale of Bank of Italy’s gold reserves](#); Economy Min [Tria](#) and [EU Moscovici](#) reiterate their support for the bank’s independence

## BlondeMoney View

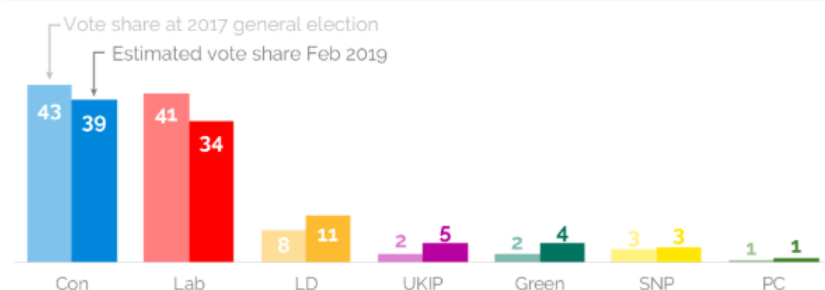
- As expected, PM May has delayed her Brexit vote again to the 26<sup>th</sup> and tells MPs to “[hold your nerve](#)” as she tries to secure the changes Parliament asked of her. Backbench Pro-EU MPs remain unconvinced and have coalesced around a [Cooper Bill pt II](#), which gives MPs the power to extend Article 50 or leave without a deal if May’s deal is defeated again. The chance of Government losing control are hotting up with reports that [up to 20 ministers](#) have threatened resignation should there not be a free vote at the end of February. Market sentiment and GBP buying suggests that a deal is close, and that May’s deal should pass with some changes to the backstop. We think this is unlikely for two reasons: 1) the EU will struggle to offer any large concessions even as both [Brexiters](#) and member states are softening to find a resolution and 2) Parliament remains unable to agree on what it wants instead, so [No Deal remains the default](#). We expect more GBP strength in the short term although come March there should be a correction for No Deal as May pushes the deadline as close as she can.
- Trump 2020 is back on schedule despite a series of setbacks at the end of last year finishing with the month-long shutdown which the public laid squarely at the Republicans’ door. Trump’s continuous rhetoric on border security has yielded results with the [President selling it](#) as Congress agreeing to \$23bn for the border – although only \$1.3bn of that is for his Wall ([enough for 55 miles](#)). Knowing this topic energises his white rural voter base, Trump has reportedly planned to accept the spending agreement but then immediately use his “[executive powers](#)” to bypass any Congressional approval and fund additional border measures. Will he declare a national emergency? It looks unlikely but should all other options dry up, Trump will use it to get what he needs to become re-elected. Elsewhere, sentiment for a China-US trade deal remains bullish, with White House officials saying Trump wants a summit with [Pres Xi “very soon”](#) and Chinese media reporting that [Xi is meeting with Mnuchin and Lighthizer](#) when trade talks resume in Beijing. Short term we should see strong USD as global trade tensions look to ease. In the Democratic race for 2020, Beto O’Rourke got his first taste of the Trump show when the President held a rally in his hometown of El Paso (near the Mexico border) and [Beto held a rally adjacent](#) in protest. Who got the bigger crowd? [Impossible to say accurately](#), although it provided Beto with a tantalizing peak into what an election race against Trump would look like. O’Rourke 2020? We will wait and see.
- Italy’s Di Maio and his 5-Star party have seen themselves [falling in the polls](#) compared to their coalition partners. While Salvini and the League continue to drum up domestic support, Di Maio has had an eye on the upcoming European elections and expanding support beyond Italy and her borders. France Pres Macron with his ever-closer-union centralist credentials has been the focus of Rome’s ire with Paris previously being blamed for the [influx of African immigrants](#) to Italian shores. Di Maio went a step further this week, going to France to meet with the leader of the Yellow Vest movement and posting “[the wind of change has crossed the Alps](#)”. Macron responded by recalling the French Ambassador in Rome for “[consultations](#)” and accused the populists of “[baseless attacks and outrageous statements](#)” and of “[manipulating the \[Italy-France\] relationship for electoral aims](#)”. Di Maio rightly thinks a united front of populist parties from France, Italy, Sweden, Hungary et al is far bigger a threat to the EU’s established parties than a collection of small parties pulling in different directions. Should he successfully build this coalition, and then lead it to a strong election victory, he could cement him and his party as a true European force. Elsewhere, [BTP-Bund spreads spike](#) -288bp as Salvini and the League leaked a series of stories suggesting League would [sell of Bol Gold reserves](#) to plug the gap in their budget. It’s unlikely this will pass muster due to arguments within the coalition’s cabinet but they will continue to push up against the Budget agreed with the EU. Expect more of Salvini getting creative.

## Chart of the Week

Source: [YouGov](#)

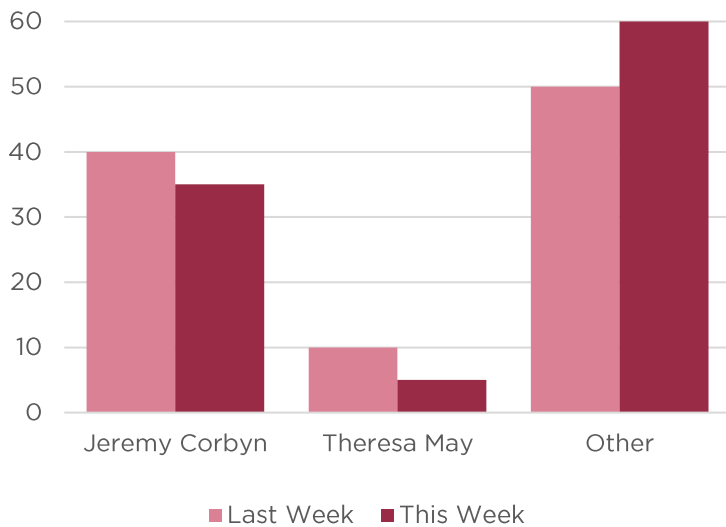
### YouGov general election MRP vote share estimates - February 2019

% Figures shown are for Britain only; Northern Ireland is not included. Votes for other parties/candidates not shown

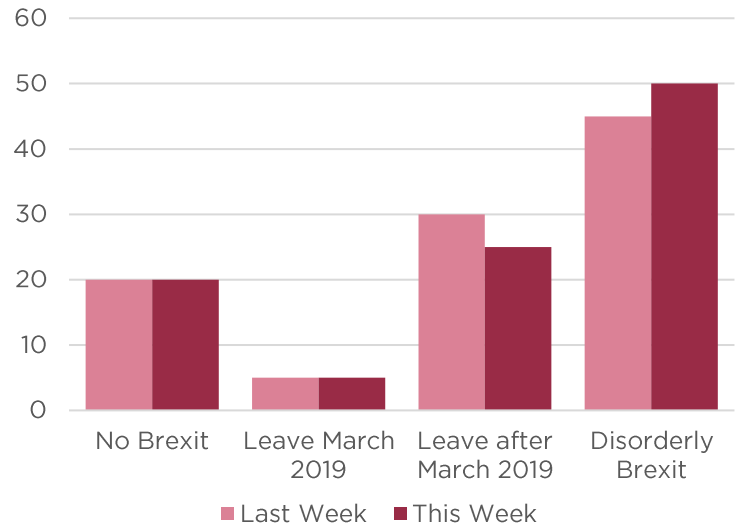


## BlondeMoney Probabilities:

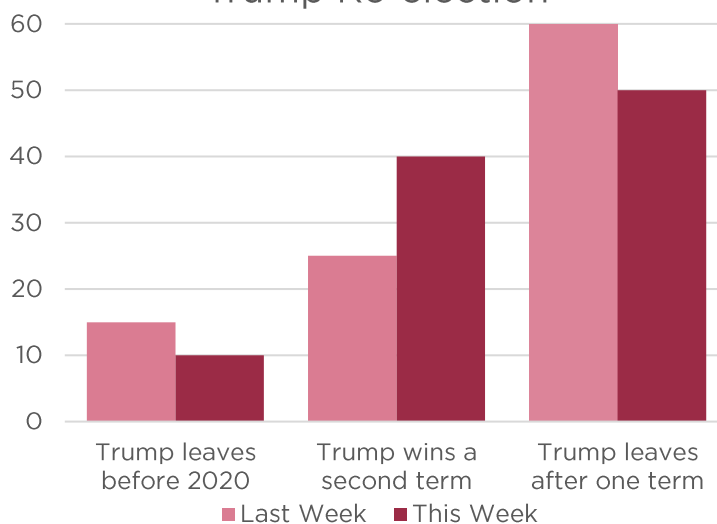
### UK PM in Jan 2020



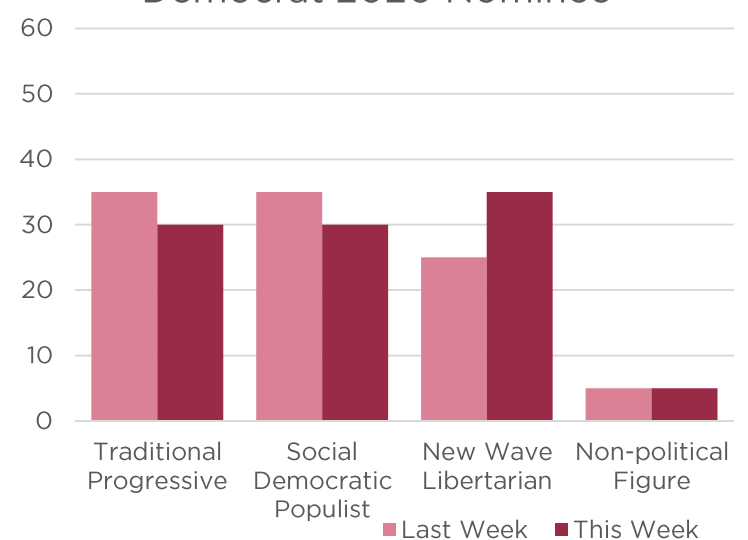
### Brexit Outcome



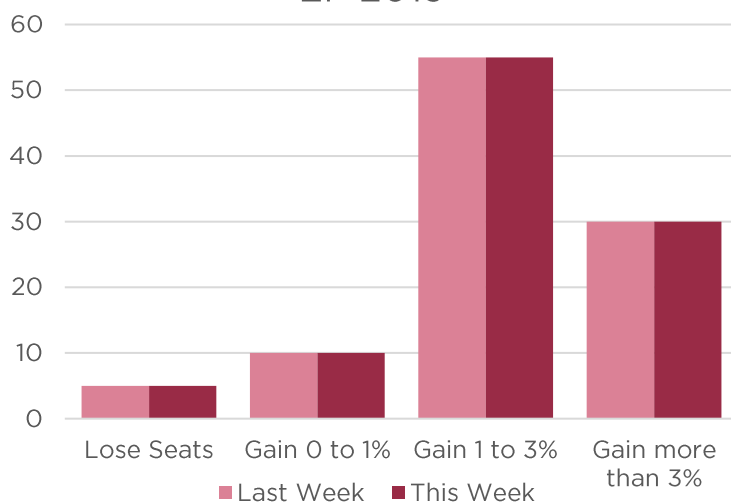
### Trump Re-election



### Democrat 2020 Nominee



### Populist Party Performance in EP 2019



- UK PM Jan 2020: Corbyn remains rocked by anti-Semite claims that he cannot shake off. Reports that PM May plans to retire in the summer means a fresh Tory leadership election
- Brexit: the closer to March we come, it appears to be May's deal, No Brexit or No Deal. No Deal remains the most likely as Parliament cannot agree what else it wants
- Trump: Trump's re-election chances boost this week as Congress agrees to border security, a superficial deal with China looks close and foreign policy wins coming thick and fast
- Democrat Nominee: Beto O'Rourke's performance in El Paso directly against Trump could be the prelude to the bigger fight. No new big names (Biden etc) have announced yet.
- EP Election: Di Maio and his struggling 5-star party are building a populist coalition to go head-to-head with the EU establishment.