

BM Political Highlights

Week Beginning 14/01/19

Top 3 Political Stories This Week

- PM May is [defeated in her Meaningful Vote](#) by a record 230 vote margin; Labour calls a [Vote of No Confidence](#)
- [Democrats reject Pres Trump invite](#) to White House after their [spending bills were rejected](#); China Vice Premier Liu He is [due to visit Washington](#) near the end of January
- Bundesbank and ECB president contender [Weidmann will remain](#) in his post for another 8 years

BlondeMoney View

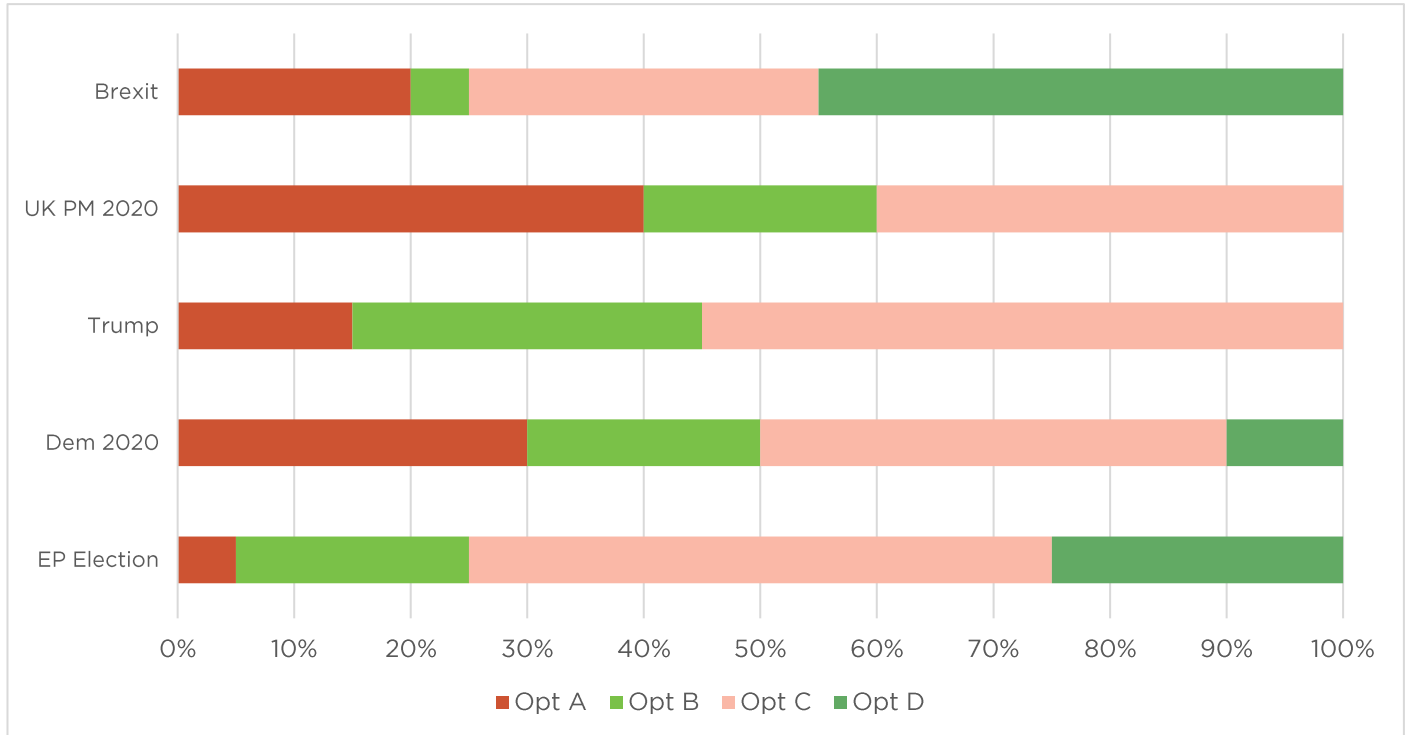
- After months of build-up, PM [May lost her Meaningful Vote](#) yesterday indicating little has changed in her ability to navigate the Brexit quagmire (read the [BM reaction here](#)). Next for May is Labour's Vote of No Confidence which looks to be another anti-climax with the [DUP](#) and the pro-Brexit ERG unlikely to agitate for a General Election nor a Corbyn Govt. GBP is expected to make gains once the Vote is complete, and continue positively. While a soft Brexit has become more likely due to May planning cross-party talks with "[senior parliamentarians](#)" and the possibility of Parliament wresting control from Downing St's grasp ([a là Boles](#)), a No Deal outcome remains the default. Can Parliament bring itself to agree on a Norway-style deal? It would take a real crisis to move the SNP and centrist Labour MPs to work with Tories whose stock has sunk since 2017. People's Vote MPs know now is the time to move while the ERG will sabotage anything that looks like anything but a hard Brexit. Businesses remain in limbo, despite Downing St's [assurances](#), and [contingency plans](#) will be activated.
- As Trump's shutdown enters its 26th day – at [double the expected cost](#)- and looking [unlikely to end soon](#), the President's attention has turned to a sphere of influence that has not been shut down: foreign policy. This is a common practice by the Commander-in-Chief, to keep both [voters and the stock markets on a pro-Trump trajectory](#). As we enter the halfway point of the 90-day China-US trade truce, talks have moved to high-level delegation meetings as Chinese Vice Premier Liu He will arrive in the US at the end of January. We would urge caution on any China news, and as senior Democrats have warned, Trump's framed timeline could lead to a rushed "[easy one-off transaction](#)" with no substantial change to the China-US relationship. Short-term USD moves will be positive but the systemic difference between President Xi's view for China and the West's view of Beijing remain diametrically opposed. With an eye on 2020, more Democrats have declared: [former Obama Housing Sec Castro](#), who is of Mexican decent and hails from Texas hopes to have a pro-immigration, progressive campaign; and Hawaii Rep Gabbard, who has embraced socialist policies although her unorthodox positions on [foreign policy](#) and [anti-homosexuality work](#) in the private sector makes her an unlikely frontrunner. We expect more to declare in the coming weeks while the market will look for established names to make a move.
- All European eyes were on London this week, as their Withdrawal Agreement was put to the UK Parliament. It failed the test. The EU's response was emphatic: Juncker and Tusk both [urged the UK](#) "[to clarify its intentions as soon as possible](#)". [France and Germany](#) were equally clear, they are [preparing for No Deal](#) – which as Macron said is "[scary for everybody \[although\] the first losers in this would be the British](#)" – but the Withdrawal Agreement is unlikely to change. Elsewhere, major players are preparing for the first European elections without UK MEPs. Austrian Chancellor Kurz, who is in a coalition with the right-wing Freedom Party, has proposed that the [EPP and ALDE join forces](#) to ensure his party colleague Weber is voted as EU Commissioner as there is "[no alternative to this cooperation](#)". Under the current polls, an EPP/ALDE alliance would still require a third party to give them a majority. Although Kurz refused to be drawn, we suspect he is aligning himself with a right-wing 'populist' group within the European Parliament (Italy's populist Eurosceptic [Salvini has been meeting](#) with equally nationalistic parties in Poland and France) as Kurz is the flag bearer for a working governing system which functions with a centre-left or -right party working alongside a populist one. Germany's Grand Coalition continues to stave off a resurgent AfD party with the SPD chairwoman Nahles considering [pulling the plug on the coalition](#) due to plummeting performances in polls. We believe a [German election is likely this year](#) and we continue to warn investors on the developing political situation. With the AfD agitating for deep EU dis-integration or even an [exit from the EU](#), Germany's economy performing [weaker than expected](#) and Merkel's imminent departure, Bund spreads could be hit as well as a weaker EUR.

Chart of the Week

Source: [BlondeMoney](#)

Meaningful Vote Results				
	Votes FOR	Votes AGAINST	MARGIN	TORY REBELLION (of 317)
BM Prediction	209	433	-224	116 (37%)
ACTUAL:	202	432	-230	118 (38%)

BlondeMoney Probabilities:



n.b. these are subjective estimates made by BlondeMoney

	OPTION A	OPTION B	OPTION C	OPTION D
BREXIT OUTCOME	No Brexit 0%	Leave March 2019 -5%	Leave after March 2019 +5%	Disorderly Brexit 0%
UK PRIME MINISTER JAN 2020	Jeremy Corbyn -10%	Theresa May 0%	Other +10%	-
TRUMP RE-ELECTION	Trump leaves before 2020 0%	Trump wins a second term -10%	Trump leaves after one term +10%	-
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*