BM Political Highlights

Week Beginning 18/02/19

Top 3 Political Stories This Week

- <u>Seven Labour MPs resign</u> from the party with an <u>eighth joining them</u> today; Brexit Sec Barclay confirms that the UK will present <u>legal changes to the backstop</u> written up by Attorney Gen Cox to the EU
- Pres Trump declares a <u>national emergency</u> to fund his border Wall; US-China talks have <u>yielded</u> "big progress"
- Spain PM Sanchez fails to pass his budget through Parliament and calls a snap election for April 28th

BlondeMoney View

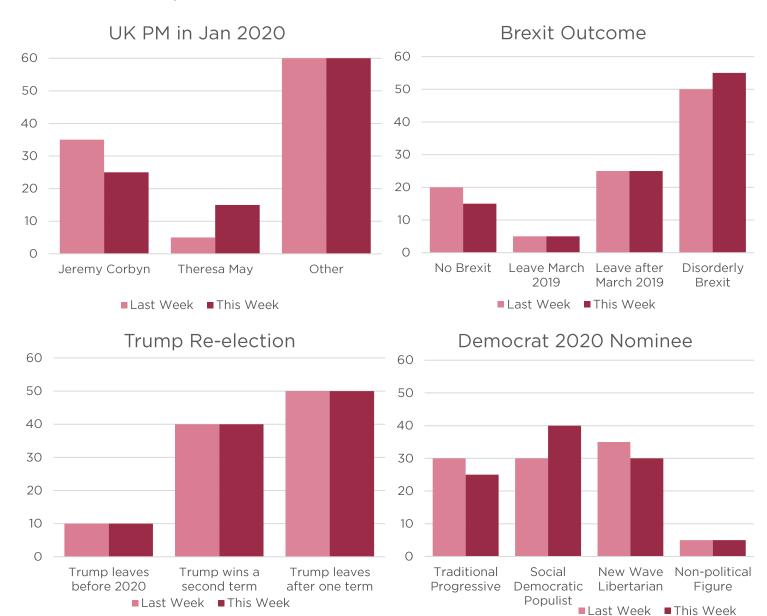
- It was a matter of when not if there would be a split in one of the two major UK parties. Seven pro-EU backbench Labour MPs left their party on Monday, followed by another this morning. They left due to the following: 1) Labour is "institutionally anti-Semitic", 2) Labour has been "hijacked by the machine politics of the hard left" and 3) for enabling a Tory Brexit. Up to 30 Labour MPs were in discussion to resign before the eight went over the top alone. Three Conservative MPs have now joined them, citing 1) "a shift to the right", 2) "the Government's disastrous handling of Brexit", and 3) "running down the clock amounts to a policy of no deal". The announcement was not a formation of a new party; rather it has been kept deliberately vague in order to lure those from both the left and the right. With the demise of Liberal Democrats, there is public appetite for a centrist pro-EU party with people feeling politically homeless. Should it become clear that Downing's St plan remains to run down the clock, Europhile ministers have warned that up to 22 ministers will resign. As the No Deal deadline moves closer, pro-EU MPs are moving further away from their party line. Parliament is moving further apart and getting angrier with May's tactic of pushing her deal to the last moment. Unless they can coalesce around an alternative course of action, their protest will be in vain. May's government is also in question as her 'majority' dwindles. GBP should struggle under the sheer weight of uncertainty and Brexit deadlock.
- True to form, Trump has chosen to go nuclear and declare a national emergency. With 16 states now preparing to sue the President, it is likely to remain caught up in the courts for a while before anything is put into place. Trump remains belligerent and reassured voters that "we'll win in Supreme Court". The consensus legal opinion is that he will not win in the Supreme Court although it will be close. The market reaction was muted, with US stocks rising during the press conference as another shutdown had been avoided. Should Trump not get his Wall, in his need to curry favour with his rural white voter base, he will harden his stance to China talks and re-introduce tariffs so as not to appear weak. Elsewhere, second-place 2016 Democrat Sanders has announced his candidacy. We expect now lesser known left-wing progressives Harris and Warren to lose significant ground as Bernie dominates headlines and captures their voters.
- Having failed to pass his budget through Parliament, Spain PM Sanchez was forced to call a snap election. While polling suggests he would increase his vote share, he will not command an outright majority and could open the door to the centre-right. Nationalist sentiment will be key. The trial of Catalonian leaders has just begun and sitting Catalan independence parties feel deeply aggrieved (part of why they voted against the Socialist budget). Sanchez invested huge amounts of political capital to keep the Catalans onside, as it was their opposition which eventually lead to the dethroning of previous PM Rajoy. With the right-leaning parties universally against any Catalan dialogue, Sanchez's discussions in Barcelona have been easy pickings for opposition lawmakers. However, it is the rise of Vox a far right, fiercely nationalist and Eurosceptic party that has allowed Sanchez to position himself as the reasonable centrist between two extremes (the three parties on the right, and the Catalan separatists). Should the right emerge as the largest force, there is precedence for a possible coalition as seen in December's Andalusian election. Either way, Spain's political turmoil continues and the April election will provide a bellwether on populist party performance ahead of May's European elections.

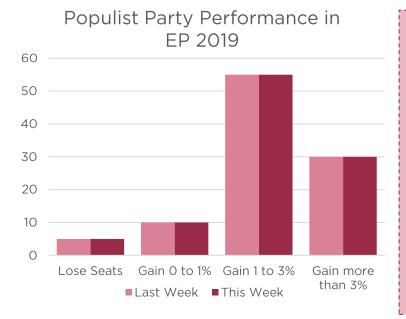
Chart of the Week

Source: El Periodico



BlondeMoney Probabilities:





- UK PM Jan 2020: Corbyn has been rattled by the resignations, whether he admits it or not. The Labour party is weakened with the Conservative divisions remaining out of the public eye.
- 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 are linked to the delivery of his 2016 campaign promises. His voter base is demanding and expect results: China near a trade deal and/or the Wall getting through Supreme Court unscathed are now inexorably linked to Trump 2020
- Democrat Nominee: Sanders joining the race means that the big names may follow. Bernie has the experience, the campaign machinery and policies to win.
- EP Election: Populist parties around Europe are now looking to Spain to see how the far-right populist party Vox performs to see if their policies can gain traction.