

BM Political Highlights

Week Beginning 25/02/19

Top 3 Political Stories This Week

- UK PM May proposes bringing forward a [series of three votes in three days](#) to Parliament, including option to extend Article 50
- Pres Trump: “as a result of very productive [US-China] talks, I will be [delaying the US increase in tariffs](#)”
- 5-Star candidate in Sardinia local elections wins [only 11% of the vote](#) with League right-wing bloc candidate winning 48% of the vote

BlondeMoney View

- PM May was brought to heel by her more moderate pro-EU MPs yesterday, even as Cabinet Brexiteers [frothed](#) at the “kamikaze” Remainer ministers who [threatened to resign](#) if a Brexit delay wasn’t on the table. Now, if her Meaningful Vote fails again, MPs will be given a vote on if the UK should accept ‘No Deal’ the following day. If No Deal is rejected, then the day after that there will a vote on extending Article 50. The length of the extension is the key to deciding if any extension is passed. EU officials have touted [a 21-month extension](#) with the UK participating in the European elections, and some have suggested an “open-ended” solution to allow as much time as is needed to get a deal through and avoid the dreaded No Deal. While this shift in Brexit policy saw GBP rally, we are quick to point out this [does not remove the risk of No Deal](#). As pro-EU MP Ken Clarke put it: “she has just created a new cliff edge”. Deadlock remains however, with Labour now offering a path towards a second referendum to avoid more defections to the growing TIG. It looks like a cheap offer, with Corbyn aware that there is **no majority in Parliament** to agree to it (see our table below). Parliament remains split and No Deal remains the default unless something changes. Any GBP strength will be short term as the No Deal risk remains.
- President Trump announced that due to the “[substantial progress](#)”, he will delay the upcoming March increase of tariffs on China to allow negotiations to continue. Trump further buoyed trade optimism when he announced that President Xi would visit the US for a “[signing summit](#)” for a trade deal – although he did give himself a way out by saying “it might not happen”. Trump’s decision to announce a delay to tariffs a week before the deadline shows that the Commander-in-Chief is agitating for a deal – much to frustration of chief negotiator [Lighthizer](#). Trump’s eagerness leaves Washington open to accepting a deal which does not have the core structural concessions that White House advisors have demanded. The Chinese, sensing they are on the better side of the deal, have been [keen to stress](#) in Western media that the proposed arrangement “may upset people... in both [Beijing and Washington]”. USD and trade-sensitive antipodeans responded to the positive tone with broad strength and we would expect this to continue over the next week as details surrounding the final China trade agreement become clearer.
- Di Maio and his 5-star party continue to take an electoral battering at the hands of Salvini and his increasingly popular League party with the centre-right candidate winning [48% of the vote](#) compared to the independent 5-star who only won 11%. Within the 5-star movement, the power struggle continues with senior members of the party calling on Di Maio to give [more power to grassroots members](#) after the poor electoral performance, but the leaders response was [emphatic](#): the results will “have no impact... on the internal life of the movement”. The Sardinian elections are a litmus test for each party’s popularity ahead of the European elections, with the island proving a fertile ground for populist movements. The agricultural community feels left behind as European conglomerates offer a milk price which makes their businesses unsustainable, causing tensions to spike as [farmers spilled their milk in roads](#) and [attacked milk tankers](#) on the streets. If 5-Star are failing to make ground here, unless something shifts, their European election result will be weaker than their coalition partners, perhaps even failing to gain any seats at all. With this dynamic stressing the coalition, we expect more erratic behaviour from Rome with BTP-Bund spreads to move to new highs before the May elections. We have already seen flashes of this with Salvini toying with the idea of [re-opening EU budgetary discussions](#) or [inheritance tax reforms](#).

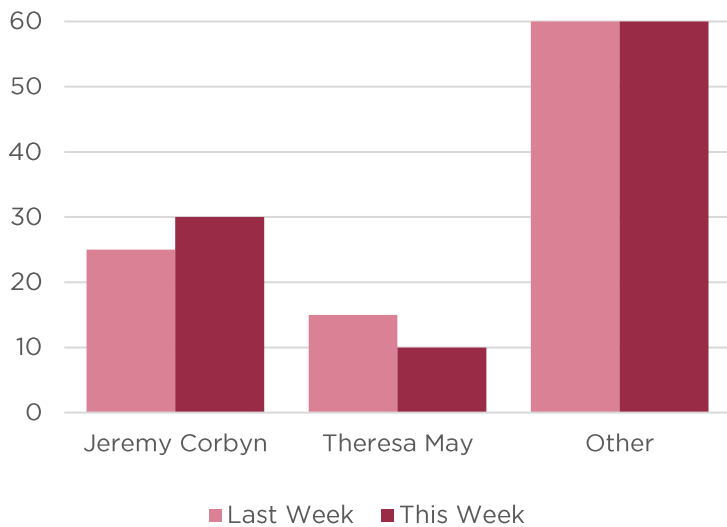
Chart of the Week

Source: [BlondeMoney](#)

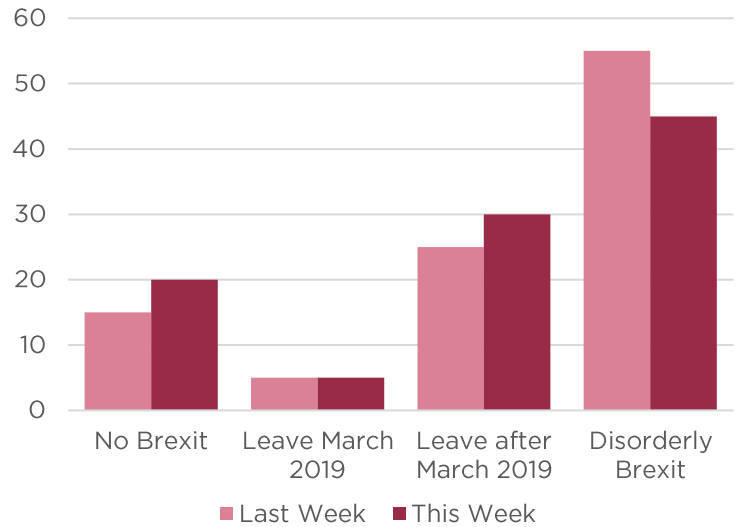
Second Referendum Support?		
	Yes	No
<i>Conservative</i>	9	304
<i>Labour</i>	231	14
<i>Independents</i>	15	5
<i>Other Parties</i>	51	10
Total	306	333

BlondeMoney Probabilities:

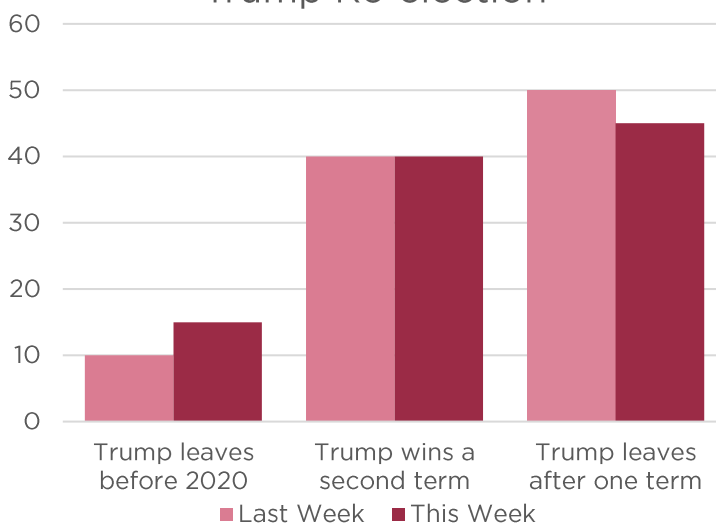
UK PM in Jan 2020



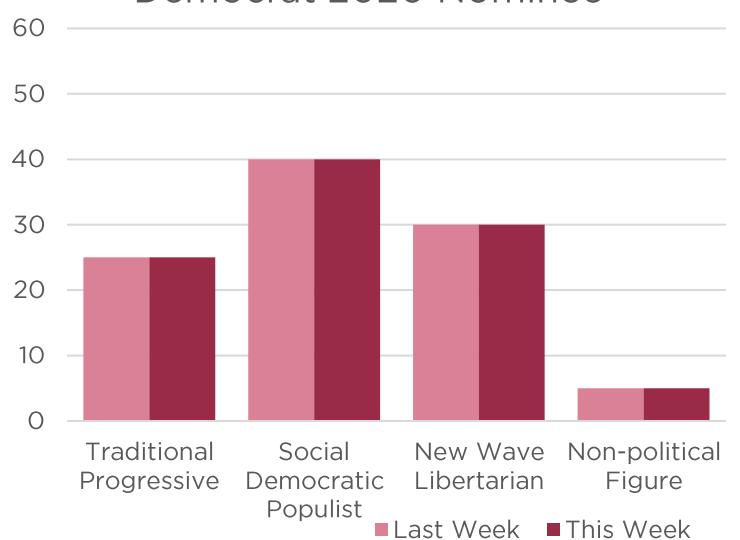
Brexit Outcome



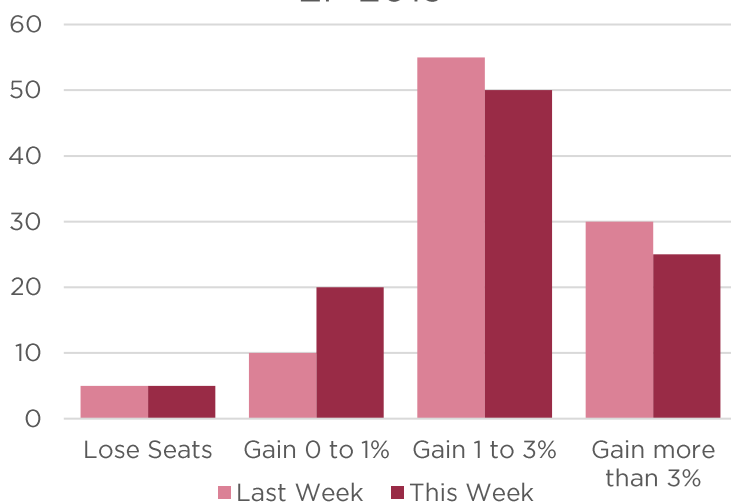
Trump Re-election



Democrat 2020 Nominee



Populist Party Performance in EP 2019



- UK PM Jan 2020: Corbyn's shift to a second referendum will boost Labour's and his election performance in London and University cities, while May continues to languish due to party in-fighting.
- Brexit: Article 50 extension seems increasingly more likely as May's shifts her policy, although a No Deal outcome remains the default.
- Trump: With news that Trump's former attorney Cohen is due to testify that DJT knowingly committed criminal conduct, the chances of Trump leaving before his term is up rise slightly.
- Democrat Nominee: A quiet week of campaigning with Biden coming out saying close family and friends were urging him to run. No news yet.
- EP Election: Italy remains the flagbearer for populism in Europe. However, with frictions between 5-Star and League ever increasing the populist vote could become split leaving the traditional centre-right or -left to take the seat.