

BM Political Highlights

Week Beginning 04/03/19

Top 3 Political Stories This Week

- DEFRA Minister [Eustice resigns](#) citing “the decision this [last] week to allow the postponement of our exit from the EU”
- US and China close in on deal which could [end almost all US tariffs](#); Pres [Trump attacks Fed](#) for raising rates and complains that the strong USD is hurting the economy
- European Parliament EPP group President Daul: Hungary PM [Orbán crossed a “red line”](#) and we will debate whether to [expel his party](#) or not

BlondeMoney View

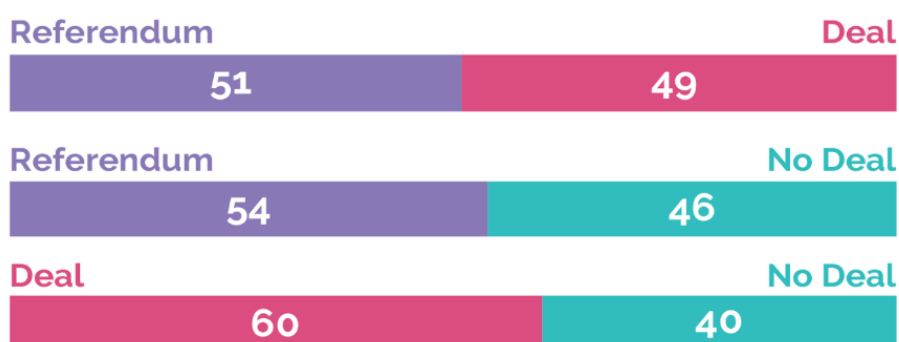
- In Brussels, Attorney Gen Cox came back [empty handed](#) from talks with Barnier, although there were unconfirmed reports that the EU called ambassadors from the EU27 member states for an [urgent dinner](#). Could we be close to an agreement? It is likely Cox et al has something to present to the Brexiteers to guarantee their vote. We think it’s unlikely to satisfy the ‘[three tests](#)’ they outlined earlier this week. Even if it’s enough for some, previous voting records indicate there is a group of [~20 Tory MPs](#) who are happy with No Deal and May has lost their support already. To make up the number, Downing St continues to reach out to Labour MPs, offering [an investment fund](#) to Labour constituencies and [a promise of a vote](#) on workers’ rights with [mixed responses](#). The market continues to under value the chance of No Deal meaning GBP to remain stronger in the short term with a re-pricing after next week’s votes.
- The Trump 2020 election campaign is now building up to full steam. Although he does not know who he will be running against ([no Clinton-Trump re-run](#)), Trump has tried to use his Presidential powers to gain easy wins and alienate competitors. Despite little to [no success in Hanoi](#) with Chairman Kim due to it not being the “*right time*”, the White House now moves onto his next big win: trade. The market and the USD remain led by the chances of a significant US-Sino trade agreement. Pompeo said talks “*are in a good place*,” and Beijing reiterated that “*important progress*” had been made. Both sides remain concerned that they are giving [too much to the other](#), but reports that a ‘signing summit’ could be on [March 27](#) will ease market nerves. Although the proposed agreement will roll back almost all US tariffs, there is little suggestion that the structural changes to China’s economy will be substantive. As details become clearer, we continue to expect a stronger USD in the short term. However, there is still a risk to the downside in the long term as Trump continues to upset global trade norms, this week [pulling](#) India’s tariff-free trading preference programme [and launching a probe](#) into Japanese titanium ahead of their bilateral trade talks.
- Orbán continues to cause a problem for Western EU members. While Macron appealed directly, in [22 languages](#) to boot, to EU citizens to “*chart together the road of European renewal*” with a swathe of reforms, Orbán’s Fidesz party put up anti-immigration posters attempting to smear current EU Commission President Juncker and Vice President [Timmermans](#). This move is unprecedented as Fidesz belongs to the same parliamentary group as Juncker. Orbán’s anti-Juncker campaign is a further sign of his emboldened attitude on the European stage. With current projections, Fidesz’s utter dominance of the Hungarian electorate could leave them the [third largest party](#) within the centre-right European bloc. However, this could change as the [EPP members](#) will now vote on whether to expel Fiedsz for their anti-immigration views. With the powerful [German conservative bloc](#) also now finally turned against Orbán, it looks more than likely to come to pass. Should this happen, their 12 MEPs will almost certainly join the far-right anti-immigration populist parties – giving them a huge boost in the May elections.

Chart of the Week

Source: [YouGov](#)

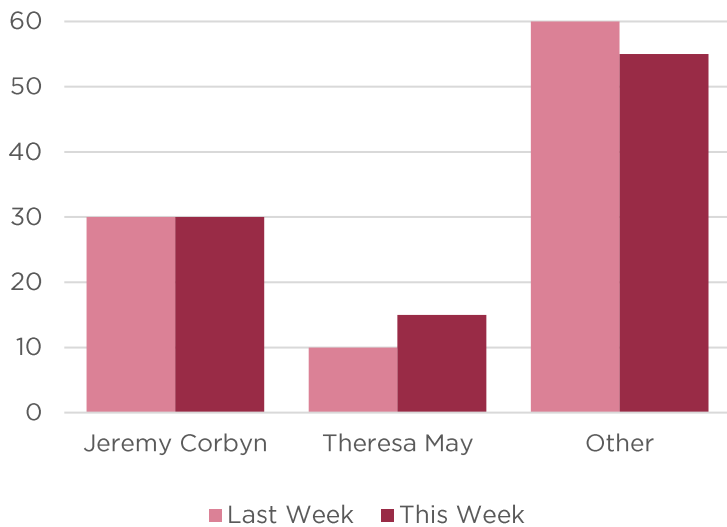
Deal, No Deal or Referendum head to heads

If you HAD to choose between the following, which would you prefer? %

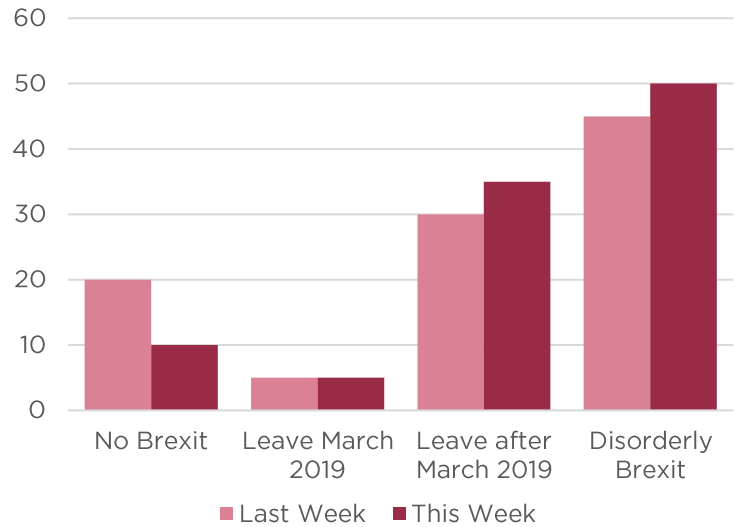


BlondeMoney Probabilities:

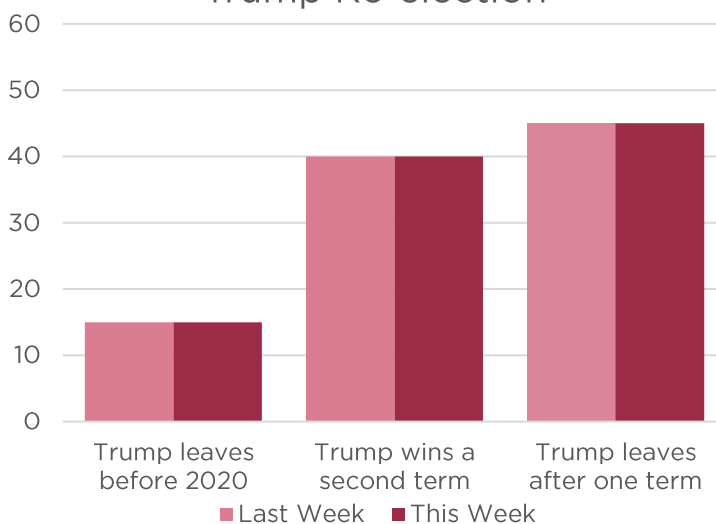
UK PM in Jan 2020



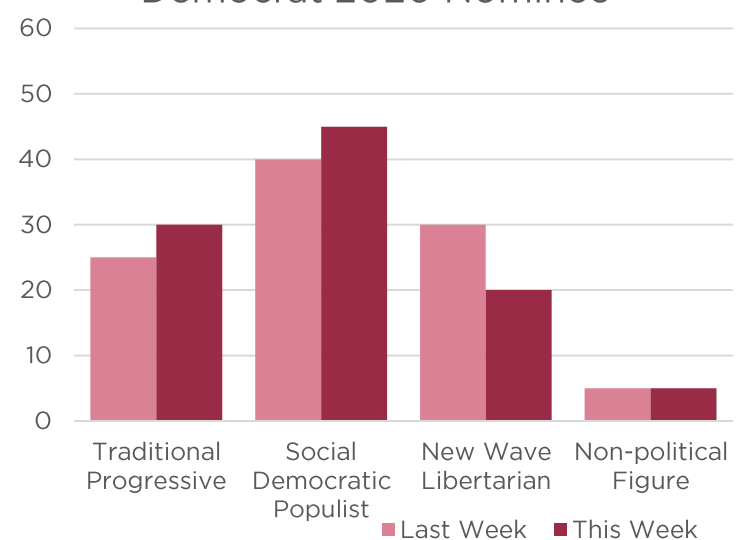
Brexit Outcome



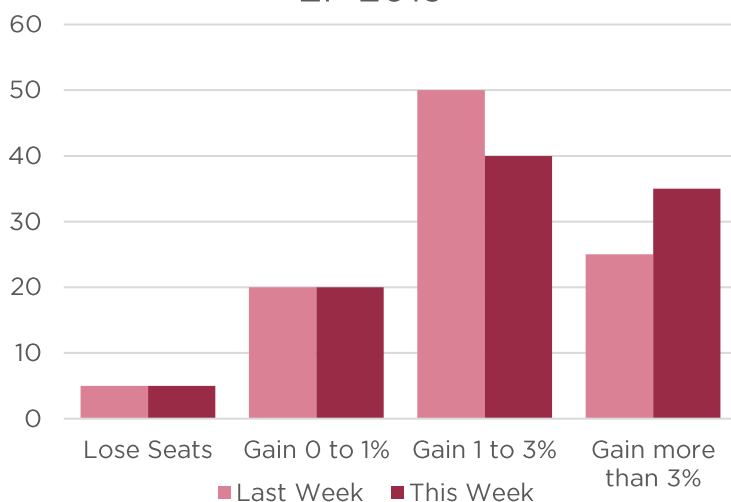
Trump Re-election



Democrat 2020 Nominee



Populist Party Performance in EP 2019



- UK PM Jan 2020: Theresa May, while still incredibly weak, has made small improvements in party unity. Although bogged down by knife crime this week, her chances of survival uptick by a small amount.
- Brexit: No Deal remains the default. Where does the UK go if all votes fail next week? No to May's deal, No to No Deal and No to A50 ext? Disorderly Brexit here we come.
- Trump: Nothing changes as Trump fights for re-election. Wavering supporters will be waiting to see if the China trade talks yield results and those who are ambivalent will wait for results of the House Democrats' legal probes.
- Democrat Nominee: Bloomberg and Clinton both rule out running, and with Sanders committing to run as a Democrat should he win, he remains the favourite. Household Democrats still wait for former Obama VP Biden to make a move.
- EP Election: Should Orban remove his party from the EPP, it is more than likely they will join a right-wing populist bloc. Fidesz could find themselves in the role of kingmaker should they be expelled.