

BM Political Highlights

Week Beginning 11/03/19

Top 3 Political Stories This Week

- UK PM May's Withdrawal Agreement [defeated again by 149 votes](#), with 75 Conservative MPs voting against it
- Trump Administration proposes a [record \\$4.75trn budget](#)
- New [French polls for the European Elections](#) show that Pres Macron's 'En Marche' are ahead of populist 'National Rally'

BlondeMoney View

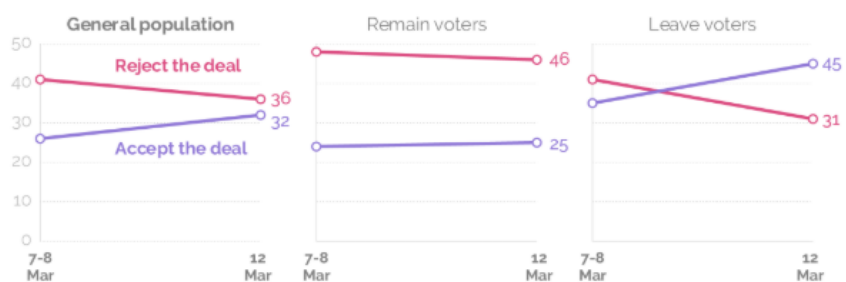
- May's Withdrawal Agreement fails to pass again and, albeit by a smaller margin, is still the [fourth largest ever](#) defeat in the House. After May confirmed her intention to bring the vote on whether the UK should rule out No Deal, a [series of amendments](#) with cross-party support could even make that a potential embarrassment for Downing St. Two to look out for: a) Spelman/ Dromey - supported by TIG, Labour and pro-EU Tories - which rejects No Deal as a final planned outcome AND as the default outcome (although that's legally impossible); b) [brought forward by Brexiteers and the DUP](#), forces the UK to follow the managed No Deal 'Malthouse Compromise'. Either way, both sides will be watching to see which way the PM herself votes to give an indication of the policy she will try and follow. The market had already priced in a May defeat, although on news she will continue with the two votes, GBP popped on the assumption an extension is inevitable. We would warn caution, as senior Tory MPs have already warned any extension would be a [direct conflict with their 2017 manifesto](#). The extension vote will be much closer than anticipated. May's position remains precarious, with [over 50% of the public thinking she should resign](#), and with no support from her own party. GBP will have a bumpy week, as any news could spell the end of May's premiership and open the gate to a No Deal by default.
- Trump announced a record annual [budget of \\$4.7 trillion](#), including a proposed \$8.6 billion to be spent on the Wall. Digging down there was a boost to the defence budget and diminished spending on healthcare, the EPA and on foreign aid. Outcry from Democrats across Congress was unified, denouncing it as *"toxic" and "destructive"*. The budget provides an indication of Trump's priorities, for example it does not follow the [contemporary GOP orthodoxy](#) of balancing the budget within ten years. Last year's shutdown was motivated in part by division over spending on the border wall and if a compromise is not reached by October 1 then the shutdown will repeat itself. If Trump's commitment to his Wall has not been dissuaded by last year's shutdown, it's unlikely that he will shift ground now, especially given its immense popularity with his voting base. This will lead to further disruption and uncertainty in US markets, reducing market confidence in the USD. However, confidence will be at least partially restored by Fed Chair Powell's unwillingness to be influenced by White House criticism; in a recent interview he [quashed any rumours](#) about his own job security. At the time of writing, all eyes are on former VP Biden to see if he will make a 2020 run with some Democrats trying to [pre-empt his announcement](#). Should he run, the broad public support and profile will catapult him to the front.
- Polls show Macron's Le Republique en Marche have [made a 1% gain](#) in support against Le Pen's populist National Rally. Last week's direct appeal to the European population at large to reject populism appears to have had some impact. It is too early to tell if this is a more substantive trend, but it comes as Macron is the first mainstream political leader to fight fire with fight. His unashamedly pro-European platform pledges to adopt protectionism and rejects National Rally's nationalism in favour of European coherency. There will always be variance in polling, but this is a theme seen across the continent. Recent polls in Spain have shown the incumbent Socialist party continues to [pull away from their rivals](#) with the populist Vox party remaining at their pre-election levels. Elsewhere in Germany, Merkel's protégé Kramp-Karrenbauer has written an op-ed calling for EU countries to [embrace their "individual responsibilities"](#) ahead of the European elections. We remain of the view that the Populist parties will gain seats in May, and should Orban's Fidesz join them, become one of the top four parties.

Chart of the Week

Source: [YouGov](#)

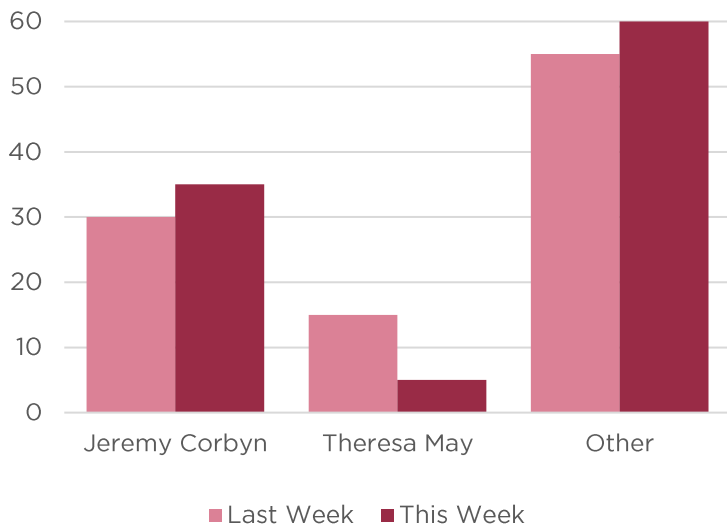
Leave voters now tend to want MPs to accept the Brexit deal

If the House of Commons rejects the deal, the government has said it will put forward votes on whether Britain should leave without a deal on the 29th March, or request a delay of Brexit until after 29th March to allow more time. If you had to choose, would you rather... %

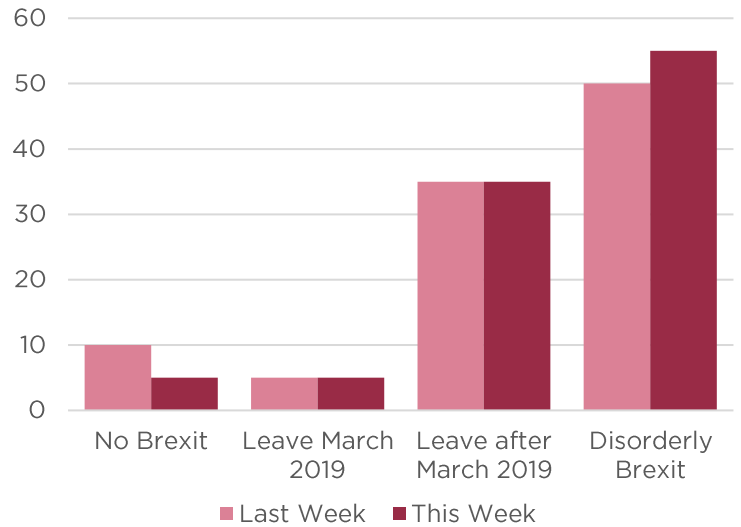


BlondeMoney Probabilities:

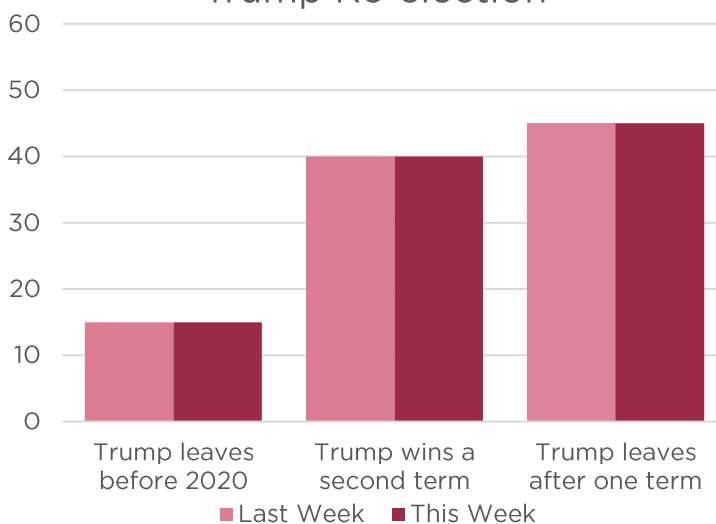
UK PM in Jan 2020



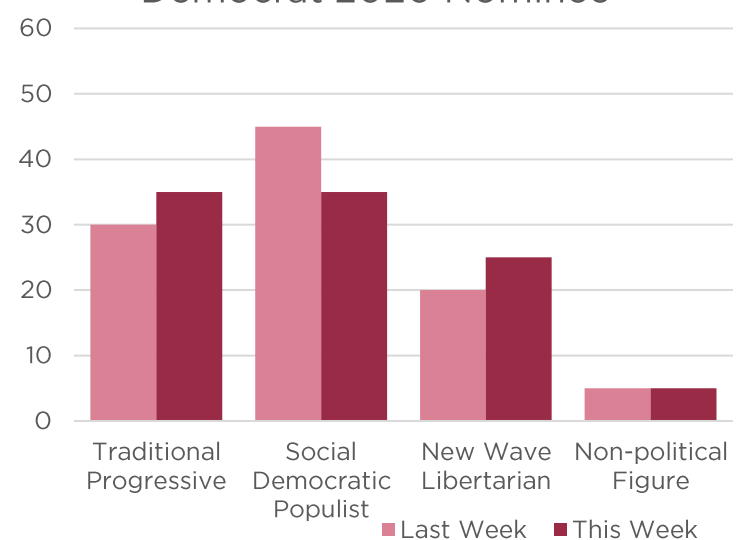
Brexit Outcome



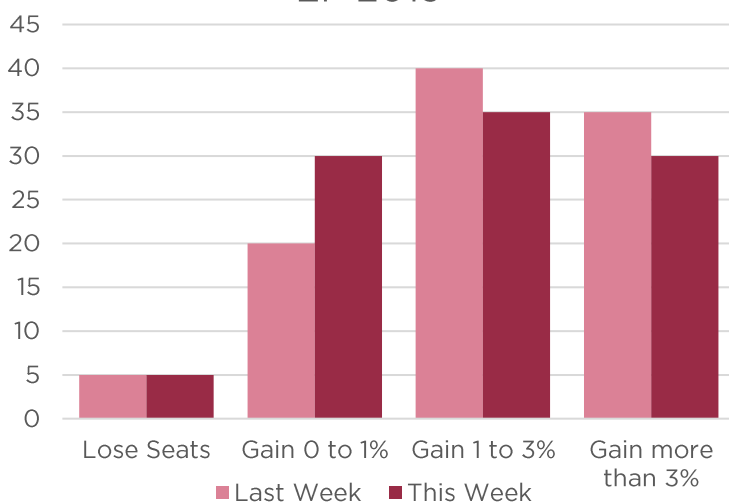
Trump Re-election



Democrat 2020 Nominee



Populist Party Performance in EP 2019



- UK PM Jan 2020: May remains in Downing St although clamour for her resign continues to grow. We know, due to the Party's history with Men in Grey Suits removing a female leader, she will not be forced to do anything.
- Brexit: Who is in charge? It looks like Parliament has the bit between its teeth. No Deal by default still looks the most likely, with an extension of A50 still probable. While May is in Downing St, she cannot call a second referendum,
- Trump: A quiet week in Washington, with Trump announcing his HUGE budget. Unlikely to see any reaction until later in the week.
- Democrat Nominee: All eyes are waiting for Biden to make that jump, although there are suggestions Texas darling O'Rourke could also enter the race after successful money raising efforts.
- EP Election: Established parties are beginning to fight the populist's parties rather than treat them with disdain and dismiss their efforts. This could lead to a weaker electoral performance as the damage of Brexit on the UK is weakening the Eurosceptics case.