

BM Political Highlights

Week Beginning 18/03/19

Top 3 Political Stories This Week

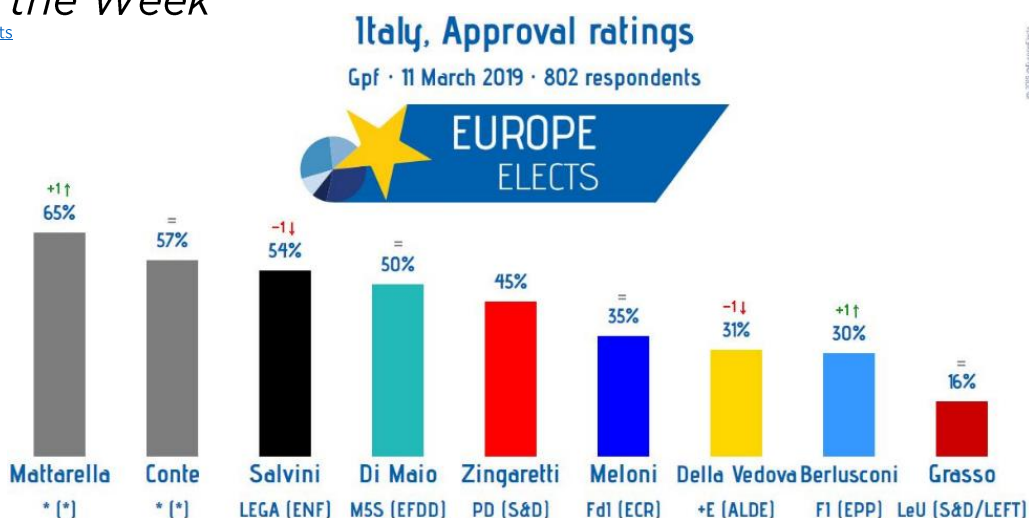
- UK PM May will ask EU27 for a [“short delay” to A50](#); Speaker Bercow tells the Govt they [cannot bring a third Meaningful Vote](#) unless there has been [“substantial changes”](#)
- President [Trump will not meet with China Pres Xi](#) this month to sign off US-China trade deal; Chinese negotiators [push back](#) against US demands
- EPP members vote on whether or not to [suspend Hungary Pm Orban’s party Fidesz](#)

BlondeMoney View

- 1,000 days after the June 2016 referendum, and Brexit remains unclear and undecided. PM May’s plan to keep bringing her Withdrawal Agreement to vote as she runs down the clock has been quashed by the Speaker this week who ruled that, under a [precedent set in 1864](#), the UK Govt would not be allowed to table the Meaningful Vote again unless it was [“substantially”](#) changed. Both Remainers and Brexiteers rejoiced at Bercow’s ruling, as both believe it helped their case to either: leave on No Deal (by default) or No Brexit (endless extension or a second referendum). Downing St has more pressing issues trying to decide the length of the A50 extension. Media leaks range from [3 months to 2 years](#), it is now clear that the PM [“won’t be asking for a long extension”](#) after pro-Brexit Cabinet ministers and the Tory Brexiteer rump [drag](#) her in front of the Conservative backbench 1922 Committee for questioning. No Deal remains the default and with May’s deal [not getting any better according to the EU](#), it is unclear what difference a short extension would make. Barnier has also warned that a delay could [mean a “new event”](#) such as a general election or a second referendum. Although GBP remains buoyant on optimism of an extension, the coming days should reveal that outcome is highly uncertain and the clock continues to tick down to No Deal. We look for a re-pricing of GBP lower into next week.
- US and China have agreed a new round of trade talks, aiming to reach a [deal by late April](#). Trump declared that he would be willing to walk out of a meeting with Xi if he didn’t like the [terms of their deal](#), and Chinese negotiators expressed concerns over Trump’s failed Hanoi summit with North Korea’s Kim, concluding that a deal should be locked down before the presidents meet. However, Trump’s interest in reaching a trade agreement quickly to boost re-election chances may [undermine US negotiation strategies](#). Chinese inroads into Europe through Huawei and potential BRI extension to Italy are indications of this, as there is [growing concern in the West](#) over increasing Chinese influence. American efforts to convince Europe to ban Huawei have largely met with [failure](#), with Merkel asserting independence and criticised the US discussion of [“sensitive security issues”](#). Trump’s tough talk is motivated by concerns for re-election, as quick resolution is a priority for Trump. As the specifics of the deal become clearer, we would expect continued strength in trade-sensitive antipodean currencies and the USD. The likely trade deal is one which does not match the expectations which Trump has raised, as trade frictions may well continue to be a feature of US-China relations due to the US retaining tariffs to force China to stick to concessions.
- After an anti-Juncker billboard campaign which was accused of having [anti-Semitic overtones](#), the centre right EPP have confirmed they will vote on whether Orban’s party Fidesz should be suspended from the bloc. The EPP are stuck between a rock and a hard place: be too soft on Orban, and they risk bringing the bloc into disrepute; if Orban walks away, talk of an alliance with populist ruling Polish party could boost anti-establishment parties. Whilst the EPP is projected to lose dozens of seats, Fidesz is in with a chance of [making gains](#) domestically. Orban is known for his spirited defence of Christian values and anti-immigration policies – a move away from the EPP would leave some voters questioning the bloc’s conservative credentials. Being tough on Europe plays well to voters in Hungary but Orban has been careful to [“partially fulfil”](#) three criteria to continue to be a part of the EPP. Orban’s primary goal is power and the risk is that the populist wave hasn’t yet got the momentum to guarantee influence as part of a minority faction within the EU Parliament. Our expected outcome - a temporary suspension with a plan to bring Orban back into the EPP - would be an endorsement of traditional predictable politics over anti-establishment movements.

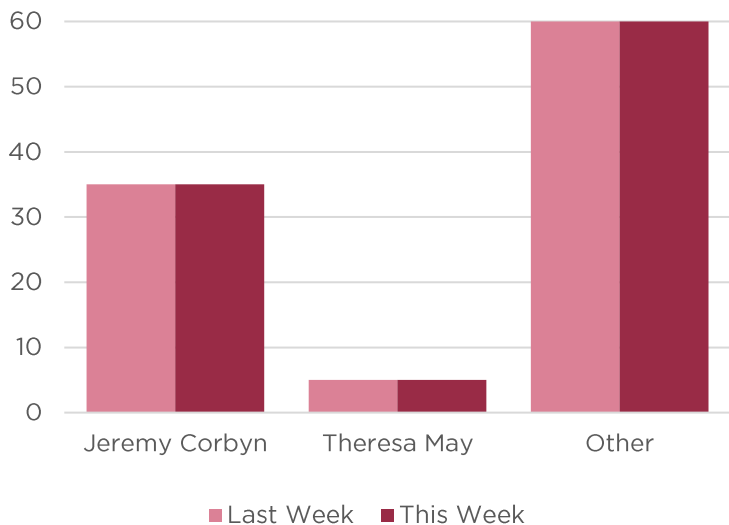
Chart of the Week

Source: [Europe Elects](#)

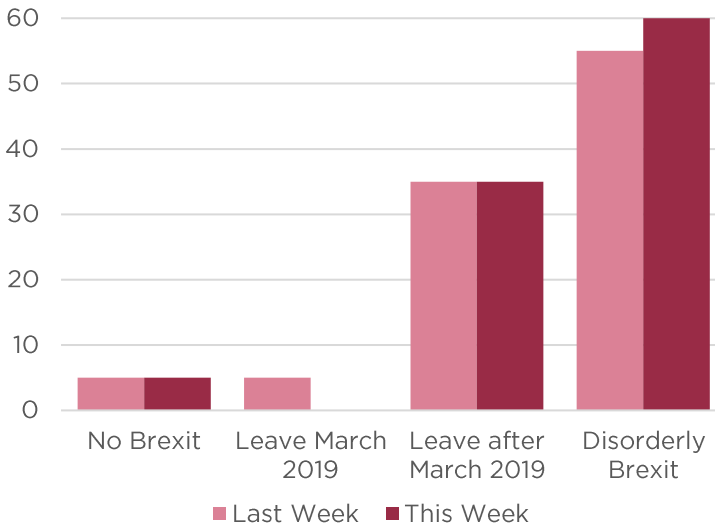


BlondeMoney Probabilities:

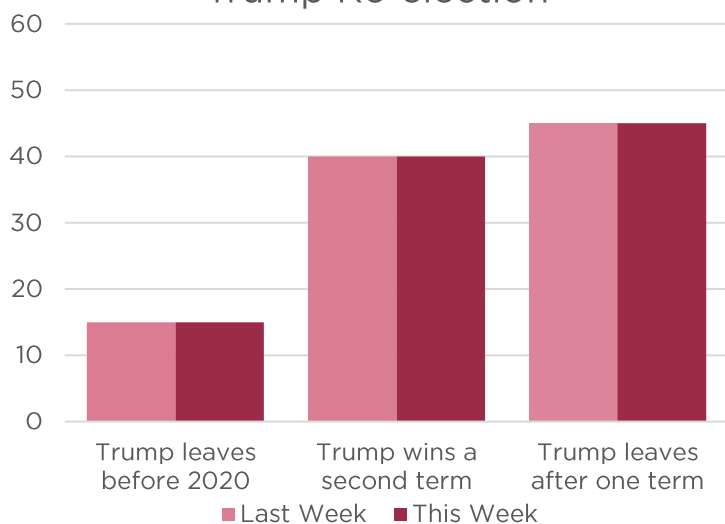
UK PM in Jan 2020



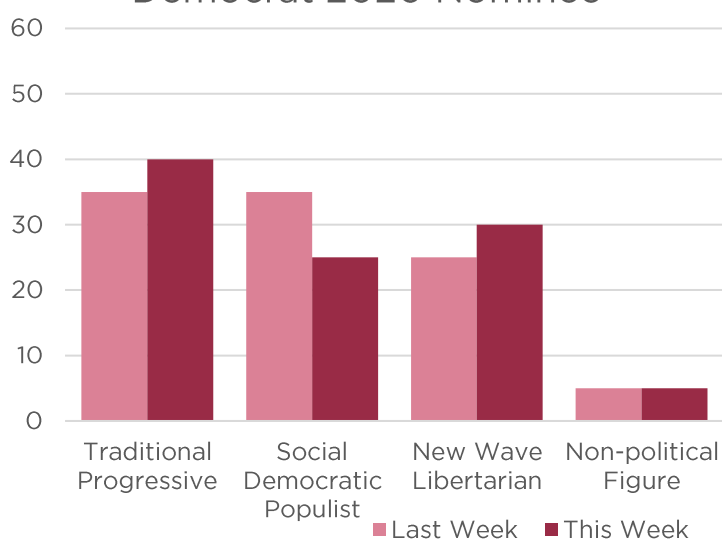
Brexit Outcome



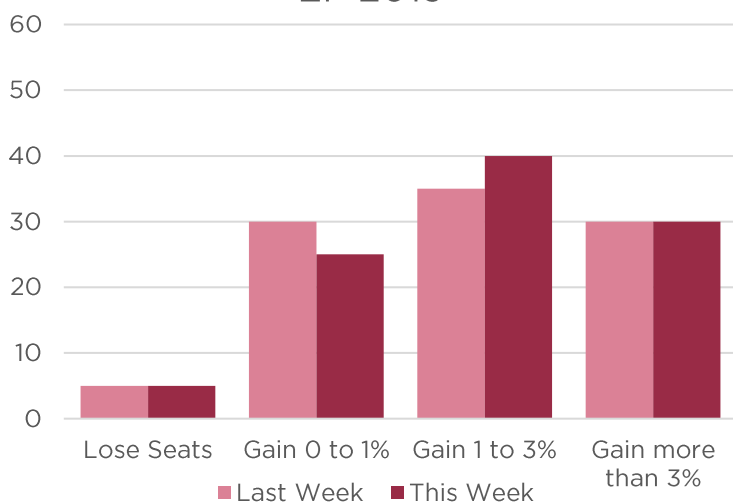
Trump Re-election



Democrat 2020 Nominee



Populist Party Performance in EP 2019



- UK PM Jan 2020: May continues to fight for her political life as the Brexiteer rump of her party bay for her resignation. Corbyn remains unable to unite the Labour party.
- Brexit: With May's MV3 now unlikely to be brought, there is no chance of an orderly exit on March 29 with an extension or No Deal outcomes the two binary choices for Cabinet.
- Trump: Trump's re-election chances are dependent on big wins, and the China trade deal will be the biggest of them all. He just needs to get it over the line.
- Democrat Nominee: Biden continues to make noises about running without formally announcing. If and when he announces, he will enter as favourite. O'Rourke continues to gather momentum and national support.
- EP Election: The EPP is responding with a show of strength against Orban and his Fidesz party hoping to root out any populist agendas within their own bloc. Should Orban leave, he will almost certainly join the populists boosting their performance.