

BM Political Highlights

Week Beginning 29/04/19

Top 3 Political Stories This Week

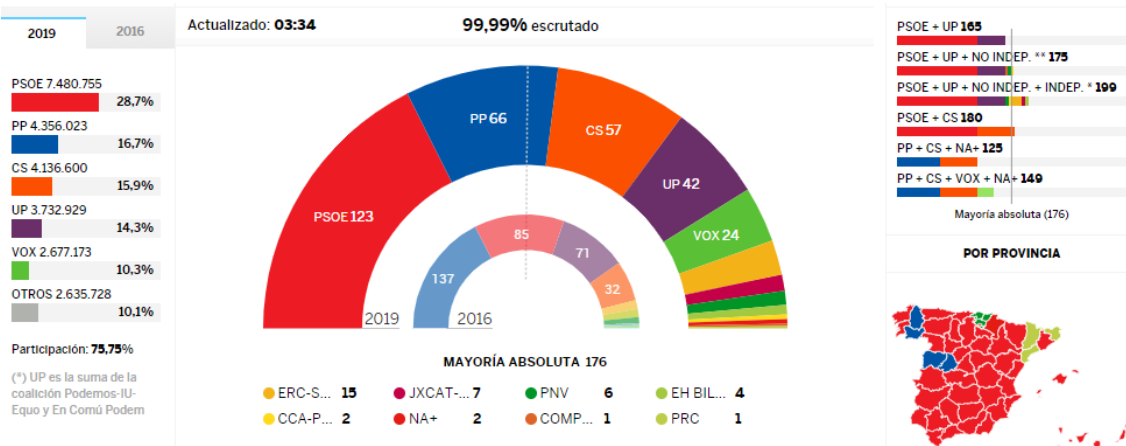
- Grassroots Conservative constituency chairs call for [PM May's resignation](#)
- US-China trade talks continue as [Mnuchin and Lighthizer arrive in Beijing](#); former Obama VP [Biden officially announces](#) his presidential campaign
- Incumbent PM [Sanchez wins the most votes in Spain's election](#) but not enough for an outright majority; far-right populist party Vox wins 24 seats

BlondeMoney View

- Functioning government is no more as Westminster is almost at a standstill with [Downing St scrambling to fill parliamentary time](#). May is determined to deliver Brexit before the end of this session of Parliament, and fearful that should the Queen's Speech go ahead, her own Brexiteers would vote it down – effectively killing her Withdrawal Agreement. All her hopes are now pinned on cross-party talks. Pro-Brexit Cabinet ministers are scared May could [capitulate to Labour](#) after reports there might be a [consensus "landing zone"](#) between the two parties. Elsewhere Labour continue to wrestle with their official stance of Brexit ambiguity as nearly [90 MPs and MEPs wrote to the Labour](#) leadership demanding a second referendum be part of their European election manifesto. Corbyn refused to be committed and faced down pro-EU members stating the manifesto will be ["fully in line"](#) with Labour's longstanding policy – support for Labour's 'Alternative Plan', agitate for an election and then if all else fails: another referendum. This falls short of what shadow Brexit Sec Starmer and dep leader Watson had been gunning for in recent days. Brexit will remain on the backburner until after tomorrow's local elections, in which both major parties look likely to suffer. With no deadline to force party negotiators into decisions, even the threat of European Elections doesn't look likely to yield a result. Stalemate will leave GBP assets rangebound.
- With most Democrats resigned to the Mueller report failing to produce an impeachment, Trump continues to wrestle national coverage away from other 2020 opponents and dominate the news cycles. As trade lieutenants Mnuchin and Lighthizer are in Beijing to finalise the ["granddaddy"](#) of all deals, a deal signing summit with Xi could be ready as [soon as June](#). Progress has been slow, and Kudlow had previously said talks could go on ["for months"](#) fuelling market despondency. However, there is renewed optimism after [Xi announced](#) China would not devalue the yuan and will continue to liberalise their closed markets. This will be a huge electoral win for Trump (especially with his rustbelt farmers who will benefit from the [boost in Chinese purchases of soybeans](#)) although his [desperation to get it over the line](#) could undermine the hard work. The 2020 Democratic field remains wide open, with former VP Biden now announced and leading in the [polls](#). Despite this lead, Biden ([someone traditionally poor at fundraising](#)) does not have the national small donor power of Sanders or access to the Californian rich of Kamala Harris. After the 2018 midterms, Democrats are also wary of another old white male candidate in a field filled with youth, females and minorities. Biden's announcement does, for now, place him as favourite to run against Trump but it is not a done deal yet. Trump is on the offensive against the Fed ahead of their meeting tonight, demanding 100bps of rate cuts and a return to QE to pump up the stock market. He will pull any lever he can get his hands on to generate positive US asset momentum.
- As predicted, Sanchez and his socialist party had the largest representation gaining 38 seats (here is [BM's full reaction](#)). However, as has been the case since the sovereign debt crisis, there will be a coalition government in Spain. What are Sanchez's options? His natural ally, the left anti-austerity Podemos lost significant ground compared to their huge protest vote 3 years ago, and together they do not cross the 176 seats for a majority. Sanchez will now have to either approach the centre-right Ciudadanos – who Sanchez has said are ["not part of his \[coalition\] plans"](#) but did not [rule out working](#) with entirely, or use the small nationalist parties to make up his majority. Although, Sanchez now rules the roost Madrid remains gridlocked; a small number of one-policy parties will continue to hold leverage over the Government while the Catalan independence issue rages on. With the threat of another election now removed, it is likely he will have to shift his position on Catalonia or the Basques (i.e. give them more money/ independent jurisdiction) to keep them onside. Add in [Spain's highest quarter-on-quarter increase in unemployment for 6 years](#), and Sanchez will have to spend money, adding to Eurozone woes. Spanish bonds should ultimately come under pressure once we are past the post-election relief rally.

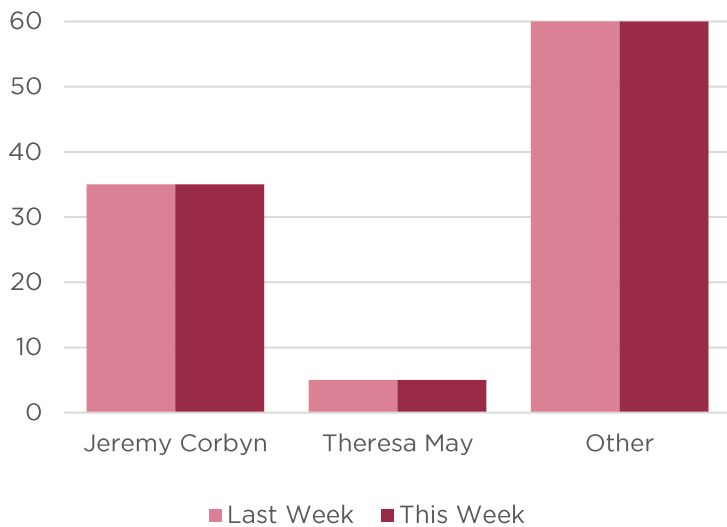
Chart of the Week

Source: [El Pais](#)

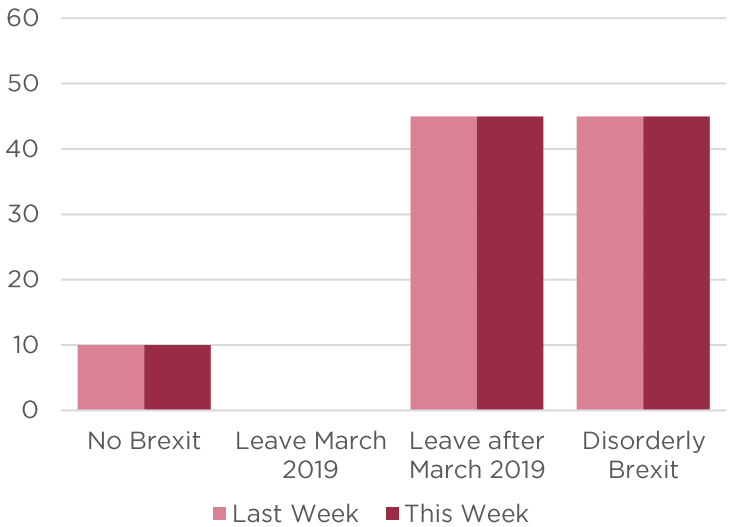


BlondeMoney Probabilities:

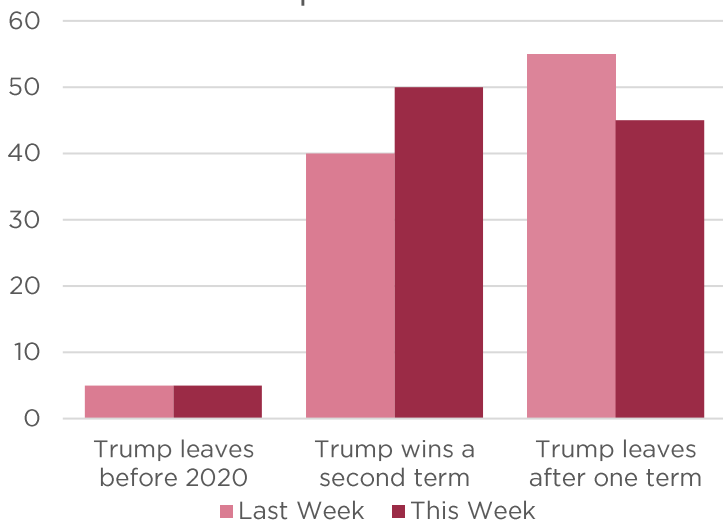
UK PM in Jan 2020



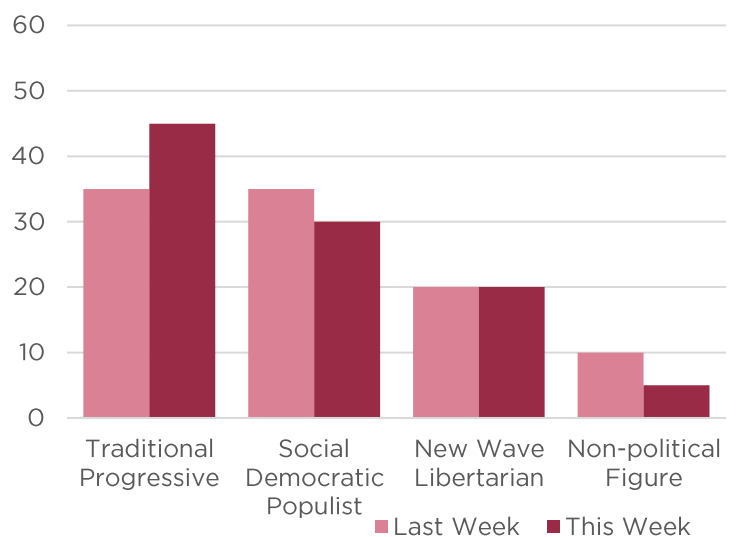
Brexit Outcome



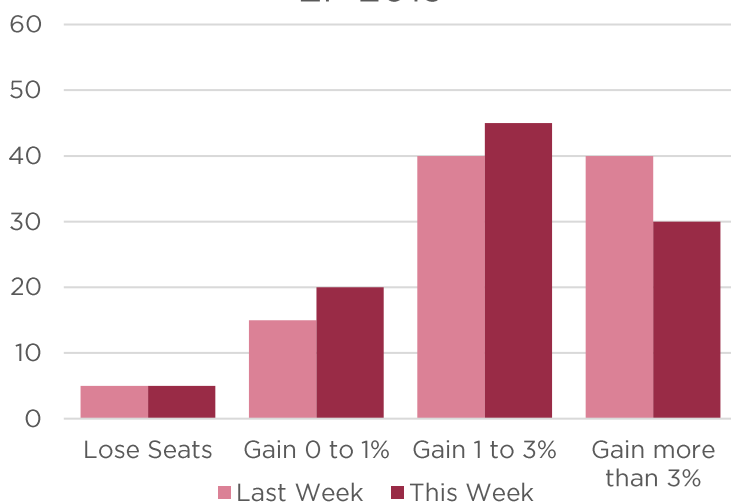
Trump Re-election



Democrat 2020 Nominee



Populist Party Performance in EP 2019



- UK PM Jan 2020: Theresa May continues to face calls for her resignation but she will not stand aside unless she is forced to do so.
- Brexit: Govt-Labour talks continue but with no signs of any compromise. Brexit will take a back seat until after local elections to minimise losses.
- Trump: Trump continues to trend upwards in opinion polls as the Mueller report leads to nothing, and an easing of trade rhetoric boosts his standing amongst rustbelt voters.
- Democrat Nominee: Biden's official announcement will immediately put him as favourite. However, Sanders' fundraising prowess, O'Rourke's centrist blank slate and Harris' credentials will entice those calling for a change from the past in the Democrat Party.
- EP Election: Vox's performance in Spain was not the national revolution some may have hoped for and performed slightly under expectations. Other European populists will have to learn to keep momentum for their movements going until May.