Weekend Update

• UK government attempting to pressure rebel MPs to support withdrawal deal

• Opposition may be gearing up for another confidence vote in government

• Polling for two main parties becoming mixed

It seems likely that this will prove a major week for Brexit, the government and GBP.

What happened last week in Westminster?

1: Indicative votes were held in Wednesday in order to see if a consensus could form in the UK parliament around any one approach to Brexit.

The three that came closest to finding a majority were:

  o A customs union with the EU (for 264, against 272)
  o A confirmatory referendum on any withdrawal agreement and any framework for the future relationship with the EU (for 268, against 295)
  o Membership of a customs union with the EU, plus a “strong relationship” with the bloc’s single market (for 237, against 307)

2: A vote was held on Friday on the 585-page Brexit withdrawal treaty. In the vote the government was defeated by 344 to 286.

3: The EU had already made it clear that if the withdrawal deal had not been passed by the end of Friday the UK government would need to “indicate a way forward” by April 12.
What happens next?

1: A second round of indicative votes is expected on Monday. MPs are also proposing to bring forward legislation on Thursday requiring the government to adopt their preferred Plan B.

2: The PM is reportedly considering making a fourth attempt to bring her EU withdrawal agreement back to the House of Commons, possibly as early as Tuesday.

What’s possibly happening in the government

The strength of opposition within the party to any of the options being suggested in the indicative votes was made clear this weekend. Over 170 Conservative MP’s (out of 313 active lawmakers in the party) sent a letter to the PM insisting she must uphold the manifesto commitments on Brexit, meaning there must be no long exit delay and no EU elections fought. Signatories included 10 Cabinet ministers and 20 other members of her Government.

There has been some suggestion that the PM is hoping to persuade rebel MPs that if they do not fall in line by supporting the negotiated withdrawal deal then the government will be forced into an even softer Brexit. Some signs of this emerged on Sunday morning. Downing Street may also be using the threat of calling a general election to pressure rebel MPs.

A confidence motion in the government?

There could be a risk to the government should it lose another vote on its withdrawal deal and then accede to the wishes of parliament overall while ignoring those of over half of Conservative MPs. This risk could be crystallised by a vote of no confidence being tabled by the Labour party.

There are 313 active lawmakers on the Conservative benches. In addition there are 10 members of the Democratic Unionist Party which supports the government by a confidence and supply agreement, as well as the 11 members of the newly formed Independent Group of MPs.

Active Labour lawmakers combined with MPs from the Scottish National Party, Plaid Cymru, Green Party, Liberal Democrats and the remainder of the independent MPs, number 304. It would therefore likely take 16 rebel Conservative MPs to actually vote against the government to bring it down.

Is the Labour Party preparing to bring another no confidence motion in parliament?

The shadow foreign secretary, Emily Thornberry, said on Sunday (when asked if Labour would put forward another no-confidence motion): “We shall see. I mean, obviously, it does look like the time may come when we will need to call another confidence motion.”

How are the parties polling?

Deltapoll (28-30 Mar): Conservative 36%, Labour 41%
Opinium (28-29 Mar): Conservative 35%, Labour 35%
YouGov/The Times (24-25 Mar): Conservative 36%, Labour 33%
Opinium/The Observer (20-22 Mar): Conservative 36%, Labour 35%
Ipsos MORI (15-19 Mar): Conservative 38%, Labour 34%
Survation/Daily Mail (15 Mar): Conservative 35%, Labour 39%

GBP

One measure of the potential significance of the events on Friday is that the decline seen in GBP against the USD on Thursday and Friday was the equal of any since the leadership challenge in mid-December (when it fell close to 2%). Given this it's worth highlighting that prior to December the sharpest post referendum decline over a two day period (once the initial volatility had subsided) came at the time of the flash crash in October 2016 (2.5% close/close) while the post referendum drop was a record breaking 11% (easily beating the previous record of 6.2% set at the time of the collapse out of the ERM in September 92).

GBP has performed in quite distinct ways during the run up to elections. Should election risk become more tangible we will return to look at this topic in depth.

Please direct questions or comments to:

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