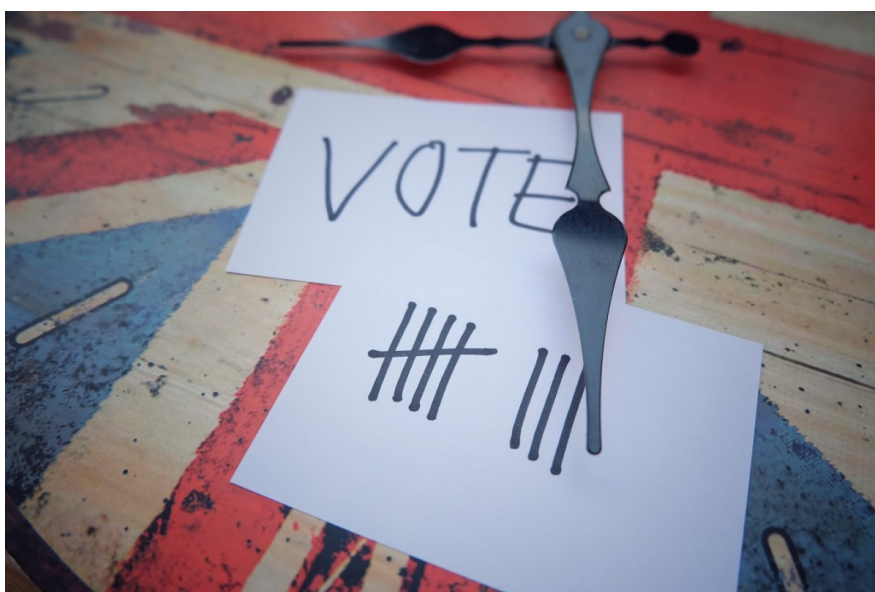


And then there were three...

With a general election in the UK averted, May's bill in its current form likely dead, and no deal being ruled out by Parliament, that doesn't leave many other options. I see three - not that this is my call...



What's left? Not much

I need to stress from the outset that the responsibility for the Brexit coverage and related calls lies with my excellent colleagues in London, notably James Smith, but no doubt with close co-operation with my old mucker James Knightley, and also our FX crew, with Petr Krpata also writing heaps on this together with the two James's. But it is eight hours until they will be getting in, so in the meantime, here are my own un-licensed thoughts:

In recent days, Smith and co have set out in superb fashion the various options of [what's next, as the Brexit saga has unfolded](#).

Their latest version prior to the vote of no-confidence, which Theresa May has survived, included a snap election, but also May's deal getting through, making an analogy with the TARP funding in the US in the financial crisis. However, having been so decisively thumped in parliament (lost by 230 votes - a 100 year record), it might be better off consigning May's bill to the waste-paper basket too.

That does not leave very much:

1. A no deal Brexit - which is being ruled out by most politicians
2. An alternative deal (can't be "Norway plus" as still doesn't deal with the Irish border questions without an EU customs union, which then clashes with EFTA's existing customs arrangements - but could be based on it, and look very similar)
3. Or a 2nd referendum, where options 1 and 2 along possibly with Theresa May's existing bill were voting items.

[As Smith has also pointed out](#), these various options, with the one exception of no-deal, would involve the UK asking for an extension of article 50 - so that looks virtually definite. Overnight, the EU has made overtures to suggest it is open to such an extension (this is their call, not the UK's, but the UK must ask for it), but the condition is that the UK must accept the Irish backstop, which seems unlikely ever to be passed under May's current bill, but which may not be an issue under a "Shadow-Norway plus" model with customs Unions.

All of which rather begs the question, why bother? As such a deal would not deliver the break with the EU wanted by the Brexiters, whilst taking the remainers out of the EU for no obvious gain. By the day, the case for a second referendum seems to be strengthening in my unauthorized view.

With a YouGov poll suggesting that such a referendum would be comprehensively won by the remain vote, this is at least one reason why sterling has rallied (see also this ["Silver Lining"](#) piece by Petr Krpata).

We would be writing about recent US data but...

...not that anyone will care, and rightly so, but economists are the latest victim of the US government shutdown. Today, we might have had some comment to make on US Retail sales, but that data is collected by the US Census Bureau, and is not being collated during the shutdown. We would also potentially have US housing starts data today too, but that is also affected.

I looked hard, but I could find no news on this overnight that would indicate any move towards ending this shutdown. Estimates of 0.1pp per week off 1Q19 GDP sound a bit wet-finger, but they are probably about the right ball-park. All of which lends credibility to the Fed pause thesis, though this doesn't seem to be hurting the USD too badly.

Day ahead.

We'll cover Singapore's very weak NODX And Australian housing data separately.

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