

## MNI POLITICAL RISK ANALYSIS - US Daily Brief 01-05-25

by Adam Burrowes

### The White House (times subject to change)

08:30 ET 13:30 BST	Press Briefing by the White House Press Secretary Karoline Leavitt and Deputy Chief of Staff Stephen Miller on 'Restoring Common Sense'
11:00 ET 16:00 BST	President Trump participates in a National Day of Prayer Event
12:00 ET 17:00 BST	President Trump receives his Intelligence Briefing
14:00 ET 19:00 BST	President Trump participates in a Swearing-In Ceremony for the Ambassador to the Italian Republic
20:00 ET 01:00 BST	President Trump delivers remarks at the University of Alabama Commencement
23:15 ET 04:15 BST	President Trump arrives Mar-a-Lago, Florida

### KEY DATES:

- ❖ House GOP target for concluding budget reconciliation: May 26
- ❖ White House target for concluding budget reconciliation: July 4
- ❖ Government funding expires: September 30

### Washington

President Donald Trump has another busy schedule today. Trump will hold a White House prayer event in the morning before receiving an intelligence briefing that is likely to be dominated by Ukraine and escalating tensions between India and Pakistan.

- In the afternoon, Trump will travel to Alabama to deliver his third speech of the week following a rally-style event in Michigan on Tuesday and a White House speech on investments in the country yesterday.
- First up this morning, White House press secretary Karoline Leavitt will hold another early morning presser with an administration official – a new trend for the week. Today, Trump's point man on policy, Stephen Miller, will brief reporters on "Restoring Common Sense".
- Over at Foggy Bottom, Secretary of State Marco Rubio will hold a morning meeting with French Foreign Minister Jean-Noël Barrot that is likely to focus on the war in Ukraine. The Trump administration's recent dovish pivot on Kyiv suggests that Trump may be slightly more receptive to European voices as he pushes for a ceasefire.
- There will be some press questions at the top of the meeting. State Department spokesperson Tammy Bruce will brief reporters at 14:00 ET 19:00 BST.

At a White House Cabinet meeting yesterday, Trump appeared to signal that Elon Musk is on his way out of his post at DOGE after a period of government reforms widely considered

to have fallen short of ambitious efficiency targets and negatively impacted Trump's approval.

- Trump said to Musk: "We all want to thank you for your help. You've sacrificed a lot. You're invited to stay as long as you want. At some point, he wants to get back home to his cars."

## Trade and Tariffs

Treasury Secretary Scott Bessent told Fox Business this morning that he will hold another meeting with a Japanese trade delegation today.

- Bessent also reiterated that "strategic uncertainty" is a central pillar of Trump's negotiating style and promised that the administration will "lessen uncertainty on tariffs every day and every week."

Senate Majority Leader John Thune (R-SD) avoided another embarrassing messaging vote in the Senate after former Majority Leader Mitch McConnell (R-KY) and Democrat Sheldon Whitehouse (D-RI) failed to vote for a resolution to block Trump's 'reciprocal' tariffs, resulting in a 49-49 tie.

- Three Republicans voted in favour of the resolution. The bill's co-sponsor Senator Rand Paul (R-KY) and the pair of moderates, Susan Collins (R-ME) and Lisa Murkowski (R-AK).
- McConnell's office said in a statement, "The Senator has been consistent in opposing tariffs and that a trade war is not in the best interest of American households and businesses. He believes that tariffs are a tax increase on everybody."
- The vote shows that, while anxiety is increasing in the Senate GOP, lawmakers aren't yet willing to call on Trump to moderate his tariff policy.

House Speaker Mike Johnson (R-LA) suggested an Axios event yesterday that Congress could step in to moderate Trump's trade agenda if there was an "imbalance" that encroached on the constitutional power of Congress, but stressed he would first "call the president and talk with him."

- Johnson said: "I think the executive has a broad array of authority that's been recognized over the years. If it gets close to where the imbalance is there, then we would step in."
- However, Johnson tempered expectations of Congressional action in the near-term: "...three weeks into the tariff policy of this new administration? I don't think it's appropriate for Congress to jump in the middle of that and try to legislate."

## Economy

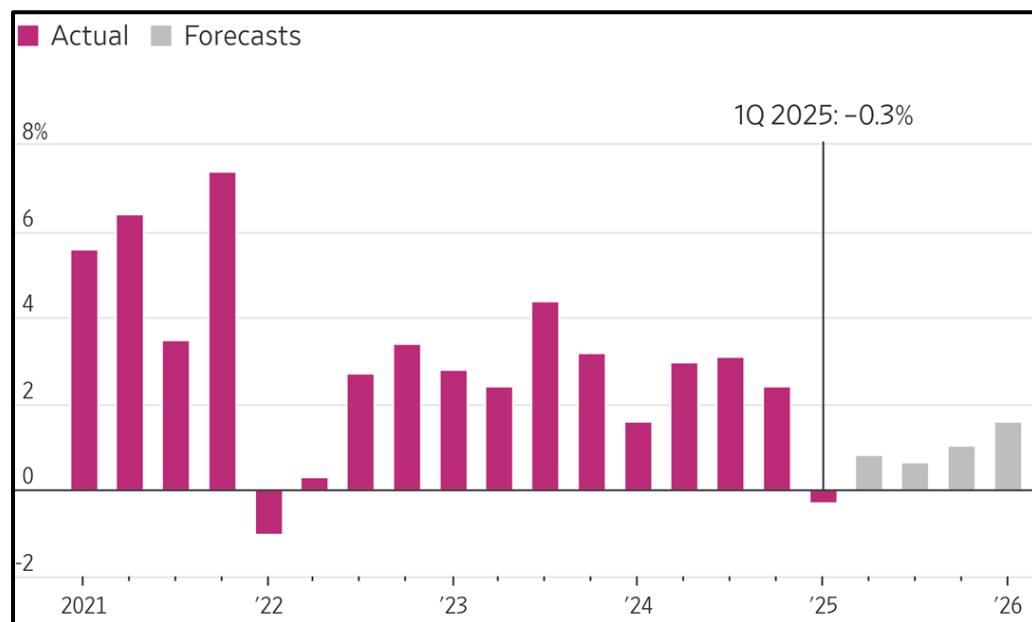
Trump is deploying two strategies to distance himself from negative polling related to his trade war. First, he is stressing that some of the economic fallout is inherited from the Biden administration. Second, his is calling on voters to endure a short period of pain for a long-term economic payoff, asking for "a little bit of time to get moving."

- Trump said at a Cabinet meeting yesterday, following a GDP report: “You probably saw some numbers today. And I have to start off by saying, that’s Biden; that’s not Trump.”
- In a message on Truth Social, Trump urged Americans to “BE PATIENT!!!” and then downplayed the impact of price rises at the Cabinet meeting: “Well, maybe the children will have two dolls instead of 30 dolls. And maybe the two dolls will cost a couple bucks more than they would normally.”

Bloomberg notes that Trump agreed with NewsNation host Bill O'Reilly yesterday, “there was a significant political risk to his efforts, and that they could result in Republicans losing control of the House of Representatives in the midterm elections if those perceptions don't change — but said he remained determined to push on.”

- As noted in yesterday's edition of this newsletter, polling suggests that Americans are unreceptive to the idea that economic weakness is inherited from Biden. An [NPR-PBS-Marist College poll](#) released Tuesday found that voters tie Trump to the economy at a higher rate than previous presidents.
- Trump also suggested he wasn't in a hurry to strike tariff deals with trading partners, likely adding to the uncertainty that is driving market turbulence: “We are sitting on the cat bird seat. They want us. We don't need them,” Trump said, adding that India wanted to “make a deal so bad.”
- The Wall Street Journal notes that in yesterday GDP print, “the difference between what the U.S. imports and exports—made the biggest dent in headline GDP in data going back to 1947.”

**Figure 1: GDP Change from Previous Quarter**



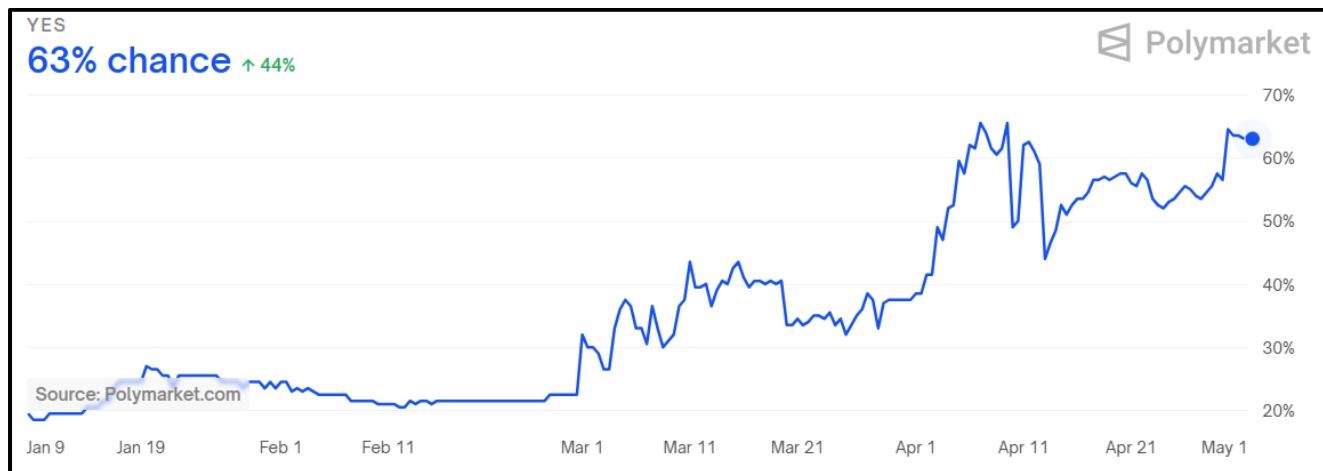
Source: *Wall Street Journal*

Semafor reports that analysts, “broadly agree that economic damage “could be substantial” if Trump continues with his whipsaw tariff approach and if companies start laying off workers.

Investors will be closely watching April's employment figures out Friday: Anything below six figures would indicate Trump's tariffs are hampering the economy faster than expected".

- In response to the GDP report, traders at Polymarket raised the implied probability of a recession in 2025 to roughly 65%.

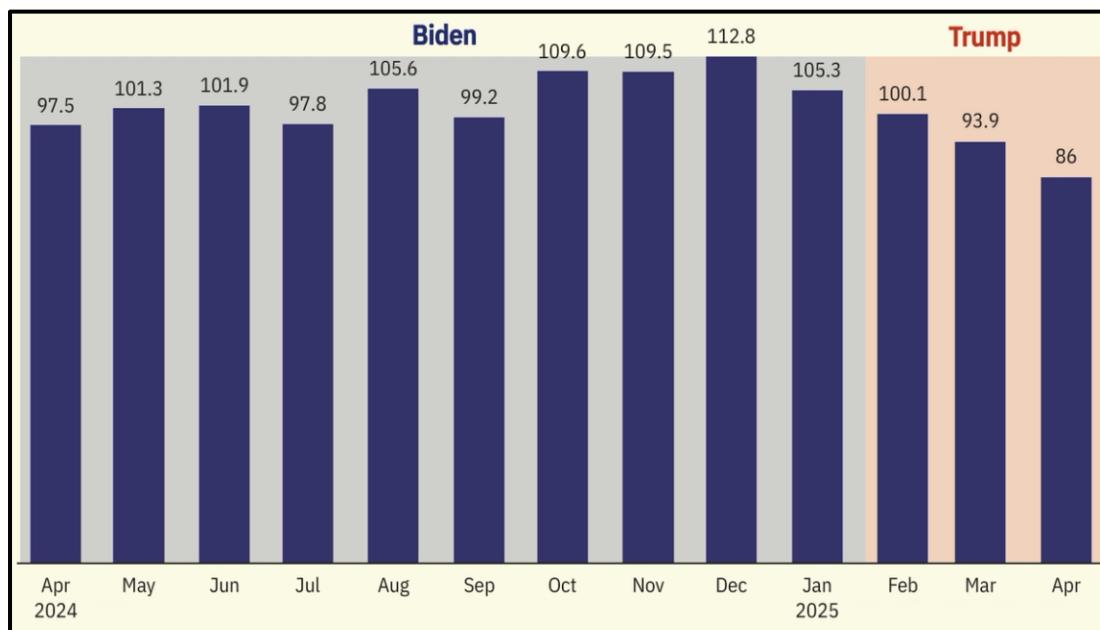
**Figure 2: US Recession in 2025**



Source: Polymarket

Politico notes that unless Trump "soon finds a face-saving retreat in his trade war, conditions are in place for a recession that Americans will feel viscerally... The signs are already here in gauges of consumer confidence, CEO sentiment, manufacturing surveys and other early indicators of a coming storm."

**Figure 3: US Consumer Confidence Index**



Source: Semafor, Conference Board

## China

Treasury Secretary Scott Bessent told Fox Business this morning that the US, “need to see a deescalation with China on tariffs,” adding that resolving the tariff standoff with China is “a multi step process”.

- Bessent again suggested that China has more to lose from a prolonged trade war with the US, saying if holiday orders not placed it “could be devastating for China”.

Chinese government-affiliated [media accounts](#) have reported that Trump administration officials have reached out to Beijing to initiate trade talks, adding more uncertainty to the level of ongoing negotiations.

- Pekingology [writes](#): “Messages published on Wednesday, April 30 (ET) by two well-known social media accounts in China, with established links to the Chinese government, appear to show Beijing is now ready to talk with Washington on the tariffs at the latter’s request.”
- Bloomberg notes: “The post casts a different light on behind-the-scenes maneuvering between the world’s two largest economies. Trump has repeatedly said President Xi Jinping needs to contact him in order to begin tariff talks and earlier this week, Treasury Secretary Scott Bessent said it’s up to Beijing to take the first step to de-escalate the dispute.”

Semafor reports, “both countries are suffering heavy losses: Chinese economic indicators are plummeting, while Los Angeles’ port expects cargo from Asia to plunge 35% next week.”

- An expert noted in The Conversation, per Semafor: “The prospect of economic decoupling between the world’s two largest economies is no longer speculative. It is becoming a hard reality.”
- Reuters reports that while the strain of tariffs has pushed China to boost stimulus efforts, it is holding off on additional measures, “betting on Washington blinking first” in a drawn-out trade conflict.
- Axios writes: “President Trump is putting China’s economy through a trillion-dollar stress test, and he may not like the result... [Bessent] insists China is far more reliant on the U.S. than vice-versa, and thus has no choice but to blink first. But Chinese President Xi Jinping’s hesitation to rush to the table suggests he thinks time is on China’s side... We’re about to get some indications of who is right.”

## Europe

The European Union is planning to share a paper with the US next week, “that will set out a package of proposals to kick-start trade negotiations with the Trump administration,” according to [Bloomberg](#).

- Bloomberg notes: “The paper will propose lowering trade and non-tariff barriers, boosting European investments in the US, cooperating on global challenges such as tackling China’s steel overcapacity and purchasing US goods like liquefied natural gas and technologies, according to people familiar with the matter.”
- Bloomberg adds: “The EU is also moving forward with plans to retaliate over the tariffs President Donald Trump has imposed on the bloc should negotiations fail,

according to the people. Those plans include more lists of US goods to hit with tariffs as well as possible export restrictions, Bloomberg previously reported.”

## Canada

Armed with a fresh mandate from Canadian voters, Prime Minister Mark Carney vowed to strengthen relationships with “reliable” partners in Asia and Europe.

- Carney said: “If the US no longer wants to be in the forefront of the global economy, Canada will. We are masters in our own home. We will build millions of housing units. We will become an energy superpower,”
- Carney and Trump had a [cordial call](#) shortly after his election win, but Politico reports that the White House, “likely won’t turn its attention to North American trade talks until later this summer”, which will allow Carney time to construct a workable domestic coalition.
- Looking ahead, Carney is scheduled to host a G7 Leaders’ Summit in Kananaskis, Alberta, from June 15-17. If Trump attends, it will be a crucial opportunity to gauge political sentiment within the group.

## Congressional Business

The House is IN

The Senate is IN

### Committee Schedule –

- [10:00 ET 15:00 BST](#): SENATE Banking: Hearings to examine insurance markets and the role of mitigation policies.
- [10:00 ET 15:00 BST](#): SENATE Commerce: Hearings to examine the nomination of Paul Dabbar, of New York, to be Deputy Secretary of Commerce

## Republican Legislation

House Republicans have made little progress in the first week of committee markups towards the ‘big beautiful’ reconciliation bill that will cover Trump’s tax, spending, energy, and border security agenda.

- House Speaker Mike Johnson (R-LA) has indicated that he is targeting a Memorial Day (26 May) deadline for completing the House’s work on the bill. More realistically, as Johnson confirmed yesterday in an event hosted by Axios, the real deadline is the debt limit X date, as the reconciliation package is expected to include a USD\$4+ trillion hike to the government borrowing cap. That date is likely to come in late summer or autumn, but the Treasury Department is yet to publish a formal projection.
- Over the next three weeks, Johnson’s committee chairs will be forced to write up legislation that covers a range of politically challenging issues, including cutting USD\$880 billion from the committee overseeing Energy & Commerce, making a final decision on scrapping clean energy credits, and coming up to a solution to the State

and Local Tax (SALT) cap issue – an existential political issue for a handful of blue-state House Republicans.

- The most critical meeting will be the Wednesday, May 7 Energy and Commerce markup session. Republicans on the panel are expected to meet again today to bridge the gap between moderates and conservatives on Medicaid cuts.

Punchbowl News notes on issues this week: “The House Transportation and Infrastructure Committee scrapped a \$20 fee on automobiles following a backlash. The House Judiciary Committee reversed plans to shift antitrust enforcement away from the Federal Trade Commission.

- “More importantly, the House Ways and Means Committee won’t even publicly commit to a date to mark up the \$4.5 trillion tax title of the reconciliation package, although we’re told May 8 is the target date.”

## Russia-Ukraine

Washington and Kyiv signed a long-awaited mineral deal yesterday that opens the door for Ukraine to receive additional security assistance from the US.

- While specific details of the deal are not yet forthcoming, The New York Times [reports](#) it “will create a U.S.-controlled fund that would receive revenue from Ukraine’s natural resources,”
- Security guarantees from the US are not included, but the fact that the US will have a vested financial interest in Ukraine remaining a sovereign nation could see Kyiv open up to the prospect of either direct peace talks with Russia, or giving its blessing for further US-Russia negotiations. On the US side, a desire to see the deal paying dividends as soon as possible will also provide additional impetus to talks.
- Experts have noted that Ukraine mineral wealth may be inflated: “Ukraine’s claims of critical minerals riches mainly rest on Soviet geological surveys done 30 to 60 years ago, not nearly recent enough to justify investment by Western financial standards. Ukraine’s government essentially invented its mineral riches to give itself a card to deal with Trump,” David Uren writes for [The Strategist](#).

Treasury Secretary Scott Bessent told Fox Business this morning that the US can use the minerals deal “to show the Russian leadership that there is no daylight between the goals of Ukraine and the US”.

- Bessent added that the partnership will “accelerate Ukraine’s economy” and allow Trump “to negotiate with Russia on a stronger basis.”

Republican Russia hawk, Senator Lindsay Graham (R-SC), announced plans yesterday to proceed with bipartisan legislation to impose additional sanctions on Russia and secondary tariffs on countries that buy Russian oil, gas and uranium, if Russian President Vladimir Putin doesn’t stop “playing games” with a ceasefire deal.

- Graham said of Trump: “I let him know what we’re doing. And I’m not going to speak for the president, but I will say that I hope he’s successful. I am somewhat optimistic we can get there. But we can’t let this go on forever.”

Figure 4: Critical Mineral Deposits in Ukraine



Source: New York Times

## South Asia

Secretary of State Marco Rubio held calls with his counterparts from India and Pakistan to calm tensions after a terrorist attack in Indian administered Kashmir raised the risk of the most serious military confrontation between the two nuclear-armed states since the 1999 Kargil War.

- The calls follow a Pakistani military report that claimed they had “credible intelligence” that India was planning an attack within 24-36 hours.
- AP notes: “Flare-ups between India and Pakistan have seen targeted attacks and reprisals, escalating slowly while giving each side the option to step back and defuse. Border skirmishes are common. But there is huge domestic pressure on India to respond this time because most of the victims last week were Indian.”

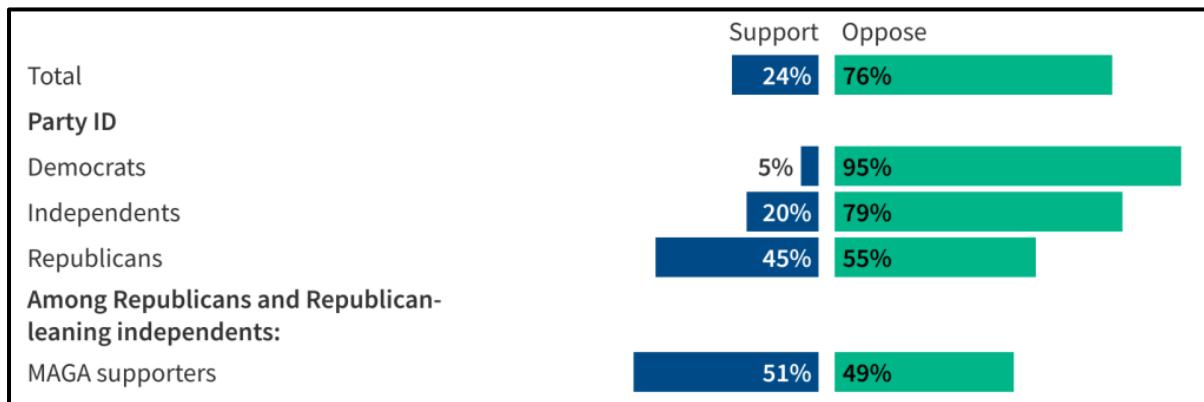
## Chart of the Day

A new [KFF Health Tracking Poll](#) has found that, “most of the public, including some Republicans, oppose deep budget and staffing cuts to federal health programs and agencies”.

- The report notes: “Across a range of questions, large majorities of Democrats and independents oppose the Trump administration’s major cuts to federal health

agencies and programs, while Republicans are more supportive. Those who identify with President Trump's Make America Great Again movement are even more supportive of cuts to health agency's staff and budget but still split on cuts to funding for Medicaid and a few other programs."

**Figure 5: Support for Medicaid Cuts by Political Affiliation**



Source: KFF

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