

MNI POLITICAL RISK ANALYSIS - US Daily Brief 01-07-25

by Adam Burrowes

The White House (times subject to change)

<u>07:15 ET 12:15 BST</u>	President Trump departs White House en route to 'Alligator Alcatraz', Ochopee, FL
<u>10:00 ET 15:00 BST</u>	President Trump participates in a Guided Walking Tour of 'Alligator Alcatraz'
<u>11:05 ET 16:05 BST</u>	President Trump participates in Roundtable Discussion, Dade-Collier Training and Transition Airport
<u>12:10 ET 17:10 BST</u>	President Trump departs Alligator Alcatraz en route to the White House
<u>14:45 ET 19:45 BST</u>	President Trump returns to the White House

KEY DATES:

- ❖ Target for Congress to send 'Big Beautiful Bill' to Trump's desk: July 4
- ❖ Government funding expires: September 30

Washington

President Donald Trump will depart the White House first thing this morning for Florida, where he will tour a new detention centre known as 'Alligator Alcatraz'.

- White House Press Secretary Karoline Leavitt said yesterday of the site: "The only way out is a one-way flight. It is isolated and surrounded by dangerous wildlife and unforgiving terrain. When you have illegal murderers and rapists and heinous criminals in a detention facility surrounded by alligators, yes, I do think that's a deterrent for them to try to escape."
- While on site, Trump will undertake a walking tour of the site for photo opportunities and participate in a 'roundtable discussion.'
- Politico writes: "Remember too that the row over "Alligator Alcatraz" is just the start of what's coming down the tracks. The vast amount of money set to be poured into border security thanks to the "big, beautiful bill" is going to mark a step change for ICE's capabilities — with thousands more agents hired, and large numbers of camps erected around the U.S. Stephen Miller's grand plan has only just begun."

Secretary of State Marco Rubio will host his three counterparts from the so-called Indo-Pacific Quad at the State Department today. He will also meet bilaterally with Japanese Foreign Minister Iwaya Takeshi and Indian External Affairs Minister Subrahmanyam Jaishankar, with discussions likely to touch on emerging trade deals.

- State Department spokesperson Tammy Bruce told reporters yesterday the meeting will reaffirm a "shared commitment to a free and open Indo-Pacific," and reinforce "joint resolve to defend sovereignty, strengthen regional maritime security, and build resilient supply chains."

The Trump administration yesterday moved to formally remove long-standing sanctions on the new Syrian government, with an eye on normalising ties with Israel and expanding the Abraham Accords.

- Brad Smith, the Treasury Department official in charge of sanctions, said the move "will end the country's isolation from the international financial system, setting the stage for global commerce and galvanizing investments from its neighbors in the region as well as from the United States."

Big Beautiful Bill

The Senate 'vote-a-rama' on the One Big Beautiful Bill continued through the night with Majority Leader John Thune (R-SD) struggling to whip the 50 votes required for a final roll call vote. When Thune believes he has locked down the votes, he will trigger a vote on final passage. Reminder: Thune can only drop three GOP votes.

- Senator Rand Paul (R-KY) has long stated his 'no' vote in opposition to including a debt limit hike in the package. Senator Thom Tillis (R-NC) declared himself a 'no' on Sunday and announced he will not seek re-election in 2026, citing concerns over Medicaid cuts.
- Kelly Phares at Fox reports that Tillis "believes this will go a couple more hours" and affirmed that the only way to get him to yes would be to return to the House Medicaid reforms.
- Treasury Secretary Scott Bessent told Fox News this morning that he believes the Senate will conclude work the bill this afternoon.

Overnight, moderate Senator Lisa Murkowski (R-AK) moved to the 'no' column after the Senate Parliamentarian determined that a SNAP carveout for Alaska could go forward, but a separate Medicaid carveout for Alaska was noncompliant with budget reconciliation.

- Murkowski is also one of a handful of Republican Senators backing an amendment to water down the rollback of clean energy credits from the Biden-era Inflation Reduction Act.
- Senate Majority Leader Thune (R-SD) was also seen huddling with Senator Paul overnight, reportedly to sound out a debt limit compromise. The Senate package includes a USD\$5T debt limit raise; Paul is pushing for USD\$500B – a number that will be opposed by some Senate Republicans as it would set up another debt limit cliff in a few months.

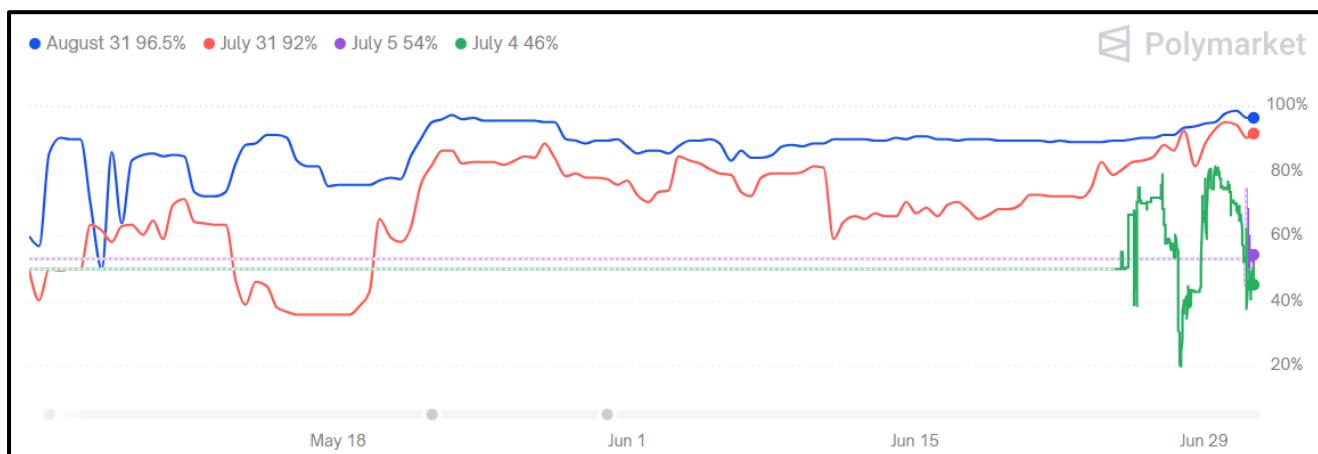
Early this morning, the Senate voted 99-1 to kill a measure preventing US states from regulating AI. The measure was backed by the Trump administration and Silicon Valley tech firms, but opposed by state governors who saw the measure as handing more power to Washington.

- Bloomberg notes: "Commerce Secretary Howard Lutnick threw his support behind the AI measure as well, calling it imperative for national security... Despite the Senate's move, the tech industry will likely continue to push for curtailing state AI legislation in future federal tech policy efforts."
- The chamber is yet to vote on Senator Rick Scott's (R-FL) amendment to scale back federal payments under the Affordable Care Act's Medicaid expansion. The

amendment is expected to fail, but if it passes, it could harden the resolve of moderates to reject the bill.

- While our baseline expectation is the bill passes the Senate today, the implied probability of the BBB passing by July 4 dropped around 25% since yesterday, reflecting the slow progress through the Senate.
- Working in favour on the bill, “members are wary of being the vote to torpedo the president’s legislative agenda. They’ve already watched Trump and his allies go after Rep. Thomas Massie (R-Ky.) for voting against the bill last month,” writes Axios.
- To wit: Trump has piled pressure on Republican lawmakers to line up behind the bill, in a series of posts of Truth Social this morning: “TRUMP’S AGENDA IS IN THE BIG BEAUTIFUL BILL,” he said in one post.

Figure 1: “Reconciliation bill passed by...?”



Source: Polymarket

House of Representatives

House Speaker Mike Johnson (R-LA) has teed up a House Rules Committee meeting today to set the rules that will govern the bill’s passage through the lower chamber, if the bill passes the Senate today. House Majority Leader Steve Scalise (R-LA) is expected to target a full House vote on Wednesday, but this timeline now looks likely to slip until later in the week, beyond the GOP’s self-imposed July 4 deadline for sending the completed bill to President Trump’s desk.

- Punchbowl notes: "The Senate was supposed to be the easy part. This GOP reconciliation bill is going to hit even choppier waters in the House."

Johnson has repeatedly urged the Senate to adhere as closely as possible to the House-passed bill or lose the fragile support that narrowly passed the bill through the lower chamber in May.

- Johnson told reporters yesterday: “I have prevailed upon my Senate colleagues to please, please, please, put it as close to the House product as possible.”
- The Senate has largely ignored that advice and is expected to return a bill to the House that fails to meet the House’s spending reduction targets – part of a pledge Johnson to conservatives to secure their votes during a last-minute rebellion in May.

- Politico notes: “The House Freedom Caucus is arguing that the Senate would add \$651 billion more to the deficit and the difference should be made up in spending cuts, as required by the framework under the House.”

Punchbowl notes the Senate bill, “cuts \$1.5 trillion in exchange for \$4.5 trillion in tax cuts – \$500 billion short of the savings Johnson vowed to achieve in this scenario.”

- On the flip side, “The Senate’s Medicaid cuts total close to \$1 trillion, irking GOP moderates,” writes Punchbowl.
- Axios notes: “The Senate is trying to jam the House to accept its version... There isn’t time for a House-Senate conference before President Trump’s July 4 deadline. But [Johnson] opened the door last week to blowing past that deadline, saying some Senate provisions could force the House to make revisions.”

Trade and Tariffs

The White House appears to be managing expectations for major trade breakthrough just over a week before Trump’s tariff reprieve expires on July 9. Treasury Secretary Scott Bessent told Fox News this morning that trade deals will be announced once Congress has concluded work on the Big Beautiful Bill.

- Bloomberg report that the European Union looks likely to accept a universal 10% import tariff, but wants exemptions on major exports including alcohol, cars, and pharmaceuticals.
- The NYT writes on the EU deal: “After months of back-and-forth that has included public barbs and many hours of negotiation, what is likely to emerge over the next two weeks is a deal that does not satisfy either side’s stated goals.”

FT [reports](#) that India on track to seal an interim trade agreement with the US as soon as this week. The deal would be an initial step towards a comprehensive bilateral accord that Washington and New Delhi would seek to finalise by autumn.

- FT notes: “According to the people briefed on the talks, the deal is expected to spare India’s big and politically influential agricultural markets, including wheat and dairy, from US tariffs, though they noted that the talks were still under way.”
- FT adds: “India has also agreed to import more natural gas from the US to bring down its trade surplus, which stood at \$41.2bn for the 2024-2025 financial year, according to the people close to the Indian government.”

A potential deal with Japan looks increasingly shaking after Trump threatened to unilaterally impose a tariff rate on Tokyo, in a post on Truth Social.

- Trump said: “To show people how spoiled Countries have become with respect to the United States of America, and I have great respect for Japan, they won’t take our RICE, and yet they have a massive rice shortage. In other words, we’ll just be sending them a letter, and we love having them as a Trading Partner for many years to come.”
- Politico notes: “Trump’s threat came even as Ryosei Akazawa, Japan’s top trade negotiator, recently met with Commerce Secretary Howard Lutnick in Washington, and said both sides would continue to hold talks. The two spoke over the phone on Saturday and Sunday, according to the Japanese ministry of foreign affairs.”

Semafor writes: "Signs of discord emerged after Japanese Prime Minister Shigeru Ishiba skipped the NATO summit, and Japan canceled a top-level meeting with Washington after reportedly being rankled by US calls for Tokyo to spend more on defense."

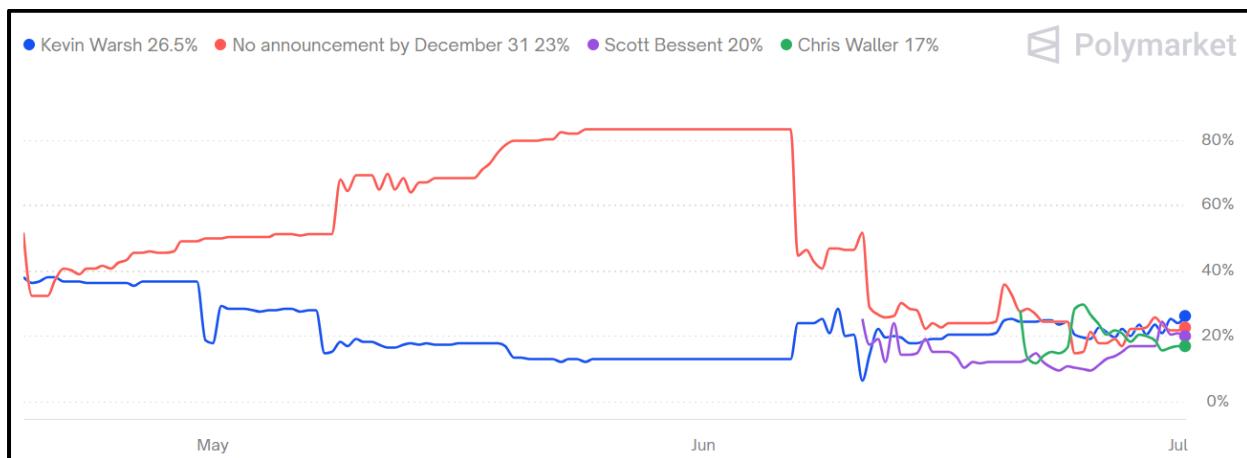
- Ishiba also hasn't visited Europe since taking office nine months ago, "raising concerns that Japan is failing to counter Chinese and Russian influence on the continent. Ishiba appears to instead be focused on Asian diplomacy, as well as domestic political challenges," notes Semafor.

Federal Reserve

White House Press Secretary Karoline Leavitt yesterday held up to reporters a [hand written note](#) from President Trump criticising Fed Chair Jerome Powell's cautious approach to lowering rates.

- In a post on Truth Social, Trump said: "Jerome 'Too Late' Powell, and his entire Board, should be ashamed of themselves for allowing this to happen to the United States. They have one of the easiest, yet most prestigious, jobs in America, and they have FAILED — And continue to do so. If they were doing their job properly, our Country would be saving Trillions of Dollars in Interest Cost. The Board just sits there and watches, so they are equally to blame. We should be paying 1% Interest, or better!"
- The repeated attacks on Fed policy come as rumours continue to circulate that Trump could install a so-called 'shadow Fed chair' to telegraph future Fed monetary policy decisions and steer market expectations.
- Treasury Secretary Scott Bessent, one of the names floated for Trump's Fed nomination, said in a TV interview with Bloomberg News yesterday: "I will do what the president wants," but added he was happy with his current position.
- In addition to Bessent, names floated include current Fed Governor Christopher Waller, Fed Vice Chair of Supervision Michelle Bowman, White House National Economic Council Director Kevin Hassett, and former Fed Governor Kevin Warsh.
- Bettors on Polymarket see no clear favourite, but trends on the market indicate that it is viewed as increasingly likely Trump will name his selection this year.

Figure 1: Who will Trump announce as next Fed Chair? December 2025



Source: Polymarket

Economy

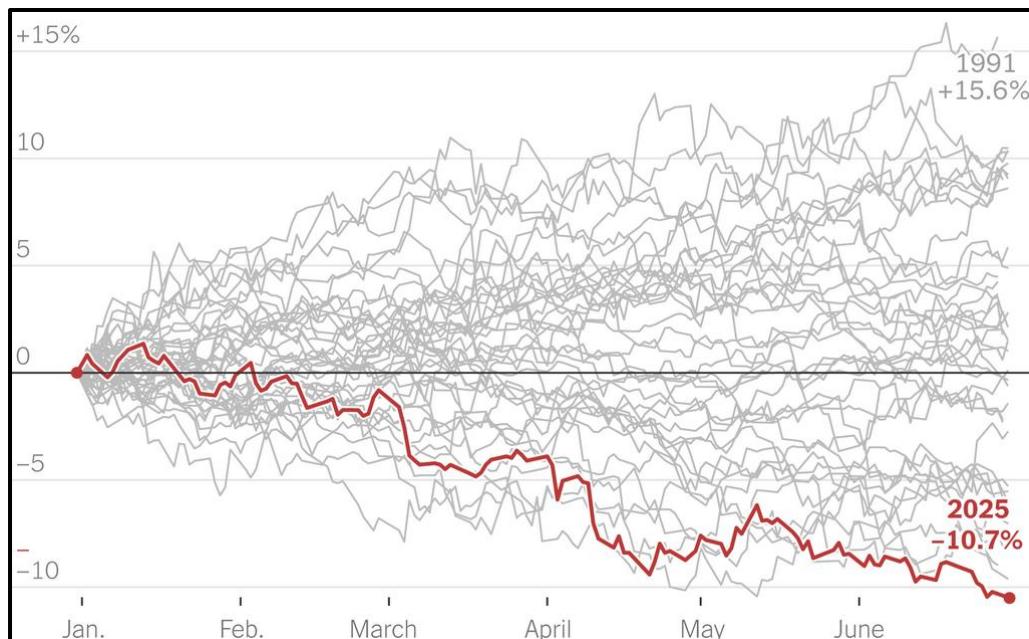
The New York Times reports that the US dollar, "has weakened more than 10 percent over the past six months when compared to the currencies of America's major partners — its worst start to a year since 1973."

- WSJ notes: "The decline impacts the global economy because the dollar is the primary currency for trade and finance. Concerns about tariffs, the Fed's independence and growing U.S. government debt have weighed on the dollar."
- Steve Englander, global head of G10 foreign exchange research, said: "Having a weak dollar or a strong dollar isn't the issue. The issue is what is it telling you about how the world sees your policies."

Andrew Balls, chief investment officer for global fixed income at bond group Pimco, told FT: "You had a shock in terms of liberation day, in terms of the US policy framework," but there was no significant threat to the dollar's status as the world's de facto reserve currency.

- Elsewhere in markets, WSJ notes: "The S&P 500 posted its largest quarterly percentage gain since the fourth quarter of 2023, and the tech-laden Nasdaq Composite had its best quarter in five years. The wild three months stemmed from a huge market drawdown over Trump's trade war followed by a stunning rebound."

Figure 2: Change in the US Dollar Index in the First Half of Every Year Since 1986



Source: *New York Times*

Congressional Business

The House is OUT but the House Rules Committee will convene to set the rules on the *One Big Beautiful Bill*, if it passes the Senate today.

The Senate is IN and voting on the *One Big Beautiful Bill*

Committee Schedule –

Israel

Israeli Prime Minister Benjamin Netanyahu has confirmed a visit to the White House for talks with President Trump will take place next week.

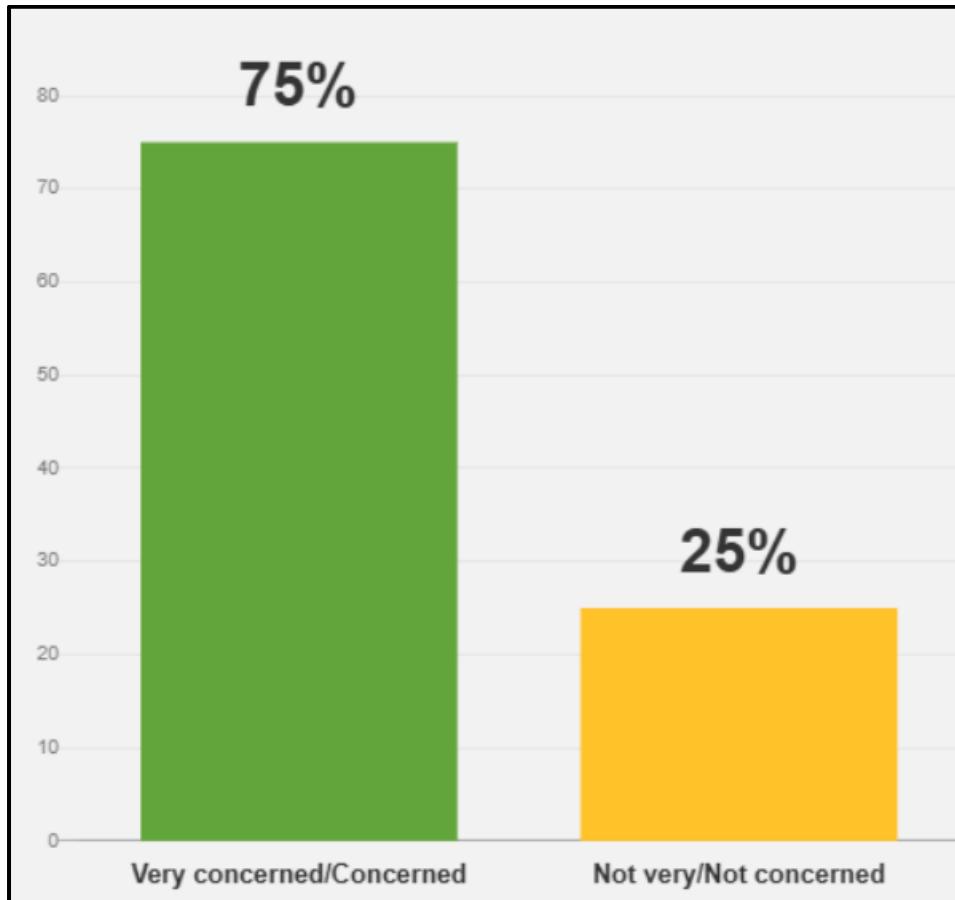
- Netanyahu said: "Next week I will travel to the US for meetings with President Trump, VP Vance, Secretary of State, NSA Marco Rubio, Defense Secretary Pete Hagseth, Middle East Envoy Steve Witkoff, Commerce Secretary, and Congress leaders to finalize a trade deal and other matters."
- This is the first official confirmation of the visit from the Israeli side. The trip had first been posited by Axios several days ago, before a White House official told the Times of Israel on 30 June that the visit would take place on 7 July.
- While Netanyahu will look to use his third visit to Washington, D.C., since Trump returned to office to act as a 'victory lap' after the 12-Day War as well as to talk trade, a second US official told Tol that the US views "top issues on the agenda [being] Gaza and Iran, stressing Trump's desire to secure an end to the war in Gaza and a release of the remaining hostages. Syria will also be discussed, the US official added."

Chart of the Day

Marist reports: "In the aftermath of U.S. airstrikes on nuclear facilities in Iran, three in four Americans express concern that Iran will carry out additional retaliation against the United States. Most Americans consider Iran to be a threat to the security of the nation, including nearly half who perceive Iran to be a major threat to the safety and security of the United States."

- Marist notes: "Three in four Americans are either concerned (40%) or very concerned (35%) that Iran will further retaliate against the United States for carrying out military airstrikes on three nuclear facilities in Iran. One in four is not very concerned (19%) or not concerned at all (6%) about potential retaliation."
- Marist continues: "Americans divide about the United States' airstrikes in Iran. 50% of Americans either agree (25%) or strongly agree (25%) with the bombings. 50%, though, disagree (21%) or strongly disagree (29%) with the military action taken by the United States."

Figure 4: "How concerned are you that Iran will further retaliate against the United States in response to the airstrikes?"



Source: PBS/Marist

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