

## MNI POLITICAL RISK ANALYSIS - US Daily Brief 01-09-25

by Adam Burrowes

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

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|---|--|
| - | President Trump has no public events scheduled |
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#### KEY DATES:

- ❖ End of Congressional recess: September 2
- ❖ Government funding expires: September 30
- ❖ China tariff truce expires: November 10

### Washington

President Donald Trump has no public events in his official White House diary for Labor Day. Trump dispelled [social media speculation](#) over his health with a public appearance at the Trump National Golf Club in Virginia yesterday.

- Trump wrote on Truth Social yesterday evening: "NEVER FELT BETTER IN MY LIFE."
- On Thursday, the Senate Banking Committee will hold a hearing on the nomination of Stephen Miran to fill the vacant seat on the Federal Reserve board.

### Federal Reserve

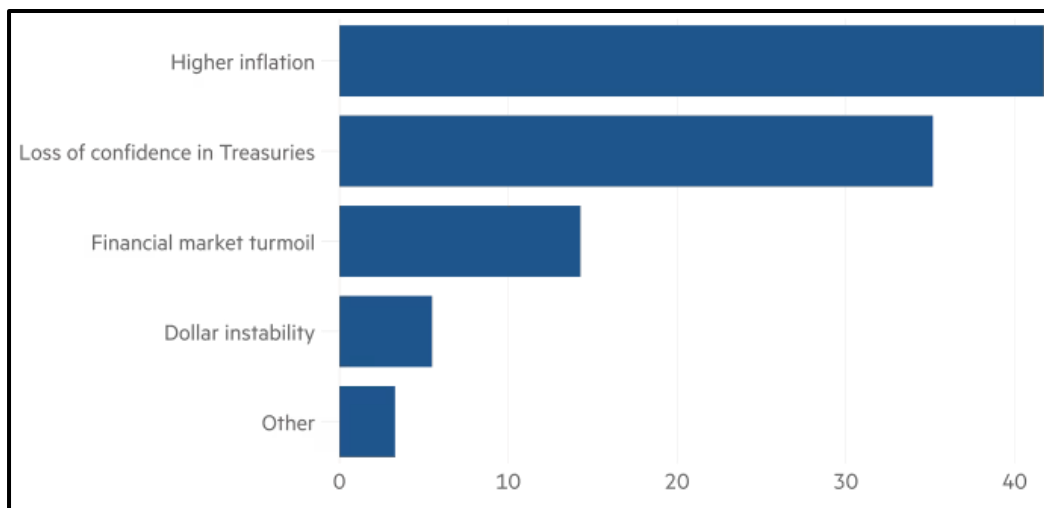
A first court hearing in Fed Governor Lisa Cook's request for a temporary restraining order to allow her to continue serving on the Fed's board ended Friday without a ruling. The parties are set to meet in court again on Tuesday.

- US District Court Judge Jia Cobb, an appointee of former President Joe Biden, said Friday she will set an expedited schedule and expects the proceedings to take "weeks." She requested Cook's lawyer Abbe David Lowell submit a reply to the federal government's response by early next week.
- "I understand this is a unique body," Cobb said Friday, acknowledging the Fed's special status. She added that she is "uncomfortable with the pretext argument."
- "I am also uncomfortable with someone saying they want to fire in order to get a majority" of the Federal Reserve Board, she added, referring to Trump's comments earlier in the week in the Oval Office. Cobb also requested further clarification from the lawyers on legal precedents, definitions and authorities on a "for cause" firing.
- MNI's Evan Ryser reports: "The nearly two-hour hearing included discussion of the legal meaning and case law surrounding a "for cause" firing. Under the Federal Reserve Act, a governor can only be removed by the president "for cause," and the term isn't defined. No Fed governor has previously been fired by the president."

Economists warned in a survey conducted by the [Financial Times](#) that financial markets have not fully priced in the risks posed by Trump's attacks on the Fed, which include higher inflation and a loss of confidence in US government debt.

- FT noted: “In the poll of 94 economists based in the US and Europe, many feared that the assaults would lead to a permanent shift at the Fed towards prioritising jobs and lowering government borrowing costs once chair Jay Powell’s term as chair ends next year.”
- FT continued: “More than a quarter of the economists fear that by the end of Trump’s term in 2029, the Fed will be unable to fulfil its mandate to set US borrowing costs free from political influence, although 45 per cent think it is too early to tell in what shape the central bank will be by then.”

**Figure 1: What is the Single-Biggest Economic Risk if Fed Independence is Eroded?**



Source: FT survey of 95 economists

## Tariffs

A federal appeals court panel ruled 7-4 on Friday that Trump exceeded his authority by using emergency declarations to impose unilateral tariffs on trading partners, upholding a previous May ruling from the Court of International Trade in New York City. The tariffs will remain in place until mid-October while the White House appeals the ruling to the Supreme Court.

- Trump wrote on [Truth Social](#): “More than 15 Trillion Dollars will be invested in the USA, a RECORD. Much of this investment is because of Tariffs. If a Radical Left Court is allowed to terminate these Tariffs, almost all of this investment, and much more, will be immediately cancelled! In many ways, we would become a Third World Nation, with no hope of GREATNESS again.”
- Bloomberg writes: “It’s unclear exactly where the case goes from here. The Trump administration could quickly appeal the ruling to the Supreme Court, or it could allow the trade court to revisit the matter and potentially narrow the injunction against his tariffs.”

Bloomberg notes: “The ruling applies to Trump’s “Liberation Day” global tariffs that set a 10% baseline and have been in effect for months that the administration says are meant to address a national emergency around US trade deficits. It affects the extra levies on Mexico, China and Canada that Trump said were justified by the ongoing fentanyl crisis in the US...

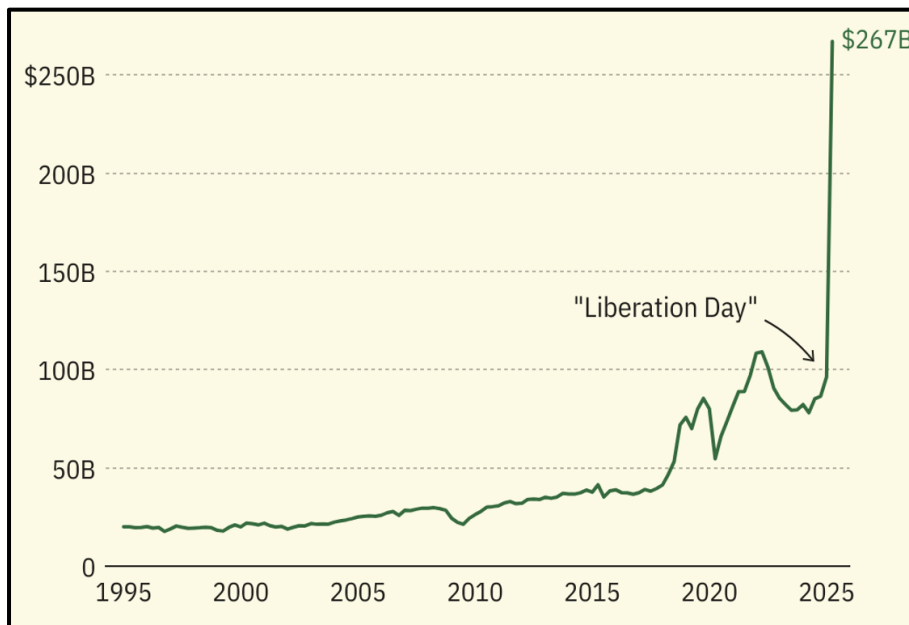
The decision also covers Trump's so-called reciprocal tariffs that took effect Aug. 7 for dozens of nations that failed to reach trade deals with the administration by Aug. 1."

- The ruling will not affect sector-specific tariffs on steel, aluminium, copper, autos, semiconductors, or pharmaceuticals, as they have been imposed – or will be imposed in the case of chips and pharma – under a different law.

William Reinsch, a former senior Commerce Department official now with the Center on Strategic and International Studies, said the Trump administration had been bracing for this ruling. "It's common knowledge the administration has been anticipating this outcome and is preparing a Plan B, presumably to keep the tariffs in place via other statutes," per Reuters.

- Scott Lincicome, vice president of general economics and trade at the libertarian Cato Institute, said: "It's a big setback, but it's far from a complete foreclosing of tariffs, because the reality is there's all these other laws that Trump can use to effectively reverse-engineer a global tariff regime," per the Washington Post.
- Reuters notes: "The 6-3 conservative majority Supreme Court has issued a series of rulings favoring Trump's second term agenda but has also in recent years been hostile to expansive interpretations of old statutes to provide presidents newly-found powers."

**Figure 2: US Quarterly Revenue from Customs Duties**



Source: Semafor

## Economy

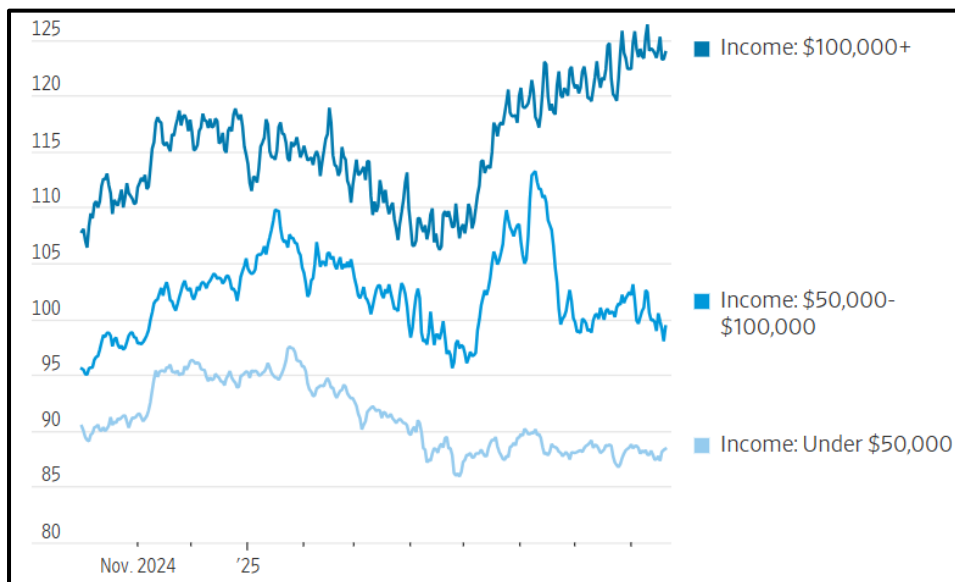
The Wall Street Journal [reports](#) that, "After months of tracking high-income earners' positive economic outlook, America's middle-income households appear to be losing confidence".

- The Journal notes: "Consumer sentiment dropped nearly 6% in August, after trending up in June and July, according to a closely watched index from the University of Michigan. Pessimism about the job market increased, with more people surveyed

saying they expect their income to decline, according to polling done by think tank the Conference Board.”

- According to Morning Consult, the gap in confidence between high- and low-earners is now the widest it has been in the seven years of tracking the data. John Leer, chief economist at Morning Consult, said: “There was a period of time, briefly, where the middle-income consumer looked like they were being dragged up by all that was going well in the world. Then things fell off a cliff.”

**Figure 3: US Sentiment Across Income Levels**



Source: Wall Street Journal, Morning Consult

## Congressional Business

The House is OUT until September 2

The Senate is OUT until September 2

**Committee Schedule –**

## Government Funding

President Trump on Friday informed Congress that he is seeking to rescind another \$4.9 billion of Congressionally authorised funding. The move follows a roughly \$9 billion rescission package that Congress approved on party lines earlier in the summer.

- The latest rescission request, known as a ‘pocket rescission’ differs from the earlier request as it comes less than 45 days from the end of the fiscal year, meaning Congress has insufficient time to block the request. The move is the latest attempt by Trump and Office of Management and Budget Director Russell Vought to leverage more control over the federal government’s purse strings.



- The Wall Street Journal notes that Democrats decried the move, “which comes just a month ahead of a deadline to reach a deal funding the government past Sept. 30, when current spending expires. Democrats have warned Republicans that any move by Trump to cut funding without lawmakers’ approval would undercut bipartisan talks, a stance that raises the specter of a government shutdown.”

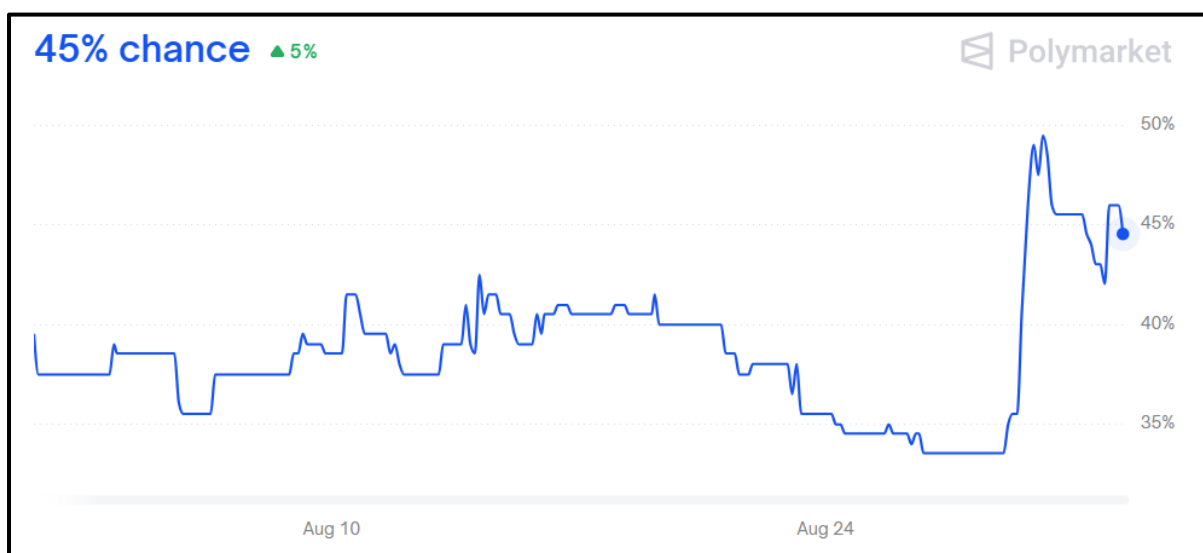
Senate Minority Leader Chuck Schumer (D-NY) suggested in a statement on Friday that he may withdraw Democratic support for a government funding measure, in light of the move. While Schumer didn't explicitly threaten a shutdown, he said the "unlawful 'pocket rescission' package is further proof President Trump and Congressional Republicans are hellbent on rejecting bipartisanship and 'going it alone' this fall."

- Schumer added: "As the country stares down next month's government funding deadline on September 30th, it is clear neither President Trump nor Congressional Republicans have any plan to avoid a painful and entirely unnecessary shutdown... Speaker Johnson and Leader Thune have repeatedly refused to meet with Democrats to discuss a bipartisan path forward."
- The Republican Chair of the Senate Appropriations Committee, Susan Collins (R-ME), also criticised the move, saying in a statement: "Any effort to rescind appropriated funds without congressional approval is a clear violation of the law."

Punchbowl writes, “the big question remains whether Senate Minority Leader Chuck Schumer and House Minority Leader Hakeem Jeffries are prepared to vote to shut down the government over these disputes. Or can they even trust Trump if he tries to cut a deal now only to backtrack later once it's signed?”

- According to Polymarket, the implied probability of a government shutdown in 2025 spiked to roughly 50% just after the rescission announcement, it has since retraced to 45%, with traders likely factoring in Democrats' historical unwillingness to force a shutdown.

**Figure 4: Government Shutdown in 2025**



Source: Polymarket

## Ukraine War

Today marks Trump's informal deadline for Russian President Vladimir Putin to make progress on a peace deal with Ukraine, "although it's far from clear if this deadline still exists in the president's mind," according to Politico.

- Politico notes: "In any event, the rapid-fire summit between Putin and Ukrainian President Volodymyr Zelenskyy that Trump was angling for is looking less and less likely, and at some point Trump will have to decide whether to take action."

Axios reports that Senior White House officials "said some European leaders are publicly supporting President Trump's effort to end the war in Ukraine, while quietly trying to undo behind-the-scenes progress since the Alaska summit."

- A senior White House official told the outlet that Trump is seriously considering stepping back from the diplomatic efforts until one or both parties begin to show more flexibility.
- According to the report: "The White House has asked the Treasury Department to compile a list of sanctions that could plausibly be imposed by Europe against Russia... The sanctions ... include a complete cessation of all oil and gas purchases — plus secondary tariffs from the EU on India and China, similar to those already imposed on India by the U.S."

French President Emmanuel Macron told reporters at a joint press conference with German Chancellor Friedrich Merz on Friday that Trump is at risk of being 'played' by Putin again.

- Marcon said: "If that doesn't happen by Monday, the deadline set by President Trump, it means that once again President Putin played President Trump," referring to Trump's deadline for Putin.

Merz said in an interview with ZDF yesterday: "I'm mentally preparing myself for the fact that this war could drag on for a long time. We're trying to end it as quickly as possible, but certainly not at the price of Ukraine's capitulation."

- Merz continued: "I would like the United States of America to work with us to solve this problem for as long as possible. Diplomacy isn't about flipping a switch overnight and then everything will be fine again. It's a lengthy process."

European Commission President Ursula von der Leyen said on Putin yesterday: "He is a predator. We know by experience he can only be kept in check through strong deterrence... We have to keep the sense of urgency because we know that Putin has and will not change."

- At an EU gathering in Copenhagen, French Foreign Minister Jean-Noël Barrot and others underscored that while Europe will press ahead with these initiatives, they will only truly be effective if Washington joins in on the effort to pressure Putin, per Politico.
- Barrot told reporters: "If in a few days, at the end of the two-week period he had indicated to Trump, Vladimir Putin continues to oppose a high-level meeting with the president of Ukraine, then we will need to force by hardening sanctions — sanctions from the United States, but also European sanctions."

- The EU is working on a 19th package of sanctions against Russia, most likely targeting the energy and financial sectors, while also exploring the possibility of new tariffs against Russian exports to turn the screws on Moscow's economy, per a discussion paper seen by Politico.

## Iran

French Foreign Minister Jean-Noël Barrot told reporters on Saturday that Paris remains open to talks with Iran to avoid the reimposition of far-reaching sanctions if Tehran is willing to take concrete steps immediately, per Politico.

- Barrot said: "What happens now? A 30-day period opens at the end of which sanctions can be applied. Then European sanctions could also be applied — unless of course Iran agrees within this 30-day period to take the actions which we have been very clearly asking of it," but "The door of diplomacy remains open," he added.
- Barrot's comments come after France, Britain and Germany initiated the process of triggering the "snapback mechanism" that automatically reimposes all United Nations sanctions on Iran over its nuclear program, saying Iran has willfully departed from their 2015 nuclear deal that lifted the measures, per AP.

## Venezuela

United States naval assets remain in an aggressive forward posture off the coast of Venezuela, in the south Caribbean. Analysts are uncertain if the deployment is positioning for strikes on Venezuela's cartels, part of a broader move to enact regime change, or is merely a show of strength aimed at deterring President Nicolás Maduro from pursuing military action on oil-rich neighbouring Guyana.

- The Wall Street Journal noted on Friday: "Trump this week sent a guided missile-cruiser, the USS Lake Erie, and a fast attack submarine, the USS Newport News, steaming toward the Caribbean. They're scheduled to arrive next week near Venezuela, reportedly joining three amphibious ships, three destroyers and another attack sub in the vicinity."

The Financial Times writes: "For Trump, Maduro is unfinished business: in his first term, the US president imposed "maximum-pressure" economic sanctions and even recognised an opposition leader as Venezuela's legitimate president. The strategy failed and Maduro tightened his grip on power, using what opponents say are revenues from illegal gold mining and drug trafficking to shore up his authoritarian government."

- Complicating any assessment of Trump's intentions, continues FT, "is the zigzagging on Venezuela policy in his second term. The administration first cancelled a Biden-era licence for US oil major Chevron to pump and export oil from Venezuela, then allowed it. It has harshly criticised Maduro but has also done deals with his government to secure the release of US hostages."
- Analysts say this reflects the conflicting positions of hawks such as Marco Rubio, secretary of state, who favours regime change, and pragmatists such as special envoy Richard Grenell, who are more interested in securing deals, according to the report.

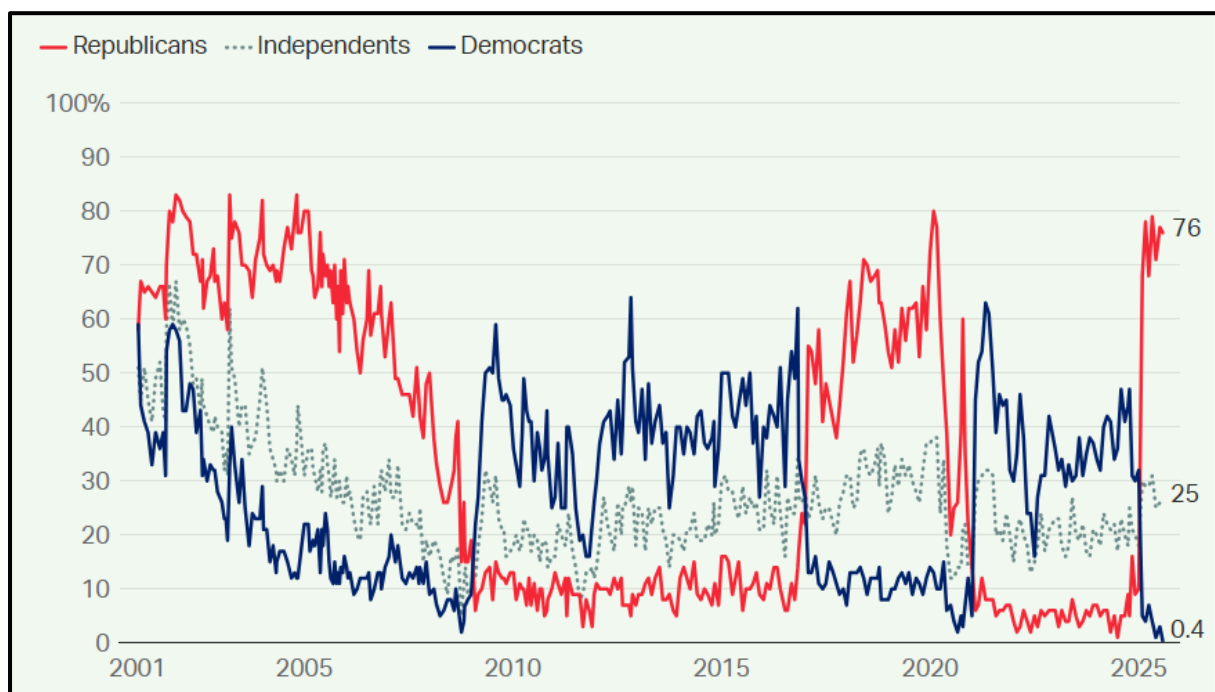
## Chart of the Day



A new Gallup [survey](#) shows: “Similar to the trend in economic confidence, the 31% of Americans who currently say they are satisfied with the direction of the country is higher than the 26% recorded in late October, as well as the average 22% throughout Biden’s presidency. However, it has waned after reaching 38% in May, the highest of Trump’s second term.”

- Gallup notes: “Partisanship is also at a peak on this metric, with 76% of Republicans saying they are satisfied with the direction of the country versus less than 1% of Democrats. The resulting 76-point gap is the highest Gallup has recorded on this measure, although not substantially different from a 75-point gap in May and 74 points in March and July.”
- Gallup continues: “Republicans were essentially as dissatisfied with the country’s direction in July 2024 as Democrats are today. At that time, 1% of Republicans were satisfied and 97% dissatisfied. But the partisan gap in satisfaction then was only 35 points because just 36% of Democrats were also satisfied; 62% were dissatisfied.”

**Figure 5: “In general, are you satisfied or dissatisfied with the way things are going in the United States at this time?”**



Source: Gallup



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