

MNI POLITICAL RISK ANALYSIS - US Daily Brief 01-10-25

by Adam Burrowes

The White House *(times subject to change)*

13:00 ET 18:00 BST	Press Briefing by the White House Press Secretary Karoline Leavitt
16:30 ET 21:30 BST	President Trump signs Executive Orders

KEY DATES:

- ❖ China tariff truce expires: November 10

Washington

President Donald Trump will sign Executive Orders at 16:30 ET 21:30 BST. He has no other public engagements in his diary but is likely to provide remarks to the press as the administration seeks to manage the fallout from the government shutdown.

- White House Press Secretary Karoline Leavitt will brief reporters at 13:00 ET 18:00 BST. The presser will be an exercise in messaging on the government shutdown.

Government Shutdown

At 00:01 ET 05:01 BST this morning, the US government shut down for the first time since the winter of 2018-19. The shutdown was triggered after the Senate rejected a House-passed Continuing Resolution to extend government funding through November.

- The Senate also rejected a competing Democratic funding bill that would extend expiring Obamacare subsidies and formalise language to counter White House efforts to impound and rescind Congressionally appropriated funds.

There are no ongoing negotiations or meetings planned today, but Senate Majority Leader John Thune (R-SD) is expected to hold a third vote on both bills at 11:00 ET 16:00 BST. They are expected to fail again.

- The Senate is out of session on Thursday in observance of Yom Kippur. Thune is expected to continue voting on the funding bill on Friday and Saturday.
- Punchbowl notes, "Both sides are deeply entrenched right now, and this shutdown could potentially drag on for days or weeks... The House is out of town. Senate leaders aren't negotiating. Trump is openly mocking Senate Minority Leader Chuck Schumer [D-NY] and House Minority Leader Hakeem Jeffries [D-NY] on social media. The chances of a quick resolution to the impasse are low — unless one side abruptly folds."

Roughly 750,000 federal employees will be placed on furlough. Federal staff deemed "essential," including military personnel, will be required to work without pay. When the government reopens, essential and furloughed employees will receive back pay, assuming they aren't permanently terminated.

- Reuters notes the mass furloughing comes as than 150,000 federal employees will leave the payroll this week after accepting buyouts from the Trump administration. That makes this “the largest single-year exodus of civil servants in nearly 80 years...”

The New York Times notes, “Federal courts could be disrupted beyond this week, and some government contractors are in limbo. Companies filing to go public could see delays: The SEC is operating with a skeleton staff and won’t prioritize processing IPO paperwork.”

- Data from federal agencies, including the Bureau of Labor Statistics, Bureau of Economic Analysis, and other agencies (commodities data via the Department of Agriculture and Department of Energy) will be postponed until after the end of the shutdown.
- The two key data releases likely to be impacted are Friday's employment report for September, and the CPI report on Oct 15 (and PPI the next day).
- Private-sector compiled data will still be released after September 30, and this will serve as an alternative of sorts to the official government data to gauge economic developments. Treasury auctions considered "essential" and will be conducted as normal.
- Unlike previous shutdowns, the Pentagon has indicated it could tap additional funding from the GOP's 'One Big Beautiful Bill,' which releases a major pressure valve on Republicans.

Shutdown Framing

Ahead of the shutdown, Republicans and Democrats sought to frame the standoff in favourable political terms. For Democrats, the shutdown is a response to healthcare cuts, an issue they believe will be a vote-winner at the 2026 midterm election.

- Republicans have framed the standoff in immigration terms, arguing that Democrats want billions of dollars of healthcare funding extended to undocumented migrants. Vice President JD Vance said last week, “Democrats are about to shut down the government because they demand we fund healthcare for illegal aliens,”
- Trump said similarly on Truth Social, “The Democrats want Illegal Aliens, many of them VIOLENT CRIMINALS, to receive FREE Healthcare,”

Neither position is strong:

- The Democrat framing of an existential health crisis is countered by a Republican argument that Obamacare subsidies will not expire within the period covered by the GOP CR, therefore leaving sufficient time for Congress to negotiate an extension within the regular appropriations process.
- The Republican argument that Democrats are seeking funding for undocumented migrants is also misleading. The two healthcare programmes highlighted by Democrats - Medicaid and Obamacare subsidies - cannot be accessed by undocumented migrants.

Ultimately, the length of the shutdown is likely to be determined by which argument is more persuasive to voters in the short term. The GOP’s more sophisticated political messaging apparatus and Trump’s powerful bully pulpit put Democrats at a disadvantage.

- Moreover, despite Democrats' strong position on healthcare, voters are likely to be unsympathetic to a government shutdown that appears to have been pushed as a negotiating strategy, after years of Democrats opposing the same tactics.
- Thune said on the Senate floor yesterday, "This is a made-up problem by the Democrats who desperately need to satisfy a political base that is hostile to Donald Trump. Nothing more, nothing less."
- OMB Director Russell Vought told Fox News yesterday, "We're on the brink of a government shutdown that is caused entirely by Democrats based on their outrageous demands of about \$1.5 trillion... We're not going to be held hostage to these kinds of insane, ridiculous demands..."

It's worth noting that it wasn't so long ago that Democrats accused Republicans of leveraging the threat of a government shutdown to advance policy demands. House Speaker Mike Johnson (R-LA) and then-Senator JD Vance were among a group of conservatives who repeatedly voted down 'clean' CRs.

- This week, Vance repeated an adage often directed at his own bloc of conservatives, "You don't shut the government down," Vance said. "You don't use your policy disagreements as leverage to not pay our troops and not have essential services."

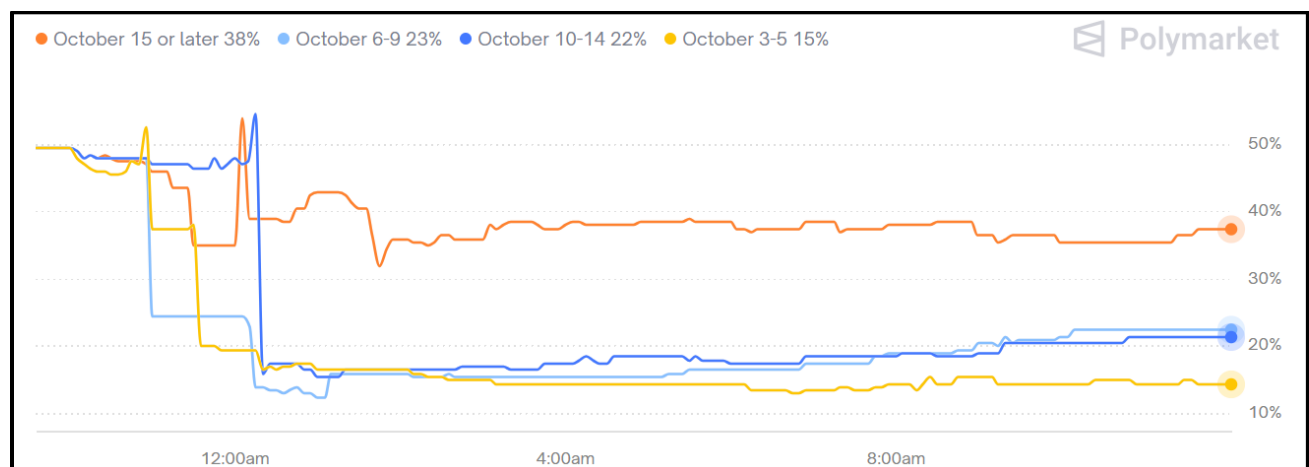
Route Out of a Shutdown

Three Democrats Senators voted in favour of the GOP CR yesterday: John Fetterman (D-PA), Catherine Cortez Masto (D-NV), and (Democrat-aligned Independent) Angus King (I-ME). That means Thune needs to flip five more Democrats as voting continues.

- Note: Senator Rand Paul (R-KY) always opposes short-term funding measures, taking the required number of Democrat-backers to eight. Senators Jeanne Shaheen (D-NH), Maggie Hassan (D-NH) and retiring Gary Peters (D-MI) are among Democrats to watch in today's vote. They all voted in favour of the March spending bill, and if any of them join with Republicans, Senate Minority Leader Chuck Schumer's (D-NY) leverage will be further diminished.

Bettors on Polymarket see October 15 or later as the most likely end date for the shutdown. Data from Polymarket suggests that a resolution this week is unlikely.

Figure 1: When will the Government Shutdown End?



Source: Polymarket

Both President Trump and OMB Director Russell Vought have stated they intend to direct the pain of a shutdown on Democrats.

- Trump told reporters in the Oval Office yesterday, “We can get rid of a lot of things that we didn’t want and they’d be Democrat things. They just don’t learn. So we have no choice. I have to do that for the country.”
- Senator John Kennedy (R-LA) told Semafor that OMB Director Russ Vought is likely to “punish [Democrats] for the rest of their natural lives for this or until, until the shutdown ends.”

If Democrats hold the line, the most obvious route out of the shutdown is a deal on extending the expiring Obamacare subsidies. An extension could be included in a rewritten CR, in a handshake deal, although Democrats have questioned whether such a deal could be trusted.

- Indeed, Democrats believe that Trump, often out of lockstep with conservative GOP orthodoxy, can be convinced that extending Obamacare subsidies is in his own political interests. NBC News notes, “Trump could face a public backlash over rising insurance premiums if he doesn’t give Democrats the ACA extension they seek. In other words, they’re asking him to accept a policy that figures to help his party’s chances in the midterms...”
- Politico reports that an influential conservative lobby group, the Paragon Health Institute, which has wielded “extraordinary influence” over the GOP’s sprawling Medicaid cuts, “have been leveraging their vast alumni network and unparalleled access on Capitol Hill to convince Republicans to let the enhanced tax credits expire...”

Senator Mike Rounds (R-SD) has floated a one-year extension to the Obamacare subsidies, “which would then be followed by a one-year phasedown to return the tax credits to pre-pandemic levels,” per Politico.

- Although Rounds hasn’t suggested the measure could be included in a short-term funding bill to reopen the government, it is a potential offramp that will look increasingly palatable to moderate Democrats as the shutdown pain bites.

Yesterday’s vote indicated that moderate Democrat support for prolonging a shutdown is not particularly robust. While only Senator John Fetterman (D-PA) voted ‘yes’ on the first Senate vote last week, that number is now up to three.

- If Trump and OMB Director Russell Vought follow through on threats to use the shutdown as a pretext to enact mass layoffs across government agencies, moderate Democrat Senators will find it hard to hold the line without a clear endgame.
- As a reminder, the risk that a shutdown could empower Vought and former government advisor Elon Musk to pursue deeper cuts to government agencies was the primary reason why Schumer folded ahead of a similar shutdown in March.
- Moreover, when federal employees miss paychecks next week, constituent anger will be a powerful motivator for Democrats to seek an offramp.

Bureau of Labor Statistics

The White House has withdrawn the nomination of EJ Antoni to lead the Bureau of Labor Statistics (BLS). Antoni, an economist who worked for conservative think tank the Heritage Foundation, was nominated by Trump after the president dismissed former BLS Commissioner Erika McEntarfer, citing alleged manipulation of jobs data.

- A White House official said another nominee would be announced for the post soon. Independent advocacy group Friends of BLS issued a statement Tuesday urging the appointment of a nominee with "a commitment to gold standard statistics, strong management skills, excellent economics training and a record of public support for the integrity of BLS products and standards," per AFP.

Pharmaceutical Tariffs

Semafor reports, "Trump's 100% tariffs on pharmaceutical products not made in the US are slated to take effect today — but it's an open question how many companies will be affected. Companies that are "breaking ground" or already constructing plants in the US will be exempt, generic drug imports won't be affected, and drugs made in the European Union will be subject to a lower tariff rate of 15%."

- Bloomberg reports that Pfizer "secured a reprieve" from the tariffs "by agreeing to slash some of its drug prices by up to 85% and selling directly to the American public, a move other major drugmakers are expected to follow."
- The Financial Times [notes](#) that the Pfizer deal "represents a significant win for the Trump administration on drug pricing. Since May, the president has pressured global pharmaceutical companies to lower US prices. Pfizer was one of 17 groups that received a letter from the administration seeking binding agreements to lower prices. The deadline to respond to the letter was September 29."
- Axios reports, "Pfizer's decision to make a deal with the Trump administration on drug prices caused an uproar within much of the pharmaceutical industry, which was caught off guard by the announcement."

South Korea

The US Treasury Department and South Korean Ministry of Finance announced in a joint statement that Seoul will "provide the US with monthly data on foreign-exchange interventions and publish the annual currency composition of its reserves, under a new accord aimed at boosting transparency while reaffirming commitments to avoid currency manipulation", per [Bloomberg](#).

- According to the statement, Bloomberg writes, "the deal was reached alongside ongoing tariff talks, emphasizing that any intervention should be limited to curbing excessive volatility or disorderly market moves. The two sides started negotiations in April. The statement did not mention an implementation timeline."
- Bloomberg notes, "The agreement could boost the chances of Korea being removed from the US monitoring list as the two sides are in intense negotiations to finalize a trade deal reached in July, under which Seoul pledged \$350 billion in investments."

Military

President Trump previewed a further normalisation of military presence in primarily Democrat-run US cities during a 70-plus-minute speech to an unusual gathering of senior US military officials in Quantico, Virginia, yesterday.

- Semafor notes, “The Trump administration brought its culture war agenda to top US military brass in a summit on Tuesday, lecturing officers on fitness and grooming standards to instill a “warrior” ethos. Hundreds of generals and admirals stationed around the world were summoned to the US to hear Defense Secretary Pete Hegseth rail against “fat troops” and “woke” standards.”
- The Washington Post writes, “The gathering came amid a growing disconnect between the Pentagon’s uniformed and political leadership: Top officers have criticized Hegseth’s strategy to prioritize threats to the homeland instead of deterring China.”

Trump said, “Last month, I signed an executive order to provide training for a quick reaction force, that can help quell civil disturbances. This is going to be important for the people in this room, because it’s the enemy from within, and we have to handle it before it gets out of control.”

- Trump said he told Secretary of Defense Pete Hegseth they should use American cities as a “training ground” for the US military, “I told Pete we should use some of these dangerous cities as training grounds for our military — National Guard, but military — because we’re going into Chicago very soon. That’s a big city with an incompetent governor. Stupid governor.”
- Trump continued, “We have many cities in great shape, too, by the way. But it seems that the ones that are run by the radical-left Democrats — what they’ve done to San Francisco, Chicago, New York, Los Angeles — they’re very unsafe places, and we’re going to straighten them out one by one.”

Congressional Business

The House is OUT

The Senate is IN

Committee Schedule –

- 10:00 ET 15:00 BST: SENATE Finance: Hearings to examine the taxation of digital assets.

Gaza War

President Trump indicated to reporters yesterday that he will give Hamas “about three or four days” to respond to a US [peace plan for Gaza](#) that was endorsed by Israeli Prime Minister Benjamin Netanyahu at the White House on Monday.

- Trump said, when asked how long he is going to give Hamas to respond to his ceasefire proposal, “About three or four days. We’ll see how it is. All of the Arab countries are signed up. The Muslim countries are all signed up. Israel is all signed

up. We're just waiting for Hamas, and Hamas is either going to be doing it or not, and if it's not, it's going to be a very sad end."

- Trump warned that should Hamas reject the deal, he "would let [Israel] go and do what they have to do," per NBC's Chantal Da Silva.
- Politico notes, "Trump's ultimatum comes as Qatari and Egyptian officials have reportedly presented Hamas negotiators with the proposal. Still, one diplomat noted that there was no timeline set for a response and communicating with Gaza "could take hours or days, depending on the situation on the ground."

Ukraine War

Finnish President Alexander Stubb, widely reported as having a close personal relationship with President Trump, told reporters in Helsinki yesterday it's only a matter of time before the US takes punitive action against Russian President Vladimir Putin.

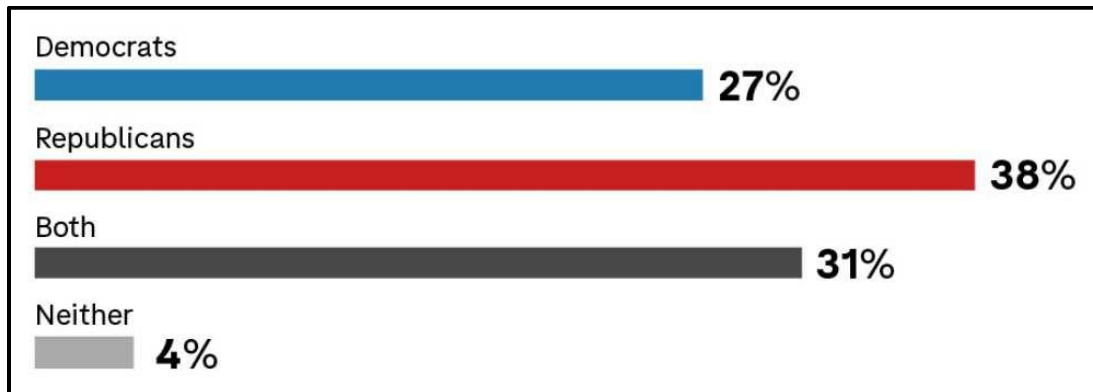
- Stubb said, "Having seen that carrots rarely work with the Russians, he has moved to the stick stage. Now it's just a question of how big the stick is going to be."
- Politico notes, "His view contrasts with skepticism from officials in Brussels and politicians in European capitals, some of whom dismissed Trump's statements that Ukraine could "win" back all its territory from Russia as hollow words.
- "But Stubb has more credibility than most when it comes to interpreting Trump, having built a rapport with the American president while playing golf, a sport they both love. Asked what sort of stick Trump would choose to hit Putin with, Stubb quipped that it might be a "driver."

Chart of the Day

A new NPR/Marist survey found Republicans would get more of the blame from a government shutdown than Democrats, but a significant percentage would blame both parties equally.

- NPR notes, "By a 38%-27% margin, respondents said they would blame Republicans for a shutdown with 3 in 10 saying both parties would be to blame. The plurality of independents, 4 in 10, would blame both parties equally."
- NPR adds, "Marist found no clear consensus among Democrats on what to do. Democrats, Republicans and independents are all split on whether it's generally more important to compromise to avoid a government shutdown or to stand on principle even if it means a government shutdown."

Figure 2: Which party do you think would be blamed more for a Government shutdown?



Source: NPR, Marist

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