

## MNI POLITICAL RISK ANALYSIS - US Daily Brief 05-06-25

by Adam Burrowes

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

11:30 ET 16:30 BST	President Trump meets bilaterally with German Chancellor Friedrich Merz
12:12 ET 17:15 BST	President Trump has a working lunch with Chancellor Merz
16:00 ET 21:00 BST	President Trump joins a Roundtable Discussion with the Fraternal Order of Police

#### 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 greet German Chancellor Friedrich Merz at the White House today for a bilateral meeting and working lunch. Later in the afternoon, Trump will join a Roundtable Discussion with the Fraternal Order of Police.

- Chancellor Merz is set to arrive at the White House at 11:30 ET 16:30 BST, with an initial Oval Office meeting to take place 15 minutes later, according to the White House press pool. Tagesspiegel [reports](#) a slightly different schedule, that a post-lunch Oval Office meeting will take place 13:00 ET 18:00 BST.
- The two leaders don't have a joint press conference scheduled, but there is likely to be a now-customary extended press spray at the top of the bilateral meeting. The press spray will be Trump's first interaction with reporters since his bust-up with Elon Musk over the 'One Big Beautiful Bill'.
- While there are likely some concerns in Berlin that Merz could be ambushed in the vein of Ukrainian President Volodymyr Zelenskyy or South Africa President Cyril Ramaphosa, Politico reports that a senior White House official "downplayed the likelihood of tension... saying the meeting 'shouldn't be any different than any other state visits.'"

There may not be Oval Office fireworks, but the Trump administration has a long list of grievances with Germany, including its USD\$80 billion trade surplus with the US and historic dependence on American military protection.

- Germany has also been criticised by Vice President JD Vance and Secretary of State Marco Rubio, who will be in attendance at the meeting, for perceived state suppression of the far-right Alternative for Germany (AfD) and for its immigration policies. Merz is likely to downplay the issues or take them behind closed-doors.

Merz will come armed with a pledge to make the Bundeswehr Europe's strongest army, facilitated by loosening Germany's restrictive debt brake. Merz has also pushed for the EU to relax its spending rules to better bolster its defences.

- Merz is also likely to make a case Trump should greenlight the Russia sanctions package awaiting floor action in the Senate. Germany has recently bolstered its position as Ukraine's primary military backer, with Merz [shedding](#) the cautious approach of his predecessor, Olaf Scholz.

## Immigration

The Trump administration announced [plans](#) yesterday to bar people from 12 countries from entering the United States, citing concerns over inadequate screening, security threats, high visa overstay rates, and terrorism.

- The ban, slated to take effect on Monday, will impact citizens of Afghanistan, Chad, the Republic of Congo, Equatorial Guinea, Eritrea, Haiti, Iran, Libya, Myanmar, Somalia, Sudan, and Yemen. There is also a partial restriction on travellers from Burundi, Cuba, Laos, Sierra Leone, Togo, Turkmenistan, and Venezuela.

## Economy

The Wall Street Journal [reports](#) that, "some economists are beginning to question the accuracy of recent U.S. inflation data after the federal government said staffing shortages hampered its ability to conduct a massive monthly survey."

- The Journal notes: "The Bureau of Labor Statistics, the office that publishes the inflation rate, told outside economists this week that a hiring freeze at the agency was forcing the survey to cut back on the number of businesses where it checks prices. In last month's inflation report, which examined prices in April, government statisticians had to use a less precise method for guessing price changes more extensively than they did in the past."

The report comes after Politico [scooped](#) that Trump administration officials "delayed and redacted a government forecast report because it predicted an increase in the country's trade deficit in farm goods later this year

- Politico noted: "The data prompted officials to block the publication of the written analysis normally attached to the report because they disliked what it said about the deficit. The report, released Monday, includes numbers unchanged from how they would've read in the unredacted report."

## CBO

The nonpartisan Congressional Budget Office [officially determined](#) that the House-passed Big Beautiful Bill would add USD\$2.4 trillion to the federal deficit over 10 years, primarily due to tax cuts.

- White House policy advisor Stephen Miller said on the release, in part of a broader move by the administration to discredit the agency: "One of the bigger points of confusion on the BBB is spending vs tax cuts. The lefty CBO says extending the 2017 tax cuts (preventing their expiration) increases the deficit."
- Miller added: "So when a libertarian (eg [Senator Rand Paul (R-KY)]) attacks the "deficit" impact of the bill they are attacking the tax cut. Of course, honestly accounted, extending current tax rates has zero deficit impact which is why the bill, because of its spending cuts, reduces the deficit..."

- OMB Director Russell Vought said in a [statement](#) that the bill, "provides a historic \$1.6 trillion in mandatory savings... \$36 trillion in debt is not solved overnight. It is solved by advancing and securing victories at a scale that over time..."

In a separate [letter to Senate Democrats](#) yesterday, the CBO determined that Trump's tariffs would reduce deficits, reduce the size of the economy, and increase inflation.

- The CBO estimated "that the increase in collections of tariffs would reduce primary deficits by \$2.5 trillion," slightly outweighing the deficit increases in the GOP reconciliation bill.
- The letter notes: "In CBO's assessment, the changes in tariffs will reduce the size of the U.S. economy-in part because of tariffs imposed by other countries in response to the increases in U.S. tariffs. After accounting for that change in the size of the economy, CBO estimates that the changes in tariffs will reduce total federal deficits by \$2.8 trillion."
- The letter adds: "Inflation will increase by an annual average of 0.4 percentage points in 2025 and 2026, in CBO's estimation, reducing the purchasing power of households and businesses."

## Congressional Business

The House is IN

The Senate is IN

### Committee Schedule –

- **10:00 ET 15:00 BST:** HOUSE Oversight: "The Federal Government in the Age of Artificial Intelligence" American Innovation and the Future of Digital Assets"
- **11:00 ET 16:00 BST:** House Appropriations: Budget Hearing – Fiscal Year 2026 Request for the Department of Commerce – Commerce Secretary Howard Lunick to testify

## Big Beautiful Bill

House Speaker Mike Johnson (R-LA) has a challenging few weeks ahead, with the Senate preparing to make major changes to the House-passed 'Big Beautiful Bill' that are likely to reignite rebellions from both the conservative and moderate flanks of his conference.

- Politico reports: "Senate Finance Republicans left the White House on Wednesday without decisions on key tax provisions in the bill. But two things are clear: Senators want to make President Donald Trump's business tax incentives permanent, not just extend them for five years as the House did. And to help pay the roughly half-trillion-dollar price, they're ready to carve up the House's deal to quadruple the SALT deduction limit."
- Senate Finance Committee Chair, Mike Crapo (R-ID), pointed out that SALT is a non-issue in the Senate: "There's not a single [Republican] senator from New York or New Jersey or California," meaning there's not much appetite "to do \$353 billion for states that, basically, the other states subsidize."



- Rep. Mike Lawler (R-NY), a key SALT Republican in the House, responded in a [statement](#) on X, warning that SALT Republicans in the House could torpedo the bill if the Senate makes substantial changes to the \$40,000 SALT cap.
- Lawler said: "Let's be clear - no SALT, no deal... If the Senate changes the negotiated number of \$40,000 - it will derail final passage of the bill."

Punchbowl News reports: "Finance Republicans are also working on a new plan for repealing clean-energy tax credits from the Inflation Reduction Act. It involves slower phase-outs of the incentives than what the House passed. It would also include bigger variations in how different forms of energy are treated.

- "This could certainly enrage the House Freedom Caucus. Hardline conservatives want a total repeal of IRA credits, which GOP moderates won't accept."

Elon Musk and fiscally conservative Senators are not backing down from demands for more deficit reduction, with Musk boosting a series of posts on X slamming the bill.

- The WSJ reports a senior White House official said Trump wasn't happy about Musk's decision to lambaste his signature legislation, describing the president as confused as to why the Tesla chief executive decided to ratchet up his criticism after working so closely with the president for four months. The official said senior Trump advisers were caught off guard by Musk's latest offensive.
- Senator Mike Lee (R-UT), Musk's most vocal supporter, [said on X](#) yesterday: "I'm drafting a constitutional amendment. To oust every member of Congress. Whenever inflation exceeds 3%..."
- Senator Rand Paul (R-KY) penned an [op-ed](#) stating that, while he supports the tax elements of the bill, he cannot "support a budget bill that includes the largest numerical debt limit increase in American history."
- Senator Roger Marshall (R-KA) said: "We are going to cut some more money from what the House has done... Can we get to \$2 trillion? Do we make all those business tax provisions permanent or not? I think those are the big issues."

Perhaps acknowledging the bill's complex path to his desk, Trump suggested in a statement on [Truth Social](#) that the debt limit could be carved out of the reconciliation package and abolished in a bipartisan standalone bill.

- Trump said: "I am very pleased to announce that, after all of these years, I agree with Senator Elizabeth Warren on SOMETHING. The Debt Limit should be entirely scrapped to prevent an Economic catastrophe. ... As to Senator Warren's second statement on the \$4 Trillion Dollars, I like that also, but it would have to be done over a period of time, as short as possible. Let's get together, Republican and Democrat, and DO THIS!"
- Extracting the debt limit from the reconciliation package could buy Republicans more time to construct a package that can pass both chambers of Congress. With the debt limit included, any signal from Congress that the bill is delayed will spook markets as the X-Date approaches.

Some Democrats are seeing the schism between Musk and GOP leadership as an opportunity to coax the world's richest man back into the Democrat orbit.

- Rep. Ro Khanna (D-CA), who represents Silicon Valley and has known Musk for over a decade, said Democrats should “be in a dialogue” with Musk, given their shared opposition to the GOP’s megabill, per Politico.
- Khanna said: “We should ultimately be trying to convince him that the Democratic Party has more of the values that he agrees with. A commitment to science funding, a commitment to clean technology, a commitment to seeing international students like him.”
- Rep. Ritchie Torres (D-NY) said: “I’m a believer in redemption, and he is telling the truth about the legislation.” He added, however, that “there are Democrats who see his decimation of the federal workforce and the federal government as an unforgivable sin.”

Semafor reports that Senate Republicans are reviewing the House’s “revenge tax” against foreign countries that Wall Street has warned could stifle investment in the US.

- Senator Thom Tillis (R-NC), said: “There are some issues that have been raised there and we are looking at it.” However, Senate Finance Committee Chair Mike Crapo (R-ID) said removing the measure would lose USD\$116 billion in revenue for the package.
- Semafor notes: “House Ways and Means Committee Chair Jason Smith put out a statement defending the proposal and asking the Senate to pass it and the rest of the megabill ASAP.”

## Russia-Ukraine

Trump wrote in a lengthy message on [Truth Social](#) yesterday that he held a one-hour fifteen minute call with Russian President Vladimir Putin, conceding that, “it was a good conversation, but not a conversation that will lead to immediate Peace.”

- Trump noted, in a message that was more tonally restrained than his usual social media output, that he and Putin, “discussed the attack on Russia’s docked airplanes, by Ukraine, and also various other attacks that have been taking place by both sides.”
- Trump said that Putin explained, “very strongly, that he will have to respond to the recent attack on the airfields.”

Axios reports: “President Trump thought Ukraine’s surprise drone attack over the weekend was “strong” and “badass,” sources who discussed it with him [said]. But he’s also concerned it will make his ceasefire mission even harder.”

- Reuters writes: “Putin has “openly questioned the point of peace talks with Ukraine after accusing Kyiv’s senior leadership of ordering deadly terrorist attacks on bridges in Russia that killed seven and injured 115 more.”

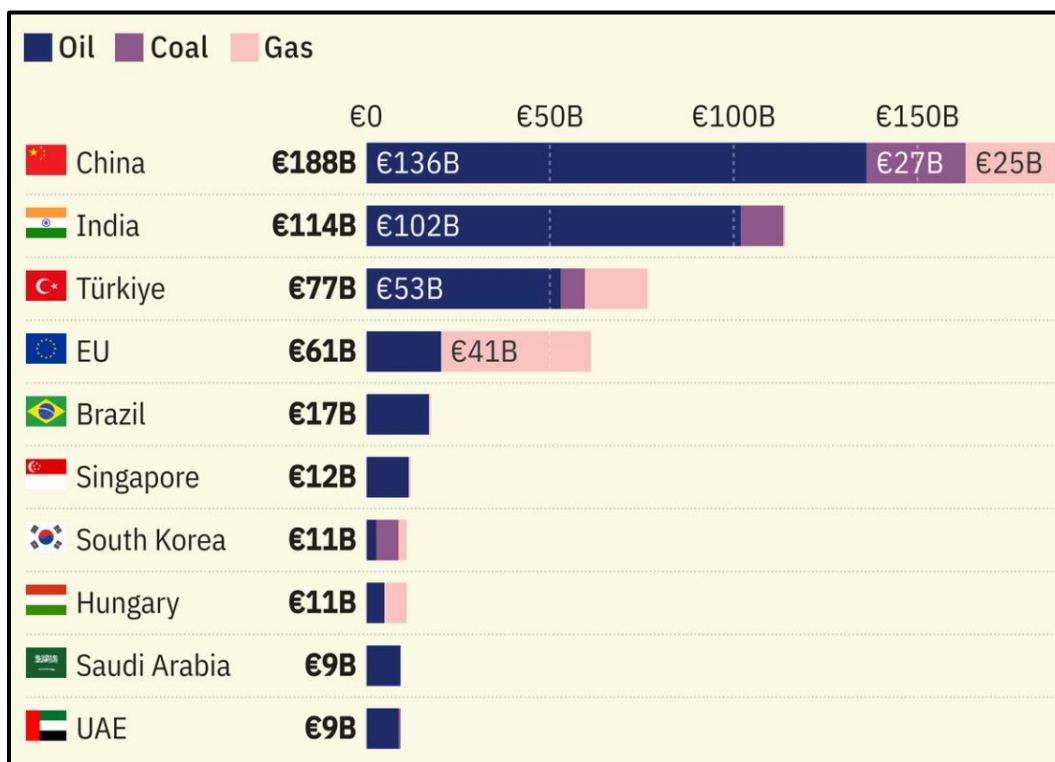
International relations scholar Edward Fishman wrote in [Foreign Affairs](#) that Trump’s Russia policy is “at a dead end”. “If Trump is serious about ending the war in Ukraine, his administration should work with [Senator Lindsey Graham (R-SC)] and other hawks on Capitol Hill rather than oppose them.”

- The Washington Post [notes](#) similarly, “It is clear that Putin does not want peace; he has to be forced to end the war. To do that, Trump needs greater leverage. Congress can give it to him by passing the Sanctioning Russia Act...”

Semafor [reports](#) that sanctions author, Senator Graham, said that he, “plans to amend his bipartisan Russia sanctions bill to exempt countries that help Ukraine’s defense, offering a carveout for European countries who might otherwise be nervous about the measure’s secondary sanctions.”

- Semafor notes: “Graham said he spoke to President Donald Trump about his effort on Tuesday night. He declined to say what Trump thought of his latest proposal: “I’ll let him speak for himself.”

**Figure 1: Largest Importers of Fossil Fuels from Russia, 2023-2025**



Source: Semafor

## Iran

The Wall Street Journal [reports](#) that, “Iran’s supreme leader, Ayatollah Ali Khamenei, said on Wednesday that abandoning uranium enrichment was “100 percent” against Tehran’s interests, effectively rejecting a key U.S. demand in weeks of tense negotiations over Iran’s nuclear program.”

- The rejection is a major setback for nuclear talks after reports that the US sent Tehran a compromise proposal that would allow Iran to keep enriching uranium for its civilian nuclear programme temporarily.



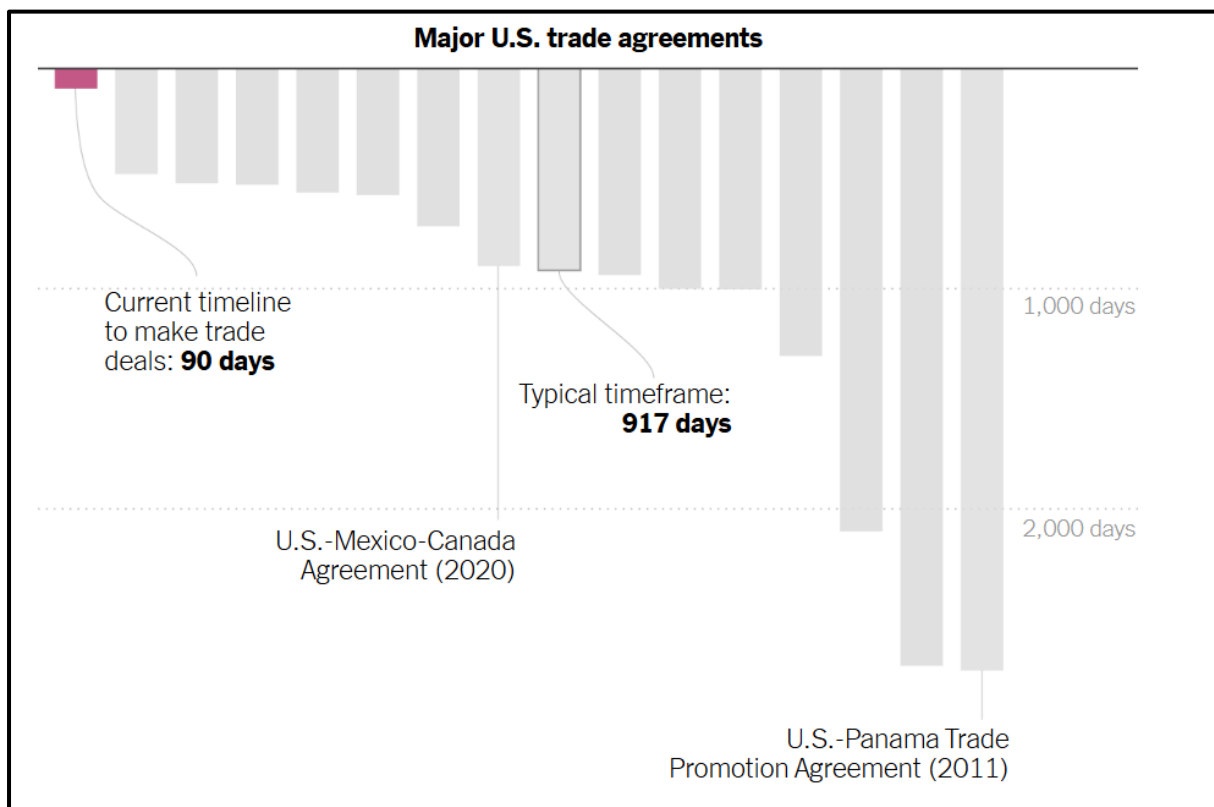
- Trump said in his Truth Social statement regarding his call with Russian President Vladimir Putin, that they also “discussed Iran, and the fact that time is running out on Iran’s decision pertaining to nuclear weapons, which must be made quickly!”
- Trump said he “stated to President Putin that Iran cannot have a nuclear weapon and, on this, I believe that we were in agreement. President Putin suggested that he will participate in the discussions with Iran and that he could, perhaps, be helpful in getting this brought to a rapid conclusion.”

## Chart of the Day

The New York Times reports that the 90-day deadline that the Trump administration has set itself to negotiate a raft of trade deals, “is a tenth of the time it usually takes to reach a trade deal.”

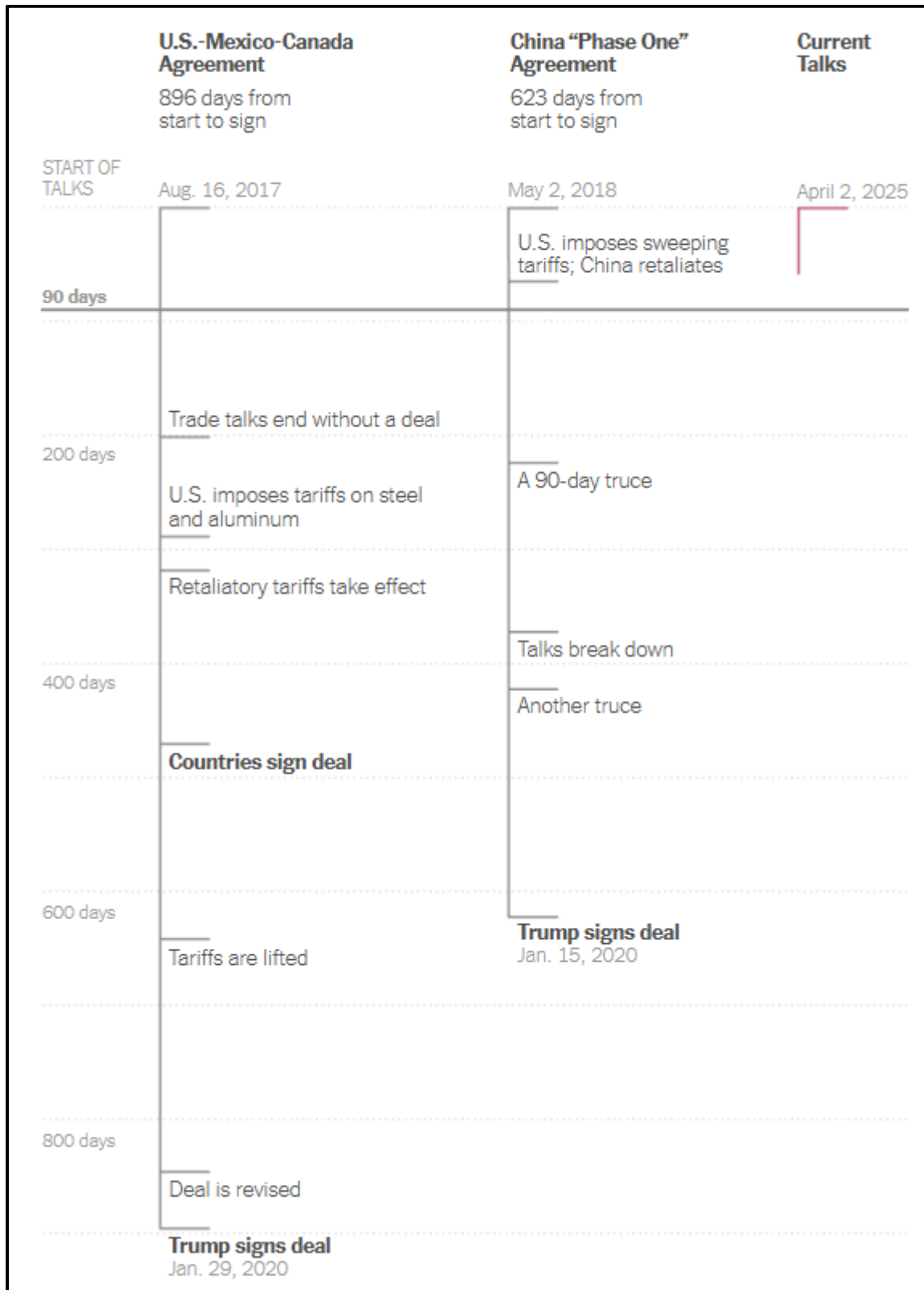
- The Times notes: “It typically takes 917 days, or roughly two and a half years, for a trade deal to go from initial talks to the president’s desk for signature, the analysis shows.
- “Roughly 60 days into the current process, Mr. Trump has so far announced only one deal: a pact with Britain, which is not one of America’s biggest trading partners.”

**Figure 2: “It takes years to close a typical trade deal. How do the current talks compare?”**



Source: New York Times

**Figure 3: USMCA, China ‘Phase One’ Agreement, Current Talks (Timelines)**



Source: New York Times



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