

MNI POLITICAL RISK ANALYSIS - US Daily Brief 06-05-26

by Adam Burrowes

The White House *(times subject to change)*

08:00 ET 13:00 BST	President Trump participates in Executive Time
11:00 ET 16:00 BST	President Trump participates in a Policy Meeting
12:30 ET 17:30 BST	President Trump participates in a Military Mother's Day Event
15:30 ET 20:30 BST	President Trump receives his Intelligence Briefing
17:30 ET 22:30 BST	President Trump participates in a Reception for the Trust for the National Mall

Key Dates:

- ❖ *May 12: North Carolina Primary Runoffs*
- ❖ *May 26: Texas Primary Runoff*
- ❖ *June 9: Maine Senate Primaries*

Washington Roundup

President Donald Trump will participate in 'Executive Time' at 08:00 ET 13:00 BST, hold a policy meeting 11:00 ET 16:00 BST, participate in a military event at 12:30 ET 17:30 BST, receive an intel briefing at 15:30 ET 20:30 BST, and attend a reception at 17:30 ET 22:30 BST.

- The State Department notes that Secretary of State Marco Rubio spoke yesterday with "Russian Foreign Minister Sergey Lavrov at the Minister's request. They discussed the U.S.-Russia relationship, the Russia-Ukraine war, and Iran."

Negotiators from the EU Parliament, European Commission, and EU member states will meet in Brussels, Belgium, today to discuss tensions over the implementation of the US-EU trade deal struck at Trump's Turnberry golf club in Scotland last year.

- Politico [reports](#), "Many member countries, led by Germany and its powerful auto industry, along with Trade Commissioner Maroš Šefčovič, are desperate to finally get the deal on the books. But a majority on the left side of the house, led by trade committee chair Bernd Lange, says that Trump's warning last Friday that he would slap a 25 percent tariff on European autos confirms their view that the U.S. president can't be trusted."
- Šefčovič urged USTR Jamieson Greer to honour its side of the EU-US trade deal during a meeting in Paris yesterday. Politico reports that the two sides failed to find an off-ramp in more than an hour of talks, and a source close to the talks said, "Greer didn't take the threat to impose a 25 percent tariff on European cars off the table."

The Wall Street Journal [reports](#), "The SEC proposed eliminating the quarterly reporting requirement for public companies. Instead of three quarterly reports and one annual report for each fiscal year, companies would be able to choose to file one semiannual report and one annual report."

- “The purpose?” Writes WSJ, “To let companies choose the reporting frequency that is best for them and their investors, the SEC said. Some investors could take issue with the changes because they rely on regular disclosures. The proposal is subject to a public comment period of 60 days, after which the regulator will vote on it.”

Commerce Secretary Howard Lutnick will appear before the House Oversight Committee today for a closed-door, on-the-record interview about his relationship with Jeffrey Epstein. Lutnick, who has been less visible recently after playing a prominent role in the opening months of Trump’s term, is considered at risk of losing his job as Trump shakes up his Cabinet ahead of the midterms.

- Politico notes that both former Attorney General Pam Bondi and former Homeland Security Secretary Kristi Noem “lost Congressional GOP support before their departures, and Lutnick’s political career could hinge on whether Oversight Republicans are satisfied with his answers on what he knew about Epstein and when.”

NYT DealBook reports, “So-called Trump accounts, the Trump administration’s new investment accounts for millions of American children, have already been funded with billions of dollars from philanthropic gifts. Now, there is talk about making the program even bigger — and potentially more complicated.

- “White House and Treasury Department officials have held internal conversations about expanding what can go into the accounts, formally known as Section 530A accounts, DealBook understands.”

Iran

It’s been another whipsawing 24 hours of Iran war news. Senior US officials spent yesterday downplaying an exchange of fire between Iran and the US, talking up the effectiveness of the US blockade on Iranian ports, and touting Trump’s new initiative - dubbed Project Freedom - to reopen the Strait of Hormuz. Trump then pulled the rug on his Cabinet, announcing that he was suspending Project Freedom in a message on [Truth Social](#).

- *“Based on the request of Pakistan and other Countries [and] the fact that Great Progress has been made toward a Complete and Final Agreement with Representatives of Iran, we have mutually agreed that, while the Blockade will remain in full force and effect, Project Freedom (The Movement of Ships through the Strait of Hormuz) will be paused for a short period of time to see whether or not the Agreement can be finalized and signed.”*
- Trump followed up this morning with a [second statement](#) on Truth Social, *“Assuming Iran agrees to give what has been agreed to, which is, perhaps, a big assumption, the already legendary Epic Fury will be at an end, and the highly effective Blockade will allow the Hormuz Strait to be OPEN TO ALL, including Iran. If they don’t agree, the bombing starts, and it will be, sadly, at a much higher level and intensity than it was before.”*

While details have been limited and there has yet to be confirmation of the progress from the Iranian side, Trump’s announcement triggered an immediate slide in oil prices and USD, and a bullish pivot in US Treasuries and Asian and European markets.

- Pakistan's prime minister Shehbaz Sharif [this morning](#) praised Trump pausing the US initiative to guide ships through the Strait of Hormuz, and said he hoped that "current momentum" in diplomacy would lead to "a lasting agreement that secures durable peace and stability for the region."

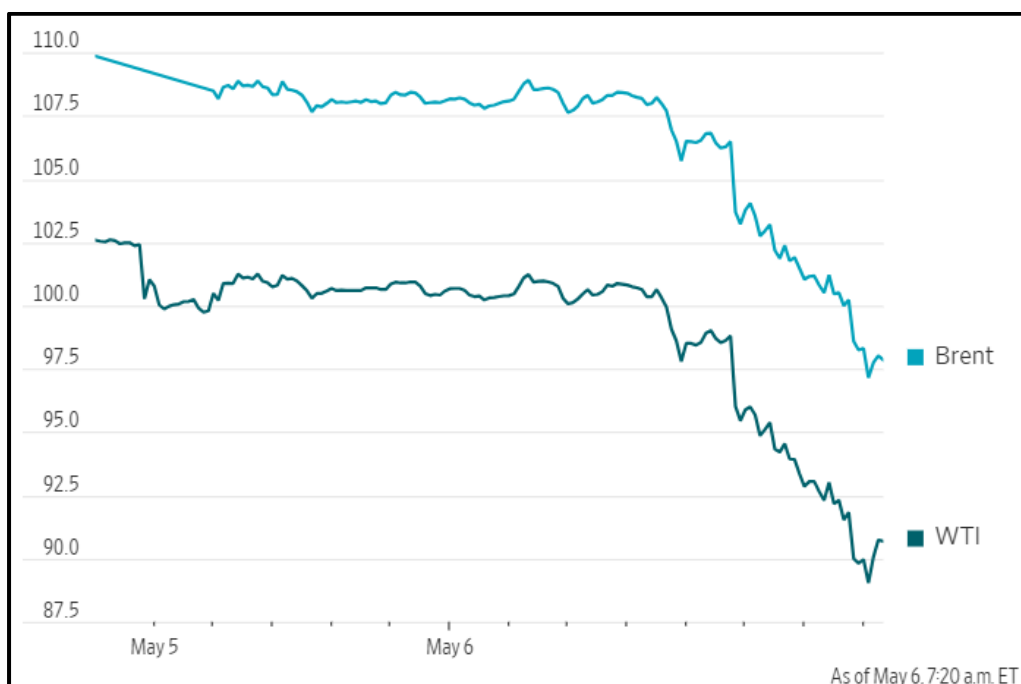
Pakistani sources told [Al Arabiya](#) this morning: "We have a draft agreement, the majority of whose clauses have the approval of both parties." The outlet reports on X, "The draft agreement includes the release of Iran's frozen funds," and "clauses on enriched uranium," but notes that, "The two sides are closer to embarking on a negotiation process that may take months."

- Sceptical market watchers will be cognizant that Trump has made [similar declarations](#) of diplomatic breakthroughs in the past, which have then been rejected by Tehran. The same goes for Pakistani reporters and officials, who have appeared to jump the gun on several occasions when announcing breakthroughs.
- The primary focus today will be on the response from key members of the Iranian regime, including so-called 'moderates' like Parliament speaker Mohammad Ghalibaf, as well as hardliners like IRGC commander Maj. Gen. Ahmad Vahidi.

Indeed, a spokesperson for Iran's National Security and Foreign Policy Commission [wrote on X](#) this morning, "Axios' text is Americans' wish list until it becomes reality, Americans will not obtain through a failed war what they failed to gain in face-to-face negotiations..."

- And to further dampen optimism, Trump told the [New York Post](#) that its "too soon" to start thinking about face-to-face peace talks between the US and Iran. He added "I don't think so", when asked whether the Post should send a reporter back to Islamabad in preparation for a new round of peace talks.

Figure 1: Oil Prices Slide on Optimism for Diplomacy



Source: WSJ

Memorandum of Understanding

Caveats notwithstanding, market optimism strengthened this morning (before Trump's second Truth Social message) with an Axios [report](#) stating, "The White House believes it's getting close to an agreement with Iran on a one-page memorandum of understanding to end the war and set a framework for more detailed nuclear negotiations."

- According to Axios, "The U.S. expects Iranian responses on several key points in the next 48 hours. Nothing has been agreed yet, but the sources said this was the closest the parties had been to an agreement since the war began."
- Axios reports, "The one-page, 14-point memorandum of understanding is being negotiated between Trump's envoys Steve Witkoff and Jared Kushner and several Iranian officials, both directly and through mediators."
- Theoretically, a MOU could be a workable basis for a de-escalation, even without an immediate return to peace talks. We have noted in previous editions of this newsletter that a mutual (maybe partial) reopening of the Strait of Hormuz is likely to be a crucial first step toward ending the war. So far, neither side has been willing to take the first step, but Trump's comments suggest the administration is looking to kickstart the process of resolving the standoff.

Increased Input from China

The Wall Street Journal [reports](#), "Chinese Foreign Minister Wang Yi held talks with Iranian counterpart Abbas Araghchi in Beijing, calling for a complete cease-fire in the war and urging Tehran to respond to international calls to open up the Strait of Hormuz. "An immediate and total cease-fire is essential," Wang said in his meeting with Araghchi, according to a Chinese account of the meeting. "Restarting the war is even more undesirable. Persisting in negotiations is paramount."

- WSJ continues, "The meeting came days ahead of a planned summit between President Trump and Chinese leader Xi Jinping in Beijing. Describing Beijing as "a close friend and strategic partner," Iran's foreign minister expressed hope that China would use its rotating presidency of the United Nations Security Council to play "an effective role in preventing continued violations of international peace and security," according to a post on his Telegram account."

The report comes after Secretary of State Marco Rubio said in a [statement](#), "At President Trump's direction, the United States, alongside Bahrain and our Gulf partners, Saudi Arabia, the United Arab Emirates, Kuwait, and Qatar, drafted a UN Security Council Resolution to defend freedom of navigation in the Strait of Hormuz."

- "The draft resolution requires Iran to cease attacks, mining, and tolling. It demands that Iran disclose the number and location of the sea mines it has laid and cooperate with efforts to remove them, while also supporting the establishment of a humanitarian corridor. The United States looks forward to this resolution being voted on in the coming days and to receiving support from Security Council members and a broad base of co-sponsors," per the statement.

Iran War Powers

Secretary of State Marco Rubio signalled yesterday that the Trump administration is likely to dismiss any suggestion that it must comply with the War Powers Act, effectively stating that the White House will disregard any move by Congress to rein in Trump's authority to direct military operations in the Middle East.

- Rubio said at the White House, "The War Powers Act is unconstitutional — 100 percent. Now, this is not the position of me, it's not the position of the president of the United States now. This is the position of every single president that has occupied this position since the day that law passed. It's completely unconstitutional. Now, we comply with it in terms of notification, because we want to preserve good relations with Congress..."
- "We don't acknowledge the law as constitutional; nonetheless, we comply with elements of it for purposes of maintaining good relations with Congress and we want them to be involved, and we want them to be informed. I have gone on Capitol Hill four times this year for all senators and all House members and intel committee and Gang of Eight," Rubio added.
- Punchbowl News notes, "The thrust of Rubio's remark is that the Trump administration doesn't really care much about the War Powers Act or Congress' role on Iran. Rubio says that the administration is complying with some of the law and seems comfortable with that fact. This view is important to consider when you see Democrats and a handful of Republicans threatening to force votes on war powers resolutions."

Congressional Business

The House is OUT

The Senate is OUT

Committee Schedule –

Midterms

President Donald Trump scored a major political victory in a slate of Indiana state Senate primaries yesterday, with voters ousting most of the Republican state Senators who voted against a Trump-backed effort to leverage a supermajority in the state legislature to redraw a favourable Congressional map.

- Election returns from the Associated Press showed that five of the seven Trump-backed challengers won in their primaries, including Blake Fiechter, Tracey Powell, Michelle Davis, Brian Schmutzler and Trevor De Vries. Jeff Ellington, who was endorsed by Trump in the open seat, also prevailed in his primary, per The Wall Street Journal.

The primary results suggest that, despite a string of Democratic overperformances in recent special elections, including the Florida district of Trump's Mar-a-Lago resort, Trump still retains significant influence over the grassroots of the GOP.

- Politico writes that, “The victories were a bright flashing red warning to any Republicans who might be eyeing a break from the president as he approaches the back half of his second term in office.”
- Looking forward, Trump’s success on Tuesday might have implications for Southern states considering hasty redistricting after the Supreme Court struck down a long-standing convention of the Voting Rights Act last month, effectively clearing the way for state legislatures to undo ‘minority-majority’ districts.
- Section 2 of the 1965 laws had previously been interpreted as the legal justification for providing racial minority voters the opportunity to elect their chosen candidates. One [assessment](#) suggests that an aggressive attempt to redraw maps now could net the GOP up to eight seats in November.

Brazil

President Trump will host Brazilian President Luiz Inacio Lula da Silva at the White House on Thursday for discussions on “economic and security matters of shared importance,” per the White House.

- The meeting comes amid a major rupture in bilateral relations, with Brasilia accusing the US of interfering in domestic politics and Washington countering with accusations of discriminatory policy towards US tech firms and judicial overreach.
- Brian Winter at Americas Quarterly notes on X that Lula’s goals are likely defensive: “Prevent Trump from being a factor in October’s election, from interfering on the [president candidate Falvio] Bolsonaro’s behalf. Keep US-Brazil relationship positive, as it has been since September, despite voices inside Trump admin pushing for return to a bellicose approach.”

The White House is eyeing Brazilian support for its global initiative to secure rare-earth supply chains. The South American country has the world’s second-largest reserves of rare earths, after China, and significant reserves of other critical minerals.

- Bloomberg notes, “Iran is also a source of friction for the two nations. Lula has condemned the US and Israeli war on Iran. Like other economies, Brazil has struggled to blunt the fallout of the conflict...”
- Winters writes, “This is, as always with Trump, an UNPREDICTABLE meeting. Arranged quickly and odd timing. It probably goes fine but there’s a ~10% chance it devolves into a Zelensky 2, especially if Lula insists on Brazil’s position on Iran or Venezuela.”

Housing

President Trump is ‘privately concerned’ about language in the Senate-approved bipartisan housing bill requiring ‘mega-landlords to sell single-family homes built as long-term rentals after seven years,’ according to a [Politico](#) report.

- The bill, which is currently stalled in the House, is the most significant housing reform package attempted by Congress in decades. For frontline Republican lawmakers, the bill is one of the few potential wins on affordability that could be touted on the midterm campaign trail.

Politico writes, “Trump was on the verge of putting out a social media post taking issue with the major housing affordability package the Senate approved this year, according to two people with knowledge of the matter who were granted anonymity to discuss private conversations... He ultimately held off on sending the post out.”

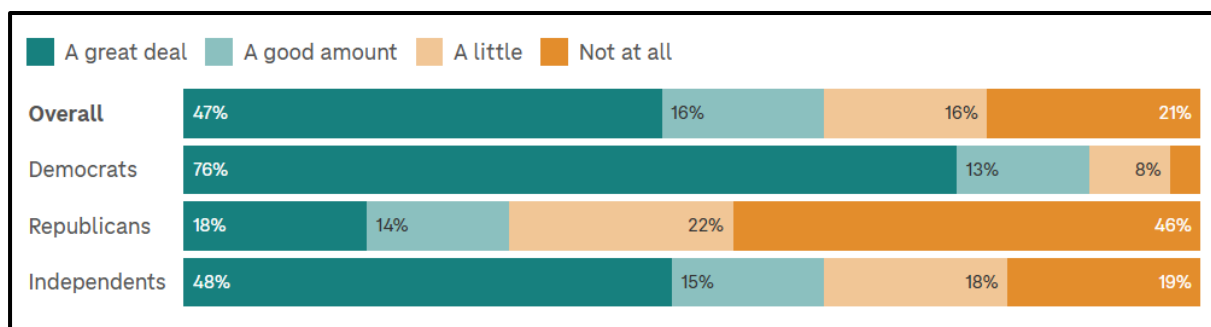
- Politico notes, “Senators have been pushing the House to accept their bill without changes in order to ensure its quick passage, but Trump’s objections — which haven’t been previously reported — could give new momentum to House members who want to force amendments to the proposal.”
- Senate Majority Leader John Thune (R-SD) said on Thursday, “I think the White House wants to get it done but I think they’re going to have to really probably take some work to get the action in the House,” but declined to offer a timeline of when things might start moving.

Chart of the Day

A new survey from [PBS News, NPR, Marist](#) has found that just 35% of Americans approve of Trump's handling of the economy, “which is also tied for worst mark in the poll. That record was set in March.”

- The report notes: “Several factors are piling on voters: Gas prices have surged to an average of \$4.48 cents a gallon nationally, as of May 5, according to AAA. Before the war, prices were below \$3 a gallon on average. Gas prices went up more than 30 cents a gallon last week... As a result, 81% of respondents said current gas prices are a strain on their household budget, including 79% of Republicans.”
- NPR writes, “By a 63%-37% margin, respondents said they blame Trump for the current increase in gas prices. That includes a third of Republicans... The same split said the economy is not working well for them personally, the worst recorded in the survey.”

Figure 2: How much, if at all, do you blame President Trump for the current increase in gas prices?



Source: PBS News, NPR, Marist

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