

## MNI POLITICAL RISK ANALYSIS - US Daily Brief 09-03-26

by Adam Burrowes

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

08:00 ET 12:00 GMT	President Trump participates in Executive Time, Trump National Doral Miami
15:30 ET 19:30 GMT	President Trump participates in a Roundtable, Trump National Doral Miami
16:35 ET 20:35 GMT	President Trump delivers Remarks to the Republican Members Issues Conference
TBD	President Trump returns to Washington DC

#### Key Dates:

- ❖ *March 10: Georgia Special Election*
- ❖ *April 16: New Jersey Special Election*

### Washington Roundup

President Donald Trump will participate in what the administration calls “Executive Time” at 08:00 ET 12:00 GMT. Trump will participate in a round table event at 15:30 ET 19:30 GMT.

- At 16:30 ET 20:30 GMT, Trump will deliver remarks to the House Republican annual policy retreat at the Trump Doral resort in Florida. He will return to the White House in the evening.

09:00 ET 13:00 GMT, Secretary of State Marco Rubio will deliver remarks at the US Hostage and Wrongful Detainee Flag Raising Ceremony at the Department of State.

- The Senate Armed Services Committee will receive a closed briefing on Operation Epic Fury on Tuesday at 09:30 ET 13:30 GMT.

### Republican Policy Retreat

House Republicans will meet at President Trump’s Doral National resort in Miami, Florida, today for their annual policy retreat to discuss legislative priorities for the party ahead of the Midterm Elections in November.

- Politico writes, “Trump may have just upended that plan. The president on Sunday said he wouldn’t sign any bills until Republicans pass the sweeping elections overhaul known as the SAVE America Act.
- “Paired with a new Middle East War, surging oil prices and persistent internal turmoil threatening the House GOP’s razor-thin majority, the kickoff of the party’s South Florida gathering is looking anything but sunny.”
- Semafor notes that Trump’s threat to the GOP legislative agenda is “a jolt to the senators in both parties working on a housing reform bill that’s now on the floor, which also includes a stab at the president’s priority of cutting down institutional investors buying up single-family homes.”

### Middle East War

Seven Americans have now been confirmed killed in the US war on Iran. Civilian casualties in Iran could be as high as 1,300. Israel's military campaign against Iran-backed Hezbollah in Lebanon has [killed](#) up to 400 people and displaced hundreds of thousands of civilians.

- On Sunday, Israel's military said it had struck some 400 targets in western and central Iran over the past day, including what appears to be the first attacks on Iran's energy infrastructure. Eli Cohen, Israel's energy minister, said targets including oil refineries and power stations were on the table, per Bloomberg.

The New York Times DealBook writes, "S&P 500 futures are in the red, after declines in Asia and Europe, with banks and airlines especially hard hit. The yield on the 10-year US Treasury note topped 4.17 percent, up about a quarter percentage point in a week."

- The war threatens major economic fallout across multiple sectors, with global food supplies, shipping, fertiliser, pharmaceuticals, and consumer electronics all at risk of a supply chain shock from the second-order effects of the war, including the closure of international air travel hubs in the Middle East.
- The Washington Post [notes](#), "The shipping impact illustrates a broader economic truth: The war is hitting the economies of Europe and Asia harder and faster than it is striking the United States."
- Markets are cognizant that the supply shock is likely to persist in the medium term, even in the event of an easing of hostilities. Moreover, Iran has enough drones and firepower to ensure it can maintain disruptions for [months](#) if the war drags on.

## Iran's New Supreme Leader Signals Regime Continuity

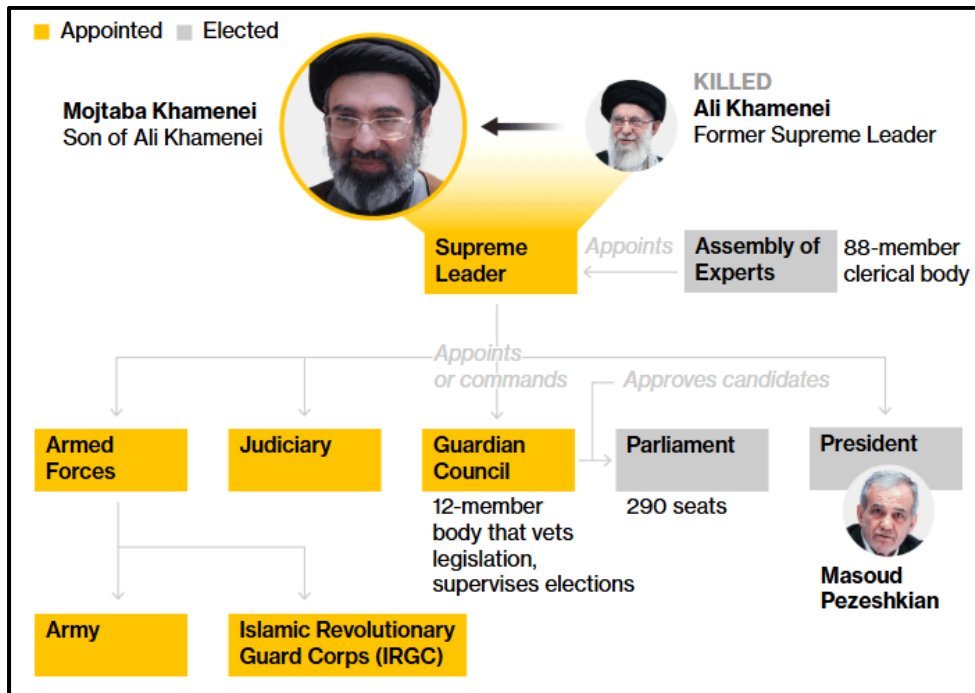
Iran's Assembly of Experts elected Mojtaba Khamenei, the 56-year-old son of the late Ayatollah Ali Khamenei, as the country's new supreme leader. Little is publicly known about Mojtaba in the West, but analysts largely agree that the appointment signals the Iranian Revolutionary Guard (IRGC) will bolster its position as the central node of power within the country.

- The Times of Israel [writes](#) that Mojtaba's appointment, "sends an unequivocal message: Iran's leadership has rejected any prospect of compromise to preserve the system and sees no path forward except confrontation, revenge and endurance."

There was some dovish sentiment last week, after President Masoud Pezeshkian issued a seemingly [conciliatory statement](#) to Gulf neighbours, but that has evaporated with the appointment of Mojtaba and a broader market acknowledgement that the office of the president wields little power within the regime.

- Vali Nasr, an expert on Iran and Shiite Islam at Johns Hopkins University, said, "The choice of Mojtaba is choice of continuity with his father, and also he is more ready than other candidates to quickly consolidate power and assert control over the system."

## Figure 1: Iranian Regime Structure



Source: Bloomberg News, Council on Foreign Relations

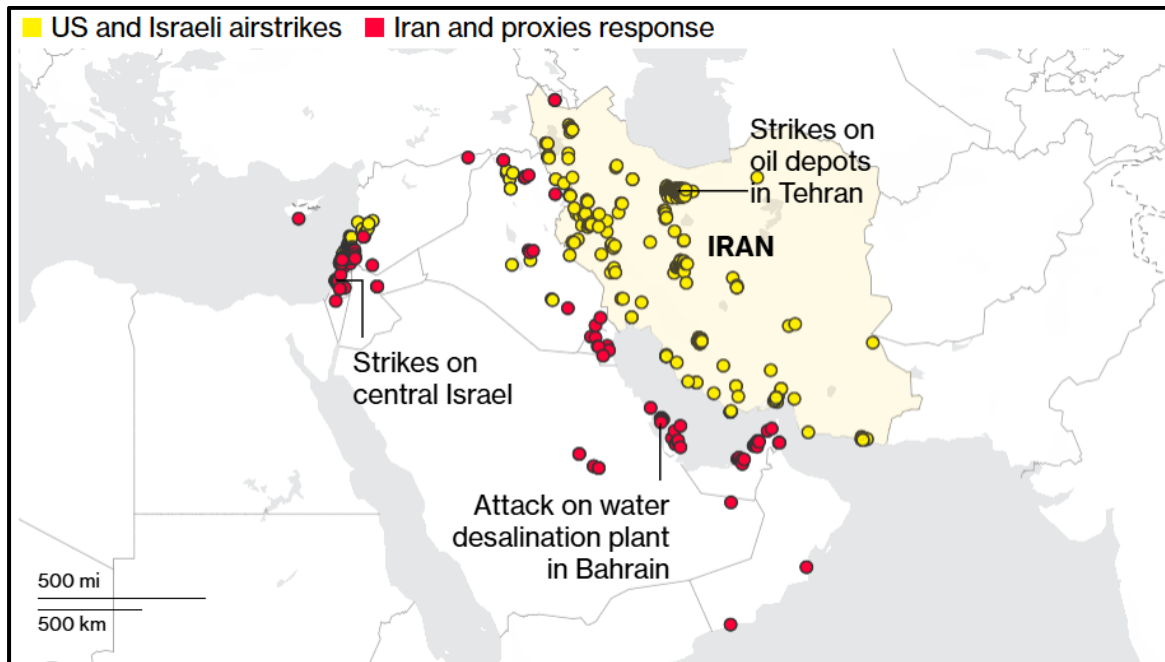
A spokesperson for US Central Command confirmed that American forces have conducted operations against Shia militia groups in Iraq: “We have conducted operations in Iraq as part of Operation Epic Fury, but it’s in defense of US troops as they’ve come under attack by Iran-aligned militia groups.”

- An expert told [The New York Times](#), “Since the US-Israeli war against Iran began, there have been at least two dozen reported attacks on Iraqi militias... analysts say the Pentagon is seeking to inflict a heavy toll on the Iranian-backed groups, opening an active second front against Iran as well as settling years-old scores.”

The US State Department issued a mandatory departure order for all US personnel in Saudi Arabia after a series of Iranian drone strikes on the US embassy complex in Riyadh. State also issued a security alert and a shelter-in-place notification for Americans in Jeddah and Dhurran, two other Saudi cities with a US consular presence.

- The State Department wrote in a statement, “We continuously assess the security environment, and based on our latest review, we determined it prudent to reduce our footprint to essential personnel.”
- The New York Times notes, “On March 2, after the war began, the State Department issued a mandatory ordered departure for nonessential employees at missions in Iraq, Jordan and Bahrain. American diplomats in Muslim countries outside the Middle East are also on high alert.”

**Figure 2: Military Actions During the Middle East War**



Source: Bloomberg

## US Operational Goals

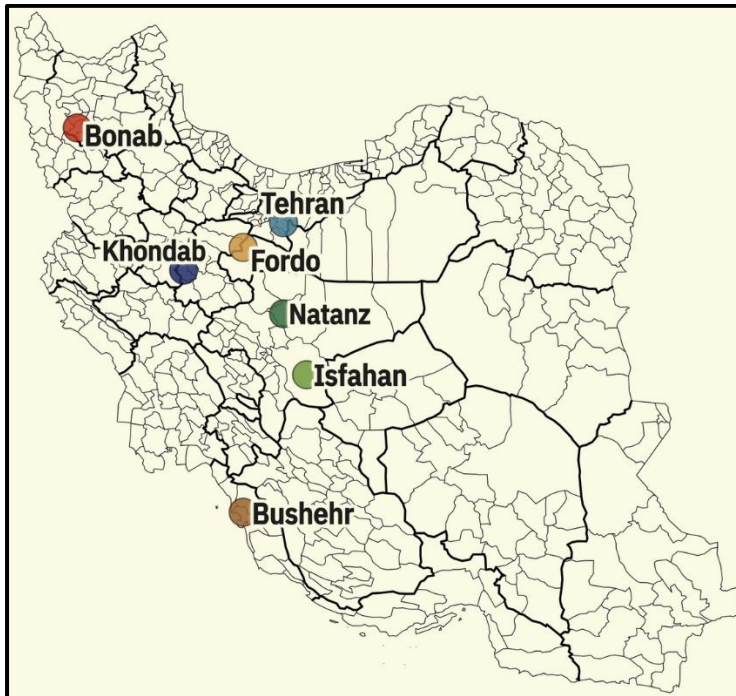
Defense Secretary Pete Hegseth signalled that the Pentagon intends to ramp up heavy bombing operations in the coming days. He told [CBS News](#) on Sunday: "Oh, we're very much on track, on plan. ... We're not flying a 'Mission Accomplished' banner ... But we can be clear with the American people that this is not a fair fight."

- Hegseth continued, "And that's on purpose. Our capabilities are overwhelming compared to what Iran's are. And frankly, when you combine our Air Force with the air force of the Israeli Defense Forces, it's the two most powerful air forces in the world."
- "The ability for us to be up over the top and hunting with more conventional munitions — gravity bombs, 500-pound, 1,000-pound, 2,000-pound bombs on military targets ... We haven't even really begun to start that effort of the campaign, which is gonna showcase even more how we will execute on those objectives."

Axios [reports](#) that the US and Israel, "have discussed sending special forces into Iran to secure its stockpile of highly enriched uranium at a later stage of the war, according to four sources with knowledge of the discussions."

- According to the report, "Any operation to seize the material would likely require US or Israeli troops on Iranian soil, navigating heavily fortified underground facilities in the middle of a war." NBC News [reported](#) similarly on Friday, "Trump has privately expressed serious interest in deploying US troops on the ground inside of Iran, according to two US officials, a former US official and another person with knowledge of the conversations."

**Figure 3: Location of Key Iranian Nuclear Sites**



Source: Semafor

Bloomberg [notes](#), “One of the stated aims of the attacks on Iran has been to rid the Islamic Republic of any capability to produce nuclear weapons. But the strikes on atomic facilities last year complicated the task of tracking the uranium.”

- Trump told reporters aboard Air Force One on Saturday, “They haven’t been able to get to [Iran’s highly enriched uranium] and at some point, maybe we will. We haven’t gone after it, but it’s something we can do later on. We wouldn’t do it now.”
- White House press secretary Karoline Leavitt told Axios that Trump “wisely keeps all options available to him open, and does not rule things out.”

The Washington Post [reports](#) that a classified US intelligence report completed about a week before the war found that even a massive assault on Iran would be “unlikely” to oust the country’s regime.

- The prospect of Iran’s fragmented opposition taking control of the country was described as “unlikely,” said the people, who spoke on the condition of anonymity to discuss a classified report.

## Energy

Commercial trade through the Strait of Hormuz remains at a near standstill, driving crude past USD\$100 a barrel on Sunday for the first time since 2022. Saudi Arabia has now joined Iraq, Kuwait, and the United Arab Emirates in cutting oil production.

- As Politico notes, “The domestic implications in the US are huge, with experts predicting we may see \$4 and perhaps \$5-a-gallon gas prices within weeks. And this in a country where the cost of living is already the hottest political issue in a midterm year.”

- G7 economy ministers may respond with a joint release of emergency oil reserves following a meeting at 08:30 ET 12:30 GMT today, per the FT. Reports of the possible G7 response prompted a pullback in oil prices this morning.
- The Guardian notes, “Three G7 countries, including the US, have so far reportedly expressed support for the release of the emergency reserves, which are held by the IEA’s 32 member countries across the globe.”
- Bloomberg notes, “Coordinated drawdowns of strategic stockpiles have been carried out only five times before, twice in response to Russia’s invasion of Ukraine in 2022. Prior to that, reserves were accessed following supply disruptions in Libya, Hurricane Katrina and during the first Gulf War.”

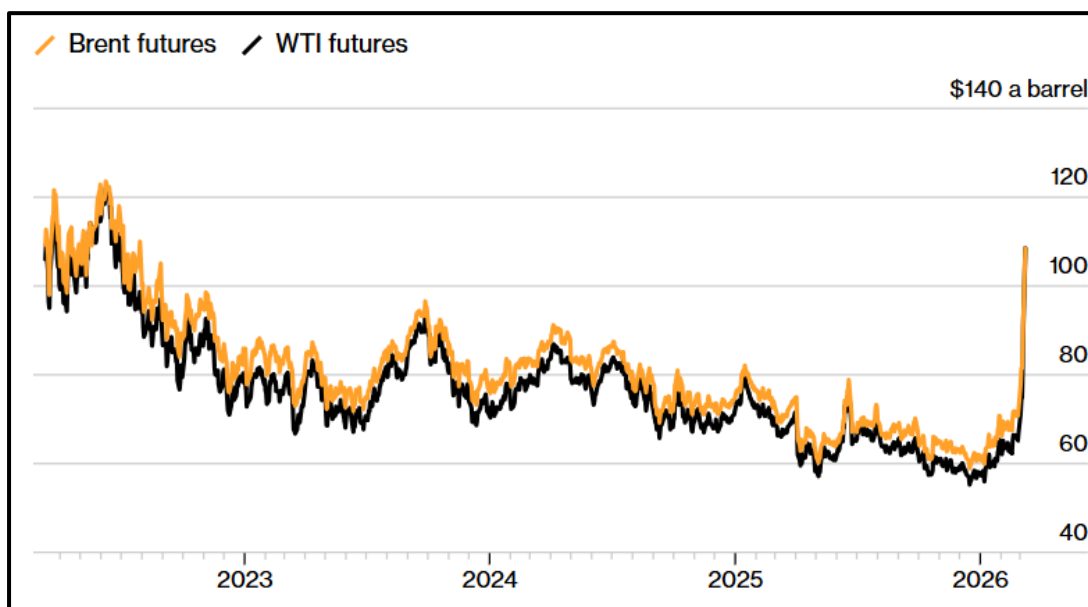
Energy historian Daniel Yergin said, “We are looking at what is by far the biggest disruption in world history in terms of daily oil production. If it goes on for weeks, it will reverberate across the global economy.”

- That is exactly what Iran wants, Yergin added. Attacking energy facilities and shipping appears to be a Hail Mary attempt to make the war so painful for the American and allied economies that Trump backs down—as when Russia slashed natural-gas supplies in a failed bid to splinter Ukraine’s backers in 2022, per the [Wall Street Journal](#).

JPMorgan Chase analyst Natasha Kaneva said, “In the whole written history of the strait, it has never been closed, ever. To me, it was not just the worst-case scenario. It was an unthinkable scenario.”

- If the strait is still closed this Friday, daily output in the region could fall by more than four million barrels, Kaneva estimates. The decline could reach around nine million by the end of March, representing almost a 10th of global demand, per the WSJ.

**Figure 4: Oil Price, WTI/Brent Crude Futures**



Source: Bloomberg

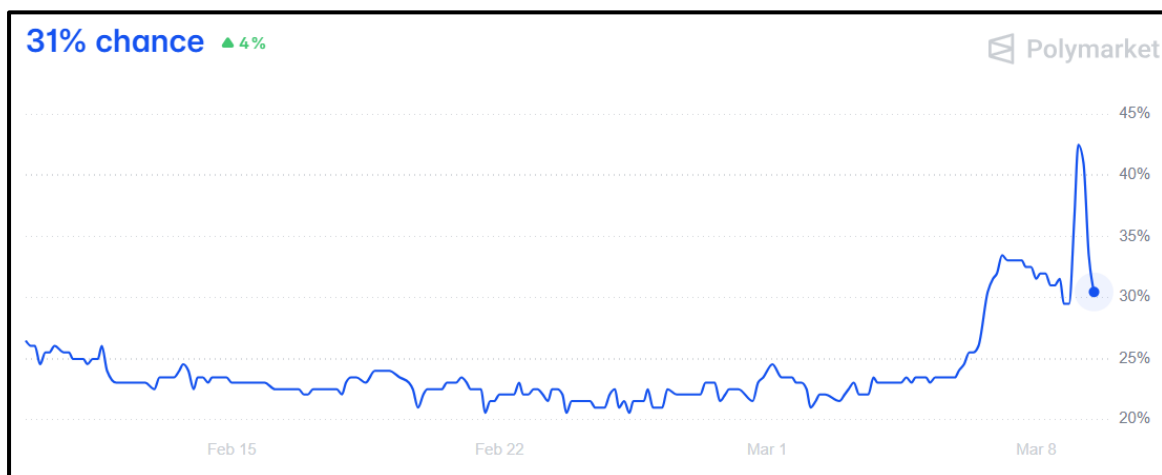
Trump wrote on [Truth Social](#), "Short term oil prices, which will drop rapidly when the destruction of the Iran nuclear threat is over, is a very small price to pay for U.S.A., and World, Safety and Peace. ONLY FOOLS WOULD THINK DIFFERENTLY!"

- Energy Secretary Chris Wright also downplayed the oil market reaction, telling Fox News on Sunday, "Oh, it's fiction. It's right along the line. ... We've been planning and talking about this, you know, for quite some time. Energy markets are massively well supplied right now. In fact, the run up in prices has nothing to do with any shortage of barrels of oil or natural gas. It is just fear and perception — the unknown — that this could be some long, you know, drawn-out crisis. But it won't be."

Senate Minority Leader Chuck Schumer (D-NY) said in a statement, "The Strategic Petroleum Reserve exists for moments exactly like this. When wars and global crises disrupt energy markets, the United States has the ability to act, but President Trump and his administration are refusing to do so."

- NBC notes that Trump said yesterday on Air Force that tapping the reserve is unnecessary because the US has more than enough oil to power the nation. "We figured our prices would go up, which they will. They'll also come down."
- The implied probability of a US recession by the end of the year spike to nearly 45% overnight as oil futures surged, per Polymarket.

**Figure 5: US recession by the end of 2026?**



Source: Polymarket

The outlook for global oil markets could get worse before it gets better. The Israeli military struck several Iranian fuel sites over the weekend, in an apparent first attack on the country's energy infrastructure. Israel said the fuel storage sites were legitimate military targets because they help Iran's war effort, and added it might target power stations next, per NYT.

- Axios notes, "Israel's strikes on 30 Iranian fuel depots went far beyond what the US expected when Israel notified it in advance — sparking the first significant disagreement between the allies in more than a week of fighting."
- "The president doesn't like the attack. He wants to save the oil. He doesn't want to burn it. And it reminds people of higher gas prices," a Trump adviser said.

- Senator Lindsay Graham (R-SC), one of the most hawkish Republican lawmakers, [urged](#) Israel to rethink striking Iran's energy infrastructure. US Special Envoy Steve Witkoff and Trump's son-in-law Jared Kushner are likely to convey a similar message when they meet with Israeli Prime Minister Benjamin Netanyahu on Tuesday.
- Ebrahim Zolfaghari, a spokesman for Iran's central military command, [told state TV](#) on Sunday, that it will target oil sites in the region if Israel continues to strike energy infrastructure in the Islamic Republic, warning, "similar measures will be taken in the region, and if you can tolerate oil at more than \$200 per barrel, continue this game."

Axios [reports](#) Trump administration officials said, "There has also been discussion of seizing Kharg Island, a strategic terminal responsible for roughly 90% of Iran's crude oil exports."

- The strategic island has so far been untouched by the conflict but could provide Trump with strategic leverage over Iran's oil exports. Seizure of the island is likely to trigger a 'mutually assured destruction' response from the Iranian regime, including strikes on regional energy infrastructure and even sabotage of Iranian infrastructure.
- The New York Times notes, "In 2024, Iran generated \$78 billion by exporting energy, including oil products and electricity, according to estimates from FGE, an energy consulting firm. China, which is closely aligned with Iran, buys nearly all of Iran's oil exports."

Petras Katinas, a research fellow in climate, energy and defense at RUSI, told CNBC, "Of course, with shipping via the Strait of Hormuz now stopped, they cannot sell oil anyway, but looking ahead, seizure [of Kharg Island] would give the US leverage during negotiations, no matter which regime is in power after the military operation ends. Yet, seizure, would require a ground troop operation, which this administration seems hesitant to undertake. At least for now."

- "If President Trump were to decide to seize this pivotal hub, it would deal a significant blow to the Iranian regime, as it would deprive them of a critical source of revenue. Such a move would be reminiscent of the U.S. intervention in Venezuela at the beginning of the year, when it effectively took control of the country's oil sector," Tamas Varga, an oil analyst at brokerage PVM, told CNBC.
- Jan van Eck, CEO of VanEck Funds, told CNBC's "Power Lunch" on March 2, "It's where 90% of Iran's oil gets exported out of — that is a choke point. And if you think that Trump just follows the same playbook that he did in Venezuela. What did he do? He cut off their oil exports, their hard currency, and I think he is going to want that leverage point going forward."

## Congressional Business

The House is OUT

The Senate is IN

Committee Schedule –

## China

Nikkei Asia [reports](#) that Chinese Foreign Minister Wang Yi proposed five "fundamental principles" to prevent the Iran conflict from turning into a wider Middle Eastern conflagration: "respect for national sovereignty; no abusive use of military might; noninterference in other countries' internal affairs; a commitment to seeking political resolutions to problems; and constructive actions by major powers".

- Nikkei notes, "Beijing has cultivated close ties with Iran, a key oil supplier. But experts say it is performing an economic and diplomatic balancing act. "China is not going to side only with Iran, as it has good relations with other Gulf states and wants to maintain these ties with both sides," said Sachi Sakanashi, director of the Japanese Institute of Middle Eastern Economies at the Tokyo-based think tank Institute of Energy Economics, Japan.
- Nikkei notes, "Trump is due to visit Beijing at the end of this month to meet with Chinese leader Xi Jinping. At Sunday's briefing, Wang gave no indication that the summit was in jeopardy or would be influenced by the war in Iran."

## Cuba

The Trump administration is preparing an economic deal with Cuba that could be announced soon, two sources with knowledge of the administration's plans said, per [USA Today](#). The report notes, "The details of the prospective deal and exact timing are not known. But an agreement could include a relaxation on Americans' ability to travel to Havana. Trump would not need Congress' approval to loosen those types of restrictions.

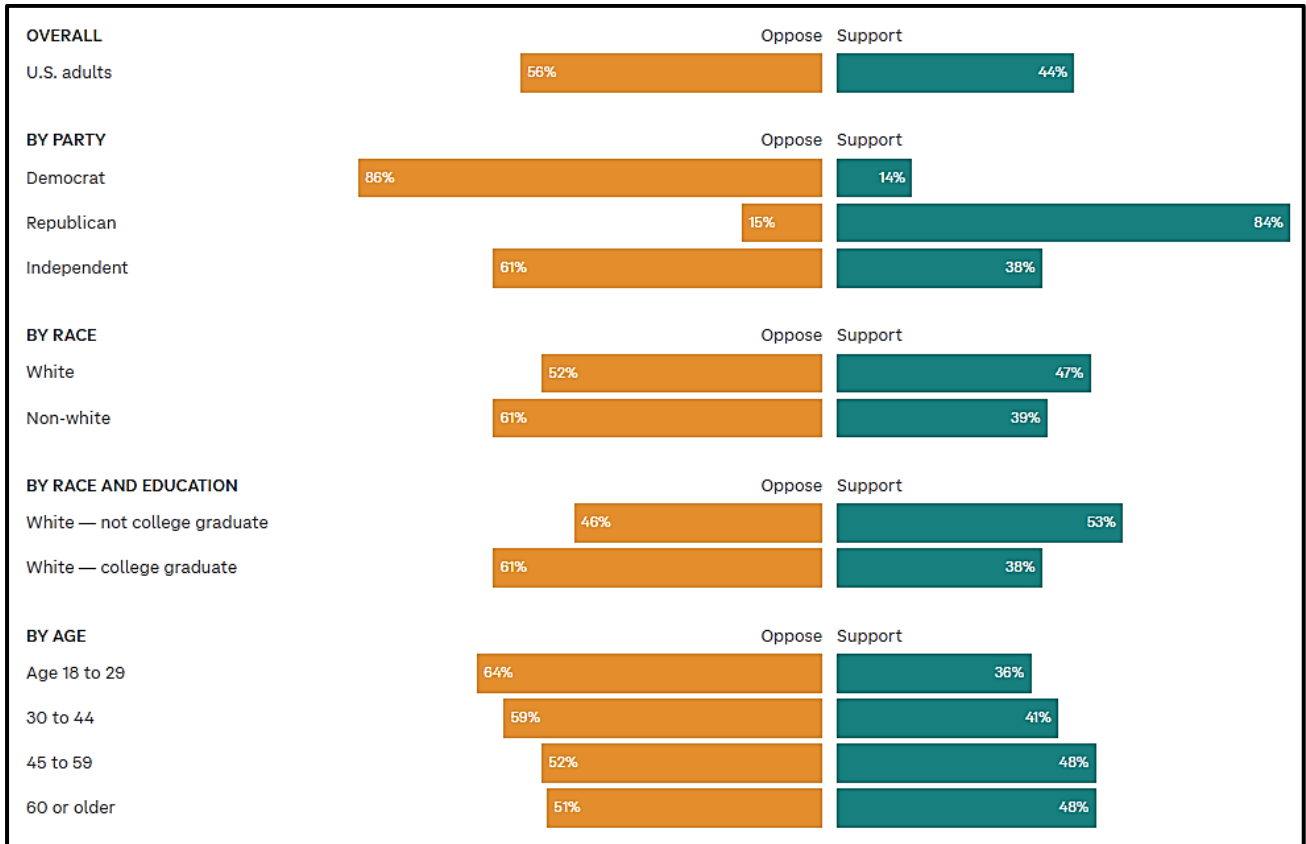
- "Discussions have included an off-ramp for President Miguel Díaz-Canel, the Castro family remaining on the island and deals on ports, energy and tourism. The U.S. government has floated dropping some sanctions."
- Trump said at a summit with Latin American leaders on March 7, "Cuba's at the end of the line. They're very much at the end of the line. They have no money. They have no oil. They have a bad philosophy. They have a bad regime that's been bad for a long time... Cuba's in its last moments of life as it was. It'll have a great new life, but it's in its last moments of life the way it is."

## Chart of the Day

A new survey from [NPR/PBS/Marist](#) has found that "most Americans say that they are against the military action and disapprove of how President Trump is handling it... By a 56%-44% margin, respondents said they oppose the military action."

- According to NPR, "Just 36% approve of how Trump is handling Iran, and a majority (55%) thinks Iran either represents a minor threat or no threat at all to the United States. However, 44% do see Iran as a major threat, and Republicans continue to heavily support the actions and this president.
- "Democrats (86%) and independents (61%) are largely aligned with each other in opposition to the military action. But 84% of Republicans support it."

## Figure 6: Would you support or oppose the US sending ground troops into Iran?



Source: NPR, PBS, Marist

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