

MNI POLITICAL RISK ANALYSIS - US Daily Brief 10-07-25

by Adam Burrowes

The White House *(times subject to change)*

10:30 ET 15:30 BST	President Trump receives his Intelligence Briefing
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KEY DATES:

- ❖ Congressional recess: August 4-September 1
- ❖ Government funding expires: September 30

Washington

The only engagement in President Donald Trump's diary today is an intelligence briefing at 10:30 ET 15:30 BST. The briefing is likely to focus on Gaza ceasefire negotiations and options for sanctions on Russia. (More below)

- Secretary of State Marco Rubio continues his engagements at multilateral meetings in Malaysia. He met his Malaysian counterpart in the morning and then participated in an ASEAN-United States Post-Ministerial Conference. In the afternoon, he met with Malaysian Prime Minister Anwar Ibrahim.
- Rubio's Malaysian engagements come after Trump imposed a 25% tariff rate on Kuala Lumpur – on the lower end of the unilateral tariffs outlined in letters to trading partners this week.
- Rubio also met with Russian Foreign Minister Sergey Lavrov (more below), Japanese Foreign Minister Iwaya Takeshi, and Philippine Foreign Secretary Ma Theresa Lazaro.
- At 14:00 ET 19:00 BST, State Department spokesperson Tammy Bruce will brief reporters in Washington, D.C.

Trade and Tariffs

President Trump yesterday issued another tranche of letters imposing unilateral tariff rates on eight trading partners, set to take effect on August 1.

- The letters target Brazil (50% tariff rate), Algeria (30%), Libya (30%), Sri Lanka (30%), Iraq (30%), Moldova (25%), Brunei (25%), and the Philippines (20%).

With the exception of Brazil's, the letters followed the same template as tariff letters issued to 15 trading partners on Monday and Tuesday. The letters note that goods "transshipped" via the targeted country will be subject to the tariff of the origin country, widely understood to be directed at Chinese goods.

- Consistent with previous tariff letters, yesterday's letters argue that the tariff rate is a response to a "trade deficit disparity" and will be removed if steps are taken to manufacture goods in the United States.

The Brazilian [letter](#), while setting the highest reciprocal tariff rate announced in the new tranche, explicitly links the tariff to the Brazilian Supreme Court's decision to prosecute former President Jair Bolsonaro and fine US social media platforms.

- Trump characterised Bolsonaro's trial as a "witch hunt" and criticised Brasilia's "insidious attacks on Free Elections, and the fundamental Free Speech Rights of Americans..."

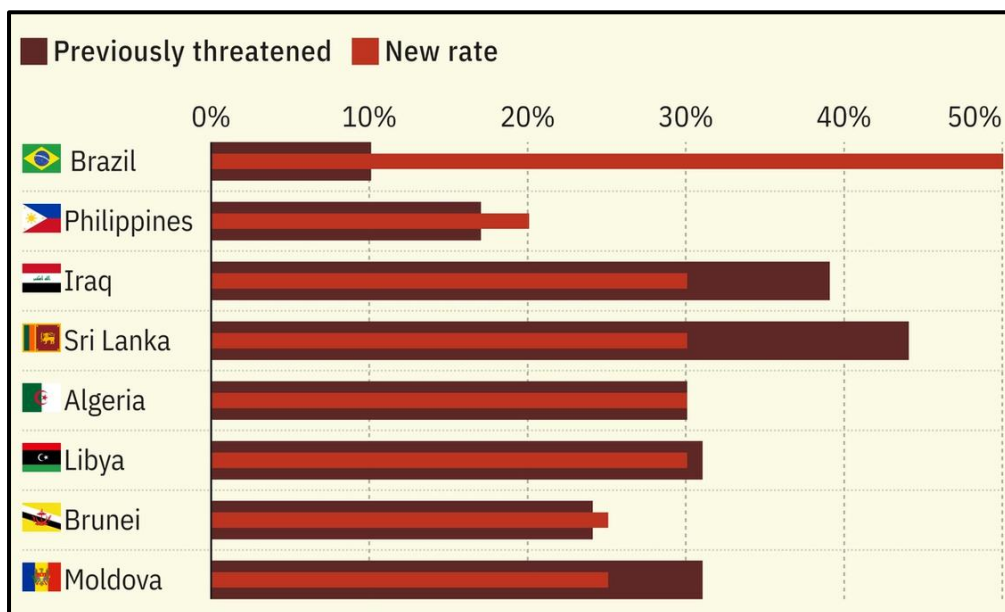
Brazilian President Luiz Inácio Lula da Silva responded in a [message on X](#): "Brazil is a sovereign country with independent institutions that will not accept being tutored by anyone."

- "The judicial process against those who planned the coup d'état is the sole responsibility of the Brazilian Judiciary... any measure to increase tariffs unilaterally will be responded to in light of Brazil's Law of Economic Reciprocity."

Bloomberg notes: "The Brazilian real slumped nearly 3% against the US dollar on the back of the announcement, while the iShares MSCI Brazil ETF — the largest US-listed exchange-traded fund tracking the nation's equities — was down almost 2% in postmarket trading."

- HSBC wrote in a note: "The broad-based nature of this tariff escalation will likely complicate the situation, as it is impractical for the Brazilian government to quickly remedy what it is accused of. In fact, three out of the four cited reasons above are beyond the scope of the Brazilian government. This suggests that this may become a more protracted dispute."
- Axios writes: "Trump's letter threatens \$42 billion in annual U.S. imports, everything from steel to coffee, and the potential collapse of a trading relationship with one of the few countries where the U.S. runs a trade surplus."

Figure 1: Newly Announced Tariff Rates for Select US Trading Partners



Source: Semafor

European Union

EU trade chief Maros Sefcovic told the European Parliament yesterday that there's been good progress on negotiations with the US, and that a framework trade agreement could be ready "potentially even in the coming days."

- Sefcovic said he and US counterparts have made "good progress on the text of an 'agreement in principle'" and that he hopes to "soon finalise our work".
- He added that the agreement in principle is "not the end" but the "start of the new beginning", proving a framework to base a comprehensive bilateral trade agreement.
- Sefcovic warned that while the EU remains committed to reaching deal, a certain degree of "rebalancing will remain." He noted that negotiations have touched on tariffs, non-tariff barriers, and security, but stressed that the EU's regulatory framework remains "non-negotiable"
- Note: Trump said on Tuesday that the EU would get a tariff letter in two days. That would be today.

India

An Indian trade delegation is expected to travel to Washington in the coming days for another round of talks with their US counterparts.

- The Times of India reports that New Delhi's chief trade negotiator Rajesh Agrawal said today: "... we just concluded an agreement with the UK, we are in an advanced stage of negotiations with the European Union, we are trying to negotiate and finalize a deal with the USA."
- While Trump officials have long teased that an India deal would be announced soon, Trump has recently accelerated criticism of the BRICS group of developing nations, of which India is a member, threatening an additional 10% tariff on the bloc.
- Bloomberg notes that, "while Brazil and South Africa have blasted Trump separately for his anti-BRICS comments, India has refrained from responding publicly, a sign that it's treading a fine line in maintaining its relationship with Washington."

Copper

In a message on Truth Social, Trump confirmed that the 50% tariff on copper imports that he announced earlier this week will take effect on August 1.

- Trump said: "... Copper is the second most used material by the Department of Defense! ... This 50% TARIFF will reverse the Biden Administration's thoughtless behavior, and stupidity. America will, once again, build a DOMINANT Copper Industry...."
- Bloomberg notes: "Big price moves this week have lifted US futures to a premium of about 28% over the London Metal Exchange, which sets global prices. That suggests traders are not convinced the full 50% tariff will be imposed universally."

Congressional Business

The House is OUT

The Senate is IN

Committee Schedule –

- 12:00 ET 17:00 BST: SENATE Armed Services: Markup of FY26 National Defense Authorization Act

Federal Reserve

Senator Bernie Moreno (R-OH) is expanding a campaign aimed at pressuring Fed Chair Jerome Powell to resign, making the case to colleagues at a closed-door Senate Republican lunch this week.

- Axios notes: “A member of the Senate Banking Committee, Moreno is also setting the stage for the confirmation process for the next Fed chair. Powell’s chairmanship ends in May 2026. So far, Moreno and Sens. Tommy Tuberville (R-Ala.) and Rick Scott (R-Fla.) are the only senators to have called on Powell to resign.”
- Moreno said in a letter to Powell: “Your choice not to lower interest rates despite the Trump Administration’s economic progress is costing our country \$400 billion per year... You should resign immediately and allow the President the deference to select someone he feels can make the changes needed to restore the credibility of the Federal Reserve System.”
- Senator John Kennedy (R-LA) said: “I don’t think a bunch of politicians ought to be telling the Federal Reserve how to regulate.”

FY26 Government Funding

Senate Minority Leader Chuck Schumer (D-NY) is taking a hard line in early discussions on FY2026 funding, increasing the risk of a government shutdown on September 30.

- As Punchbowl [noted](#) yesterday: “There’s virtually no chance the House and Senate are going to pass all 12 appropriations bills between now and the end of September. It’s not even clear that GOP appropriators can get them all out of their respective committees by then. At least one continuing resolution is needed, maybe multiple CRs.”
- To pass a short-term Continuing Resolution, Senate Majority Leader John Thune (R-SD) will need at least 7 Democratic votes.

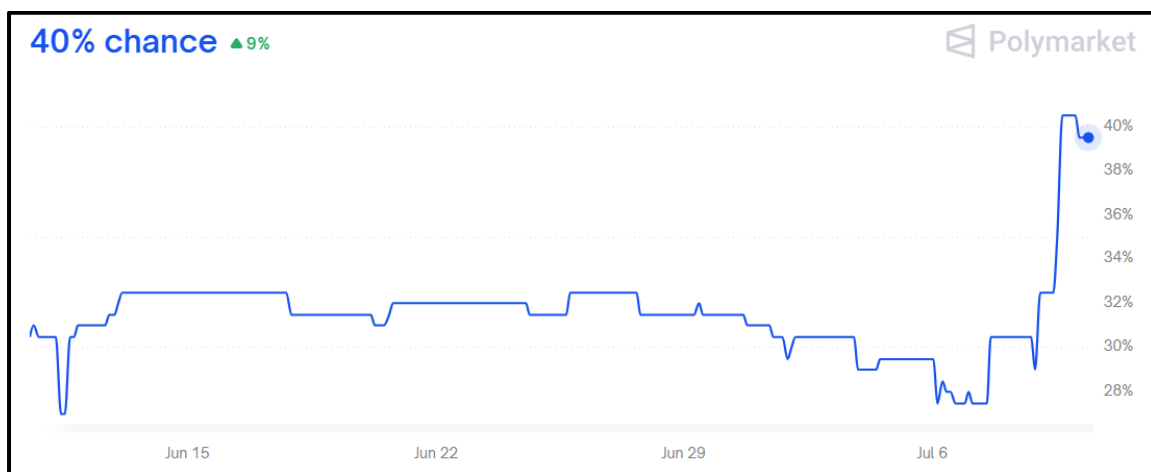
Schumer warned that Democrats won’t sign off on a funding measure if the GOP follows through with a White House rescissions package to cut funding for foreign aid and public broadcasting, expected to hit the Senate floor next week. Note: It must be passed by July 18 or the bill will expire.

- Schumer: “If Republicans cave to Donald Trump and gut these investments agreed to by both parties, that would be an affront — a huge affront — to the bipartisan appropriations process. It is absurd to expect Democrats to play along with funding the government if Republicans are just going to renege on a bipartisan agreement by concocting rescissions packages behind closed doors that can pass with only their votes, not the customary 60 votes required in the appropriation process.”

Schumer's more combative tone comes after he was [heavily criticised](#) by some Democrats for supporting a short-term funding measure in March that offered few concessions to Democrats.

- Axios notes: "A shutdown fight in this political climate could put Democratic senators under the most intense pressure of their careers. But the threat of a shutdown is Schumer's only real leverage."
- Polymarket registered a notable spike in the implied probability of a government shutdown in response to Schumer's comment. Bettors now see a roughly 40% chance of a shutdown in 2025.

Figure 2: Government Shutdown in 2025



Source: Polymarket

Israel

Trump downplayed the prospect of reaching an imminent ceasefire agreement between Israel and Hamas in Gaza, despite comments from his Middle East envoy, Steve Witkoff, that a deal would be reached this week.

- Trump said, "We have a chance this week or next week... Not definitely... There's nothing definite about war and Gaza... But there's a very good chance that we'll have...an agreement of some kind this week and maybe next week, if not."

Axios reports: "Senior U.S., Israeli and Qatari officials held secret talks at the White House yesterday that focused on the key remaining sticking point for a ceasefire and hostage deal in Gaza... Trump met with Israeli Prime Minister Benjamin Netanyahu twice in the last 48 hours," but "There are still some gaps remaining, but we are in a positive trajectory at the moment," [a] source said."

- Laura Rozen at The Diplomatic notes: "A key remaining stumbling block in the talks, mediated by Qatar and Egypt, concerns the Israeli government's request to keep Israeli Defense Forces present in a corridor in southern Gaza during the proposed 60-day truce, known as the Morag crossing."

Russia-Ukraine

Senate Majority Leader John Thune (R-SD) suggested to reporters that a Senate vote on a new Russia sanctions package could come as soon as this month, as Republicans in Congress edge closer to endorsing a first punitive action against Moscow since Trump took office.

- Thune said, "I hope that we can get it on the floor before the August recess. We are working with the administration, with the House to try and get it in a form where it's ready."
- Thune added, "The real focus of the bill is to hit the customers of Putin. China and India purchase approximately 70 percent of Russia's oil and gas, as well as other petroleum products. I've always believed the way this war ends is when China goes to Putin and says, 'Enough already, you're hurting us now.'"

While Senator Lindsay Graham (R-SC), the co-author of the bill, has long claimed the sanctions package has the backing of a filibuster-proof majority in the Senate, its support in the House has been less clear.

- Yesterday, House Speaker Mike Johnson (R-LA) gave a firm indication that he would put the bill on the floor if it passed the Senate, setting up a path to Trump's desk.
- Johnson said: "I don't know any details yet but I know there's an interest in that in the House side, so we'll have to see... Vladimir Putin has shown an unwillingness to be reasonable and to talk seriously about brokering a peace, and I think we have to send them a message, that's my view."

This morning, Secretary of State Marco Rubio said he "shared some ideas and comments" with Russian Foreign Minister Sergey Lavrov during a meeting in Kuala Lumpur.

- Per Reuters, Rubio called it "a frank, important conversation," and conveyed that Trump is "disappointed there has not been more flexibility on the Russian side over [the war in] Ukraine....It's been difficult".
- Rubio continued: "We need to see a roadmap moving forward on how the Ukraine conflict can conclude," noting that the White House has been engaging with the Senate on what a sanctions bill on Russia would look like. He warned that escalating sanctions on Russia is "an option available".

As noted in yesterday's edition of this newsletter, the sanctions bill, introduced by Graham and Richard Blumenthal (D-CT), would impose punitive sanctions if Moscow refuses to negotiate with Ukraine, including a 500% secondary tariff on goods imported from countries that buy Russian oil, gas, uranium, and other goods.

- The primary concern for the White House is how to calibrate secondary tariffs without increasing tensions with China and India - the two biggest buyers of Russian hydrocarbons.
- The New York Times notes: "Putin's calculation: Trump's newly harsh tone has had little effect on Russia's escalation. Kremlin sources say that Putin is convinced that Russia's battlefield superiority is growing and that Ukraine's defenses may collapse in the coming months. "He will not sacrifice his goals in Ukraine for the sake of improving relations with Trump," an expert said."

Chart of the Day

A new survey from Gallup has found that 49% of American adults say AI is “just the latest in a long line of technological advancements that humans will learn to use to improve their lives and society,” while an equal proportion say it is “very different from the technological advancements that came before, and threatens to harm humans and society.”

- Gallup notes: “Americans may not be convinced that AI poses a threat to humanity, but majorities foresee it having a bigger impact on society than did several major technological advancements of the past century.
- “Two-thirds (66%) say AI will surpass robotics in societal influence, and more than half say it will exceed the impact of the internet (56%), the computer (57%) and the smartphone (59%). Just over half (52%) think AI will have more impact than the telephone did when it was introduced.”

Figure 3: “Do you think AI will have more of an impact, about the same impact or less of an impact on society than each of the following technologies did after they were introduced?”

	Will have more of an impact %	Will have about the same impact %	Will have less of an impact %
Robots/Robotics	66	28	6
The smartphone	59	30	10
The computer	57	30	12
The internet	56	31	12
The telephone	52	29	19

Source: Gallup

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