

## MNI POLITICAL RISK ANALYSIS - US Daily Brief 11-04-25

by Adam Burrowes

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

10:50 ET 15:50 BST	President Trump departs the White House en route to Walter Reed Hospital
11:00 ET 16:00 BST	President Trump arrives at Walter Reed Hospital for his Annual Physical
13:00 ET 18:00 BST	Press Briefing by the White House Press Secretary Karoline Leavitt
18:40 ET 23:40 BST	President Trump arrives at Mar-a-Lago

### KEY DATES:

- ❖ GOP target for concluding budget reconciliation: May 26
- ❖ Government funding expires: September 30

### Washington

President Donald Trump has no official engagements or notable meetings on his public schedule today. In the morning, he will attend his annual physical at Walter Reed Hospital before departing for his second base in Mar-a-Lago, Florida.

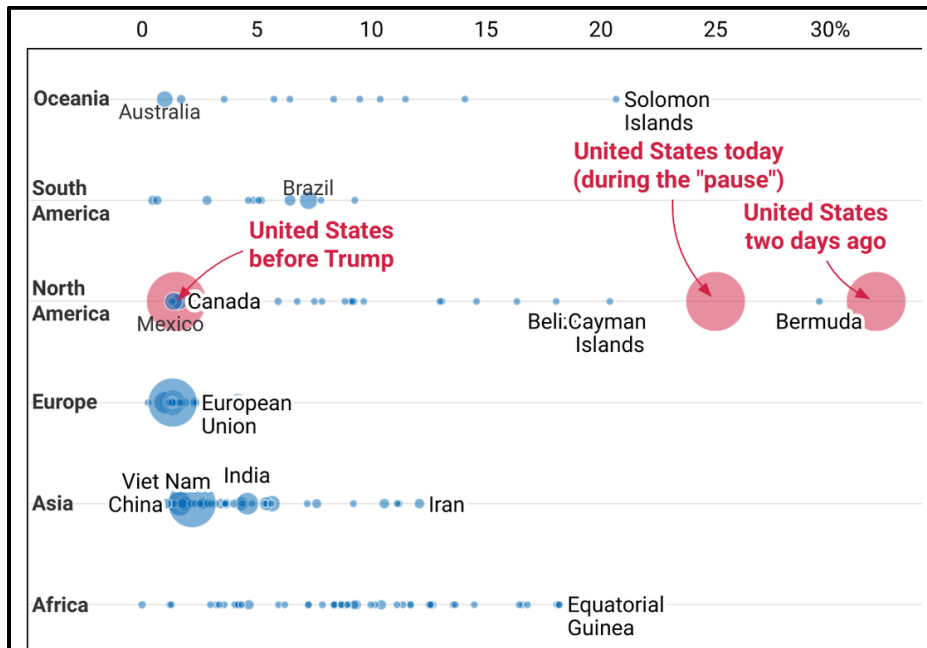
- White House Press Secretary Karoline Leavitt will brief reporters at 13:00 ET 18:00 BST.

### Tariffs

After a brief reprieve on Wednesday, markets returned to pessimism - digesting Trump's spiralling trade war with China. Countermeasures announced by China today (more on that below) have effectively severed bilateral trade relations between the world's two biggest economies, until a resolution can be reached.

- The New York Times notes: "The S&P 500 tumbled 3.5 percent yesterday, signaling renewed investor concern about the worsening trade war... Treasury bonds began to sell off again, oil prices dropped and the stocks of Big Tech companies like Apple and Nvidia fell."
- Business Insider [reports](#): "The dollar and Treasuries are nosediving in the 'Sell America' trade."
- Axios notes: "America's tariff rate is now the second-highest in the world, behind Bermuda, after President Trump implemented a 90-day pause... For roughly 13 hours on Wednesday, they were the highest."

### Figure 1: Weighted Mean Tariff Rate Across all Products

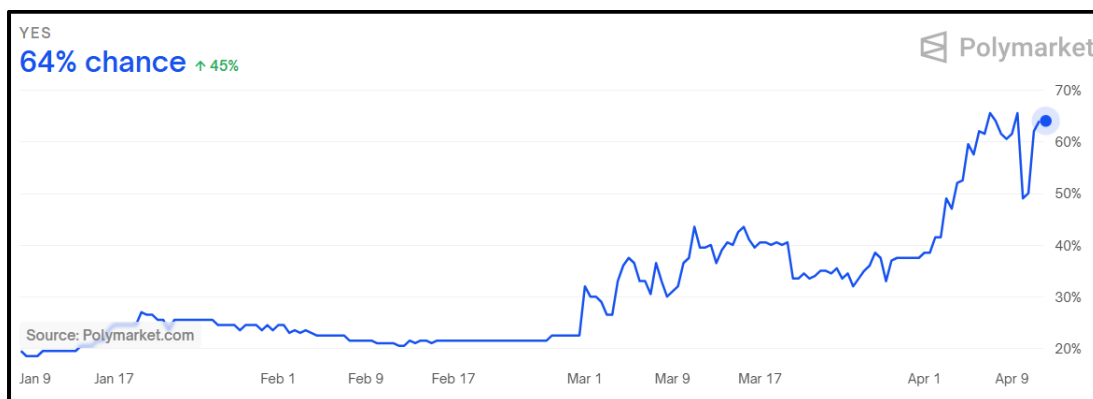


Source: Axios

Semafor notes: New data showing that inflation eased in March wasn't enough to impress investors who "are sobering up and realizing that the US-China 'food fight' will probably get worse before it gets better," one Wall Street analyst said.

- Orville Schell, director of the Center on U.S.-China Relations at the Asia Society in New York, said: "We are approaching a monumental train wreck breakup," between the US and China.
- Economist and historian Adam Tooze titled his [latest Substack post](#): "'Oh ... it's only China". Or how to make the sudden decoupling of the world's two largest economies seem like a relief."
- The implied probability of a US recession in 2025 has spiked back to 65%, roughly where it was before Wednesday's rally, according to Polymarket.

**Figure 2: US Recession in 2025**



Source: Polymarket

Keyu Jin [argues in the FT](#): “Trump’s catastrophic tariff war may inflict serious economic pain on China, but it could also ignite a technological surge — not by design, but by necessity.... If Washington aims to suppress China’s rise, it’s going about it all wrong.”

- Advisor to former President Joe Biden, Kurt Campbell, argues in [Foreign Affairs](#) that the US could forfeit its strategic advantage over China by weakening its network of alliances: “This is an era in which strategic advantage will once again accrue to those who can operate at scale. China possesses scale, and the United States does not—at least not by itself.”

## Administration Comments

Trump reiterated at a Cabinet meeting yesterday that he believes his punitive measures will bring China to the negotiating table: “I have great respect for President Xi... he's been a friend of mine for a long period of time. I think that we'll end up working out something that's very good for both countries. I look forward to it.”

- Trump acknowledged, regarding his trade policy: “There will always be transition difficulty”. Trump added: “Everybody wants to come and make a deal, and we're working with a lot of different countries, and it's all going to work out very well. I think it's going to work out really, very well, but we're in good shape.”
- Commerce Secretary Howard Lutnick said: “We have so many countries to talk to. They have come with offers that they never, ever, ever would've come with but for the moves that the president has made....”
- Treasury Secretary Scott Bessent noted some good news: “We're going to get an increase in the debt ceiling [in the reconciliation bill, see below], so that will be the done and dusted ... for two years.” He added yesterday’s inflation report “was quite good” and noted that energy prices are down more than 20% since January 20.

National Economic Council Director Kevin Hassett told CNBC ahead of yesterday’s Cabinet meeting that the 10% universal baseline tariff on imports into the United States is likely to be permanent.

- Hassett said: “Everybody expects that the 10 percent baseline tariff is going to be the baseline and it’s gonna take some kind of extraordinary deal for the president to go below there.”
- Bessent told the Cabinet: “I don’t see anything unusual,” when asked about market turbulence. If an offramp is going to be located in the coming days, it is likely to come from Bessent’s office. The Treasury Secretary is now seen as the primary driver of administration policy, with Lutnick, Trade Advisor Peter Navarro, and special advisor Elon Musk appearing increasingly marginalised.

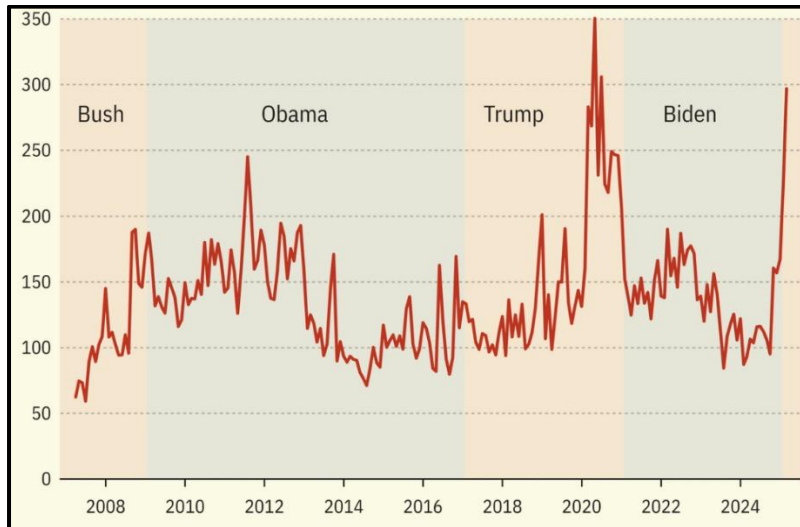
Where is that offramp? NYT DealBook writes: “Yesterday’s market plunge seems tied in part to a growing belief that the only way for Trump to get out of this predicament is walk away from his fight altogether.”

- But, Dealdook cautions: “Because Trump has shown that he will listen to the bond market, the thinking goes, he has lost negotiating leverage — especially since he is seeking allies to team up against China. That means other trading partners can



demand things from the U.S., and not, as the White House wants, the other way around.”

**Figure 3: US Economic Policy Uncertainty Index, News-Based Text Analysis**



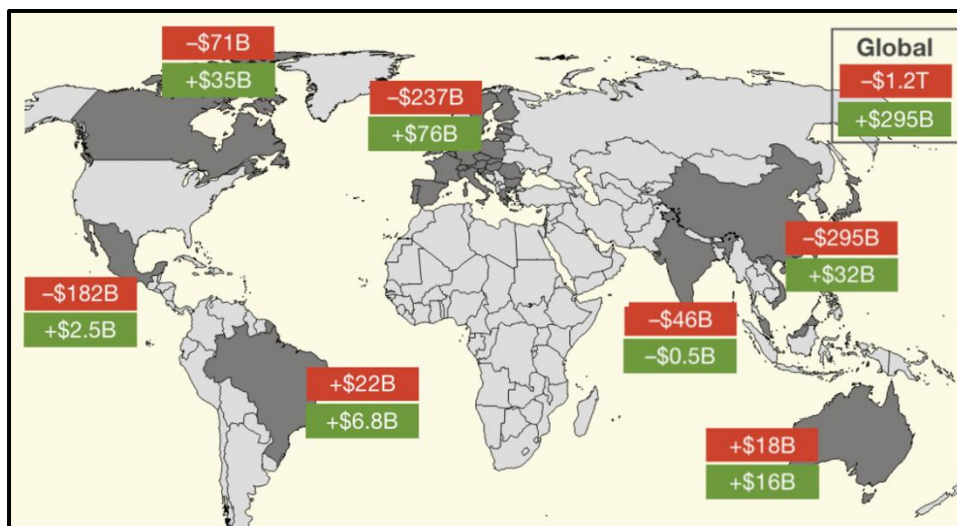
Source: Semafor

## Services

The Wall Street Journal [reports](#) that US services are likely to be drawn into the trade war, despite being left out of Trump's tariff maths.

- Semafor notes: “The US's \$32 billion trade surplus in services with China is more vulnerable than its \$300 billion trade deficit. Put another way, adversaries can inflict more pain taxing the merger advice America does export than the toasters it doesn't.”

**Figure 4: US Balance of Trade in Goods and Services with Top Trading Partners**



Source: Semafor

## China

The Chinese State Council Tariff Commission confirmed in a [statement](#) this morning that China will increase the US tariff rate from 84% to 125%. This puts it level with the US's 'reciprocal' tariff, although below the total US tariff rate of 145% due to the additional 20% fentanyl-related tariff.

- The statement notes: "The US's imposition of abnormally high tariffs on China seriously violates international economic and trade rules, basic economic laws and common sense, and is completely a unilateral bullying and coercion."
- It continues: "Given that at the current tariff level, there is no market acceptance for US goods exported to China. If the US continues to impose tariffs on Chinese goods exported to the US, China will ignore it."
- Barrons writes, "it's not just tariffs China is ramping up—it's rhetoric, too," highlighting a statement from the Chinese Ministry of Finance saying that the US will become "a joke in the history of [the] world economy" if it keeps imposing higher tariffs

Semafor reports: "The yuan hit an 18-year-low Thursday as China lets its currency weaken to help offset the impact of US President Donald Trump's tariffs. Despite its domestic economic challenges, China could come out on top in the escalating trade conflict with the US, analysts said.

Axios [outlines seven ways](#) China could hit back at America:

1. Hit consumers in the wallet... From fast fashion to gaming consoles, things will get more expensive.
2. Punish farmers (and more). Any American whose livelihood depends on selling into the Chinese market is likely panicking right now — whether the product in question is oil, airplanes or soybeans (three of the top U.S. exports).
3. Target individual U.S. companies. China added twelve U.S. firms to an export control list this week...
4. Cut off supplies of rare earth minerals.
5. Selling U.S. debt. There's the "nuclear option" of dumping the \$761 billion in U.S. bonds held by Beijing.
6. Devaluing the yuan.. which would help boost China's exports and further diminish the ability of U.S. firms to compete in the Chinese market.
7. Freezing out Hollywood.

Earlier, Chinese state-run Xinhua reported that Chinese President Xi Jinping said at a meeting alongside Spanish Prime Minister Pedro Sanchez: "The world is undergoing a century-long transformation, with multiple risks and challenges stacking up."

- Xinhua notes that: "Xi Jinping pointed out that China has always regarded the EU as an important pole in the multipolar world and is a major country that clearly supports the EU's unity, development and growth. Under the current situation, it is of great practical significance to jointly build the four major partnerships of peace, growth, reform and civilization between China and Europe."
- Xinhua reports that Xi added: "China and the EU should fulfill their international responsibilities, jointly maintain the trend of economic globalization and the international trade environment, and jointly resist unilateral bullying,"
- On tariffs, Xi "stressed that there will be no winners in a tariff war, and going against the world will isolate oneself. [...] No matter how the external environment changes,

China will strengthen its confidence, maintain its determination, and focus on doing its own thing."

## Japan

Japan's NHK [reported](#) this morning that Minister for Economic Revitalisation Ryosei Akazawa will hold talks with US Treasury Secretary Scott Bessent and US Trade Representative Jamieson Greer on Thursday, 17 April.

- Following a Cabinet meeting earlier today, Japanese Finance Minister Katsunobu Kato [said](#) that he also intends to hold "a forum for discussion" with Bessent later this month. The US Treasury Secretary has highlighted exchange rate practice as one of his key areas of focus, and while Akazawa - a close ally of PM Shigeru Ishiba - has been designated as the main trade negotiator on behalf of the Japanese government, it is Kato that holds the brief for foreign exchange.

## Congressional Business

The House is OUT

The Senate is OUT

Committee Schedule –

## Republican Legislation

The United States House of Representatives voted 216-214 yesterday to adopt a compromise budget blueprint. The vote came after a group of hardline House conservatives ended their rebellion against Republican leadership, accepting assurances that the Senate will align with the House on roughly USD\$1.5 trillion in spending cuts during the writing of the legislative package.

- The conservative capitulation is the fourth such time House Speaker Mike Johnson (R-LA) and President Trump have stared down the House Freedom Caucus and won. The vote indicates that the group has been largely defanged by Trump's coercive tools, including the threat of primary challenge.
- With both chambers of Congress adopting the budget blueprint, the reconciliation process is now open, allowing committees to begin drafting President Trump's wide-ranging tax and spending agenda into a multitrillion-dollar package that is likely to include a roughly USD\$4.5 trillion hike to the federal debt ceiling.

As the legislation will be passed under budget reconciliation, it will not need Democratic votes to overcome the Senate filibuster, but it must adhere to strict rules. The next stage of the process will be drafting the text and ensuring that all the legislative items are approved by the Senate parliamentarian.

- Speaker Johnson has noted that he intends to send the package to President Trump's desk by late May an exceptionally tight deadline that leaves little margin for error if soft tax receipts bring forward the debt limit X-date.



Reminder: The budget blueprint merely installs a framework for writing legislation and opens up the reconciliation fast-track. The hard part gets underway now. Republican leaders must craft what is likely to be the largest fiscal bill in US history with only a three-vote margin in both chambers of Congress.

- Every stage of the process will relitigate spending and policy disputes between moderates and conservatives and more broadly between the Senate and the House.
- Senator Rand Paul (R-KY) and Representative Thomas Massie (R-KY) are already locked in as 'no' votes due to their deficit concerns.
- That means Senate Majority Leader John Thune (R-SD) must somehow balance the moderate leanings of Senators Lisa Murkowski (R-AK), Thom Tillis (R-NC) and Susan Collins (R-WA) – who want to safety net programmes protected - with the House's aggressive desire to cut government spending. A miscalculation in either direction is certain to result in another rebellion.

## Russia

Kremlin spokesperson Dmitry Peskov [confirmed](#) to reporters this morning that Trump's Middle East envoy Steven Witkoff has arrived in Moscow ahead of an anticipated meeting with Russian President Vladimir Putin.

- It will be the third time that the two have held in-person conversations amid ongoing talks between US and Russian officials aimed at restoring embassy operations. Amid the escalating trade war and associated financial market volatility, the push for a rapid peace process in the Russia-Ukraine war has fallen by the wayside somewhat.
- Axios [reports](#) that, according to sources: "If no ceasefire is reached by the end of the month, Trump could move forward with additional sanctions on Russia either through executive power or by asking Congress to pass new sanctions legislation,"
- While a [prisoner exchange](#) on 10 April could be viewed as a positive sign towards US-Russia rapprochement, there still appears to be little sign of a landing area for a ceasefire in Ukraine amid continued strikes on energy infrastructure (supposedly under a ceasefire), and Russian demands for further sanctions relief (that primarily comes under the jurisdiction of the EU) before a Black Sea truce can come into effect.

## Middle East

US and Iranian delegations will meet in Oman on Saturday for indirect talks aimed at renegotiating the nuclear accord that Trump terminated during his first term.

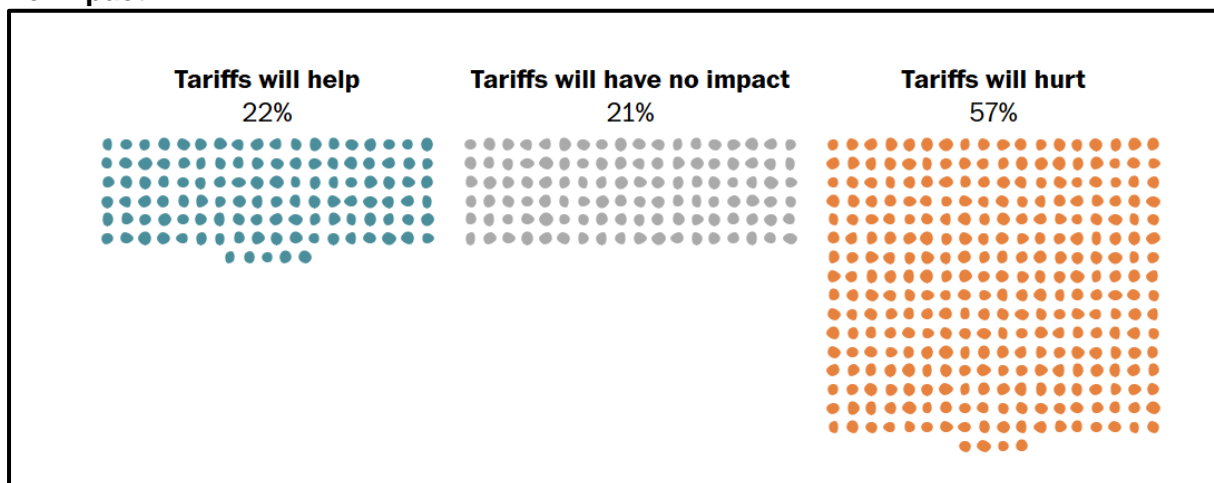
- The New York Times notes: "Iran will arrive at the table in a weak position: Israel has destroyed nearly all of the air defenses protecting the nuclear facilities of Iran and greatly diminished its proxy forces, Hamas and Hezbollah." But, the Times adds, "Iran is also far closer now to being able to produce a nuclear weapon than it was when the last accord was negotiated in 2015."
- Axios reports that Iran is considering proposing that the two countries work on an interim nuclear agreement before pursuing negotiations over a comprehensive deal. Axios notes that: "If a deal isn't reached, Trump could order a U.S. military strike against Iran's nuclear facilities or support an Israeli strike."

## Chart of the Day

A new Washington Post [survey](#) of manufacturing workers has found that , “more than twice as many manufacturing workers say tariffs would hurt rather than help their job and career, 57 percent versus 22 percent, while another 21 percent said they would have no impact.”

- The Post notes: “A slim majority of workers who voted in the 2024 election backed Trump, but fewer than half of this group said tariffs will help them. Kamala Harris voters overwhelmingly say tariffs will have a negative impact on their jobs and careers.”

**Figure 5: “Do you think tariffs will help or hurt your job and career, or will they have no impact?”**



Source: Washington Post

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