

## MNI POLITICAL RISK ANALYSIS - US Daily Brief 12-06-25

by Adam Burrowes

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

11:00 ET 16:00 BST	President Trump participates in a Bill Signing Ceremony
15:30 ET 20:30 BST	President Trump signs Executive Orders
19:00 ET 00:00 BST	President Trump and the First Lady participate in the Congressional Picnic

#### KEY DATES:

- ❖ Target for Congress to send 'Big Beautiful Bill' to Trump's desk: July 4
- ❖ Government funding expires: September 30

### Washington

At 11:00 ET 16:00 BST, President Donald Trump will sign measures to block a California rule banning the sale of new gas-powered cars by 2035. He is also expected to deliver remarks to the press with members of his Cabinet.

- The move is likely to escalate a feud with California Governor Gavin Newsom (D) and could deepen the civil unrest that has served as justification for Trump to deploy the National Guard and US Marines to the streets of Los Angeles.
- ABC News reports: "[Trump] will also kill rules that phase out the sale of medium- and heavy-duty diesel vehicles and cut tailpipe emissions from trucks."
- ABC adds: "California, which makes up roughly 11% of the U.S. car market, has significant power to sway trends in the auto industry. About a dozen states signed on to adopt California's rule phasing out the sale of new gas-powered cars."

Treasury Secretary Scott Bessent is on Capitol Hill again today, providing testimony on Trump's FY26 budget request. He will appear before the Senate Finance Committee at 10:00 ET 15:00 BST. The hearing is again likely to be dominated by trade, tariffs, and the One Big Beautiful Bill.

- Defense Secretary Pete Hegseth is also up for another round on the Hill after warning yesterday the Pentagon is ready to surge troops to more cities "if there are other riots in places where law enforcement officers are threatened," which the Washington Post said would represent "the most extensive use of military force on American soil in modern history." He will appear before the House Armed Services Committee at 10:00 ET 15:00 BST.

### China

The market reaction to the US-China trade agreement hammered out over two days of talks in London has been muted, with a prevailing view that the deal has done little to resolve the underlying issues in the bilateral trade relationship.

- While full details of the agreement have yet to be released, it appears to relax Chinese restrictions on shipments of rare earth minerals and magnets in return for the US easing export controls on some high-tech exports and aircraft components and softening new restrictions on Chinese student visas.
- Commerce Secretary Howard Lutnick told CNBC that Beijing is “going to approve all applications for magnets from United States companies right away. Think of that language: right away. Very much like the same day.”

The New York Times notes: “The levies between the two countries will remain unchanged, and a 90-day pause in implementing some of the tariffs will expire in August. The U.S. trade representative said that the two sides would remain in contact but that another meeting had not yet been scheduled.”

- Ana Swanson, who covers trade and international economics for the NYT, said: “From what we know of the agreement, it appears to merely unwind the damage and escalation from the president’s own trade war. They haven’t yet made any progress toward a new trade deal.”
- Politico writes: “There’s one problem: It’s largely the same deal the two countries agreed to last month,” and the initial readouts “underscore just how far the Trump administration is from achieving its larger goals in the trade negotiations with Beijing.”

The Wall Street Journal [reports](#) that Beijing, “is putting a six-month limit on rare-earth export licenses for U.S. automakers and manufacturers... giving Beijing leverage if trade tensions flare up again while adding to uncertainty for American industry.”

- The Journal adds: “With the tentative deal, Washington and Beijing are tamping down tensions that just a week ago threatened to disrupt global supply chains. Now both sides have until August to negotiate a broader trade agreement, though they can also choose to extend that deadline.”

Lutnick told CNBC that US tariffs on Chinese imports will not change from their current levels, even as a trade deal between Washington and Beijing has yet to be finalized.

- CNBC notes: “President Donald Trump said in a Truth Social post Wednesday morning that U.S. duties on China will total 55% — but a White House official told CNBC soon after that that figure is not new. Rather, it comprises the existing 30% blanket U.S. tariffs on China, plus the 25% tariffs on specific products that also were already in place, the official said.”

## Trade and Tariffs

Treasury Secretary Scott Bessent told lawmakers on the House Ways and Means Committee yesterday that Trump is likely to push back his July tariff deadline, if countries are seen to be cooperating with negotiations.

- Bessent said the administration is prepared to “roll the date forward” to allow good-faith trade negotiations to continue, noting that 18 major partners are currently engaged in such discussions. “If someone is not negotiating, then we will not,” Bessent added, per Politico.

Trump told reporters outside the Kennedy Center in Washington, D.C. yesterday that he intends to send letters to trading partners in the coming week or two, laying out unilateral tariff rates.

- Trump said: “We’re going to be sending letters out in about a week and a half, two weeks, to countries, telling them what the deal is... At a certain point, we’re just going to send letters out. And I think you understand that, saying this is the deal, you can take it or leave it.”
- Bloomberg [notes](#): “It’s unclear if Trump will follow through with his pledge. The president has often set two-week deadlines for actions, only for them to come later or not at all. The president on May 16 said he would be setting tariff rates for US trading partners “over the next two to three weeks.””

## European Union

In his interview with CNBC, Lutnick confirmed the EU’s assessment that trade talks are likely to stretch beyond the July 9 deadline: “I’m optimistic that we can get there with Europe. But Europe will be probably the very, very end,”

- Lutnick added: “Europe was more than thorny” prior to Trump’s threat to raise levies to 50%, then “all of the sudden they got a little religion and made a proper offer.”
- Bloomberg [notes](#): “The EU has struggled to gain more clarity on what Trump is seeking in talks. Officials have suggested the EU and US could take their tariffs down to zero on many goods, but Trump has also been criticized non-tariff measures like value-added taxes and regulators’ scrutiny of American tech companies.”

## Federal Reserve

The White House piled more pressure on Fed Chair Jerome Powell to lower interest rates after the CPI print for May showed only a modest impact from tariffs.

- Trump said in a [statement on Truth Social](#): “CPI JUST OUT. GREAT NUMBERS! FED SHOULD LOWER ONE FULL POINT. WOULD PAY MUCH LESS INTEREST ON DEBT COMING DUE. SO IMPORTANT!!!”
- Vice President JD Vance [said on X](#): “The president has been saying this for a while, but it’s even more clear: the refusal by the Fed to cut rates is monetary malpractice.”
- Semafor notes: “Firms have warned that tariffs will increase prices, but companies are likely still selling inventory amassed before the duties, analysts said. Others may be delaying price hikes due to trade policy uncertainty, one economist said, adding that higher inflation is still likely in the coming months.”

CNBC [reports](#) that the “intensifying conflict between the White House and the central bank” could result in Trump “naming a “shadow” chair whose responsibility it would be to watch over the central bank and Chair Jerome Powell until a permanent chief can be installed next year.”

- Krishna Guha, head of global policy and central bank strategy at Evercore ISI, said in a note Wednesday. “The idea would be to accelerate the timeframe over which the administration can put its stamp on the Fed and influence rates markets while avoiding the nuclear option of trying to fire Powell,”

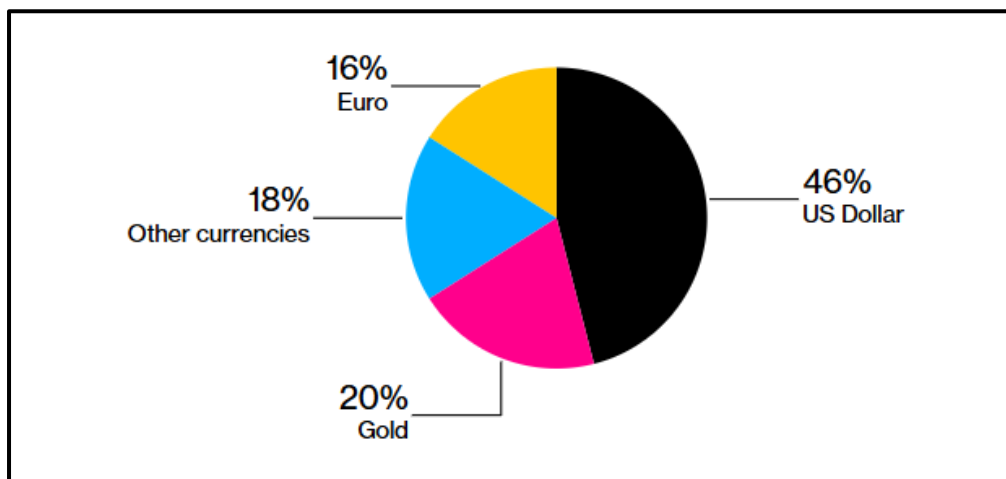
- CNBC adds: "...the impact of such a "shadow chair" likely would be minimal. It takes seven votes on the Federal Open Market Committee to move policy, and it would be hard to find more than one or two right now who would be in favor of the aggressive interest rate cuts Trump is seeking. Still, at least telegraphing now who he wants as chair could send an important message to markets about the path Trump wants to see the Fed to take."

## Gold

Bloomberg [reports](#) that, "record-high purchases and a blistering rally in prices has seen gold overtake the euro as the second-largest asset in the reserves of the world's central banks."

- JP Morgan wrote in a [note](#): "Traditionally, a weaker U.S. dollar and lower U.S. interest rates increase the appeal of non-yielding bullion... But given gold's diverse and fluid drivers of demand at the moment, the metal has recently served both as a debasement hedge — or a form of protection against the loss of a currency's purchasing power due to inflation or currency debasement — and in its more traditional role as a non-yielding competitor to U.S. Treasuries and money market funds."

**Figure 1: Gold is 2nd Largest Component of Global Central Bank Reserves**



Source: ECB, IMF, Bloomberg

## Congressional Business

The House is IN

The Senate is IN

### Committee Schedule –

- 10:00 ET 15:00 BST: SENATE Intelligence: FY 2026 Budget Request for the Office of the Director of National Intelligence and the Office of the Under Secretary of Defense for Intelligence & Security
- 10:00 ET 15:00 BST: HOUSE Appropriations: Fiscal Year 2026 Defense Appropriations Bill and Fiscal Year 2026 Homeland Security Appropriations Bill
- 10:00 ET 15:00 BST: HOUSE Natural Resources: "Examining the President's FY 2026 Budget Request for the Department of the Interior."

- 10:00 ET 15:00 BST: HOUSE Armed Services: Department of Defense Fiscal Year 2026 Budget Request
- 10:00 ET 15:00 BST: HOUSE Foreign Affairs: Bureau of Industry and Security FY26 Budget: Export Controls and the AI Arms Race
- 10:00 ET 15:00 BST: SENATE Finance: Hearings to examine the President's proposed budget request for fiscal year 2026 for the Department of Treasury and tax reform. **Secretary Scott Bessent to testify**

## Big Beautiful Bill

President Trump will meet with Senate Majority Leader John Thune (R-SD) and Senate Finance Committee Chair Mike Crapo (R-ID) at the White House today. The meeting comes a day before Crapo is expected to release his portion of the Big Beautiful Bill, covering the most challenging elements of the reconciliation package, including taxation and Medicaid.

- Politico notes that the trio are likely to discuss, "Crapo's pledge in a GOP conference meeting Wednesday to make three business tax cuts permanent."
- Politico notes: "The challenge isn't about rounding up GOP support for larger tax deductions for research and development, debt interest and capital expensing. It's how to pay for them all. The House-passed package already extends the three deductions through 2029, but making them fully permanent would cost an additional \$450 billion."

As House fiscal hawks are demanding offsets, Senate Republicans may look to water down some of Trump's key campaign pledges, including eliminating taxes on tips and overtime pay. The outcome of today's White House meeting will be instructive, as a Trump official told reporters, "We're not willing to entertain any scaling back of our signature promises."

- The primary risk to the bill comes from the Senate overworking the House version. House Speaker Mike Johnson (R-LA) and Majority Leader Steve Scalise (R-LA) have been working overtime petitioning the Senate to leave most of the House bill intact. They argue that any substantial changes will risk the entire package collapsing.

House GOP leadership argue, not without justification, that if the Senate substantially lowers the SALT cap, for example, the bloc of blue-state Republicans is likely to torpedo the bill.

- House Republican Conference Chair Lisa McClain (R-MI) told Axios: "Change it 10%, but I think 30% is a lot... I realize the Senate has to put their fingerprints on it. Touch very lightly."
- McClain's comments came in response to Senator Ted Cruz (R-TX) saying the upper chamber could preserve just 60% or 70% of the House-passed legislative text.
- Axios notes: "If the Senate makes substantial changes, House Speaker Mike Johnson and Senate Majority Leader John Thune will be forced to go to conference and hammer out the differences in July, with the threat of a debt default hanging over negotiations."

## Crypto

The Senate cleared another procedural hurdle on a landmark crypto bill that would create a regulatory framework for stablecoins. If Majority Leader John Thune (R-SD) cannot strike a deal to expedite passage of the bill, a final vote is likely to come on Tuesday.

- Politico notes: "It looks increasingly unlikely Thune will allow further votes on amendments, after attempts to strike a deal with Democrats faltered amid a push from Sen. Roger Marshall to force a vote on credit card swipe fees."

## Government Funding

Punchbowl News reports that a government shutdown "is definitely on the table this fall". An outcome a "number of Republicans believe [Trump] would be just fine with ... if the "One Big, Beautiful Bill" Act is already signed into law."

- As the OBBB includes new border security and defence funding and a debt-limit increase, the White House's exposure to the negative consequences of a shutdown is limited.
- Punchbowl writes: "To the non-Capitol Hill world, a CR doesn't sound like a big deal. Yet it gives a president and White House officials enormous discretion over federal spending while putting Congress at a huge disadvantage in terms of oversight.
- "Add to this equation Trump and OMB Director Russ Vought, who are eager to challenge Congress' power over the purse. Even Republicans complain that the White House hasn't submitted a full FY2026 budget, stymieing appropriators' ability to write spending bills."
- Rep. Ken Calvert (R-CA), the chair of the House Appropriations subcommittee on defence, said: "I think there are probably some people in the administration who think quite frankly that they have more flexibility under a CR or even a shutdown. I think that shocks a lot of members here."

## AUKUS

The Financial Times [scooped yesterday](#) that Under Secretary of Defence for Policy at the Pentagon, Elbridge Colby, "has launched a review of the 2021 Aukus submarine deal with the UK and Australia to determine if the US should scrap the project."

- FT noted: "Ending the submarine and advanced technology development pact would destroy a crucial pillar of security co-operation between the allies, at a time of heightened tension with China. The review has triggered anxiety in London and Canberra."
- Colby told the Sydney Morning Herald in August last year: "Even in the last couple of months, I would say that my views on AUKUS have become a bit more receptive. I would describe myself as maybe an AUKUS agnostic. I'm not an atheist, which is to say I'm prepared to be convinced in the existence of the pot of gold at the end of the rainbow, but I have not seen the weight of compelling evidence thus far."

[The Australian](#) writes that the review, "looks more like an opportunistic tactic to pressure Australia to spend more on its defence, rather than a serious threat to scrap the nuclear submarine deal."

- The Australian notes: "...there are several reasons to believe that the AUKUS pact will survive this review. The first is that the timing of it appears designed to maximise pressure on Anthony Albanese to lift defence spending by far more than the current paltry 2 per cent of GDP."

- “The second point is that the administration did not have to reveal this review publicly, it could have conducted it quietly in secret, but that would not have the desired leveraging effect on the Albanese government.”

## Iran

A [series](#) of [reports](#) have suggested that Israel may be prepared to unilaterally strike Iran's nuclear facilities in the coming weeks.

- The New York Times notes: “Israel appears to be preparing to launch an attack soon on Iran, according to U.S. and European officials. The step could further inflame the Middle East and derail or delay efforts by the Trump administration to broker a deal to cut off Iran's path to building a nuclear bomb.”
- Israeli Army Radio (GLZ) reported this morning that Israeli Prime Minister Benjamin Netanyahu has instructed Minister of Strategic Affairs Ron Dermer and the head of the Mossad David Barnea to meet tomorrow with US Middle East envoy Steve Witkoff to, “clarify Israel's position,” ahead of the next round of talks between the US and Iran.

In addition to the US [ordering the evacuation](#) of non-essential staff and dependents from its embassy in Baghdad, the US embassy in Jerusalem has now issued a security alert to employees and dependents in Israel, “Due to the increased regional tensions.”

- In response to the passage of an IAEA resolution against Iran, Tehran has [informed the IAEA](#) of its intention to launch a new enrichment centre at “a secure location,” and ordered the replacement of old IR-1 centrifuges with advanced IR-6 ones at the Fordow underground nuclear facility.
- Laurence Norman at WSJ reported on X: “The enrichment site step sounds big. But it would take at a minimum many months to build any such thing which gives time for diplomacy. Very unlikely to me they could build one before snapback [October] at earliest. Fordow enrichment step up bigger deal right now.”

The head of Iran's Atomic Energy Organisation Mohammad Eslami responded, per [Nour News](#): “The new site is fully constructed and located in a secure, invulnerable location. As soon as centrifuge installation and setup are complete, enrichment will begin.”

- This would appear to confirm that Iran has been constructing a new enrichment site well ahead of the IAEA voting in favour of the resolution finding Iran in non-compliance with its nuclear safeguarding requirements.

The prospect of a major escalation in the region appears non-negligible, with President Trump saying in a podcast released on 11 June, when asked about whether Iran would shut down its nuclear programme, “I'm less confident now than I would have been a couple of months ago. Something happened to them, but I am much less confident of a deal being made”.

- A call between Trump and Israeli PM Benjamin Netanyahu earlier this week was seen as a US effort to dissuade Israel from going it alone in attacks against Iranian nuclear sites.
- Given that key sites related to the enrichment of uranium, notably at Fordow, are built deep into the mountains, it remains to be seen how effective any Israeli strikes might

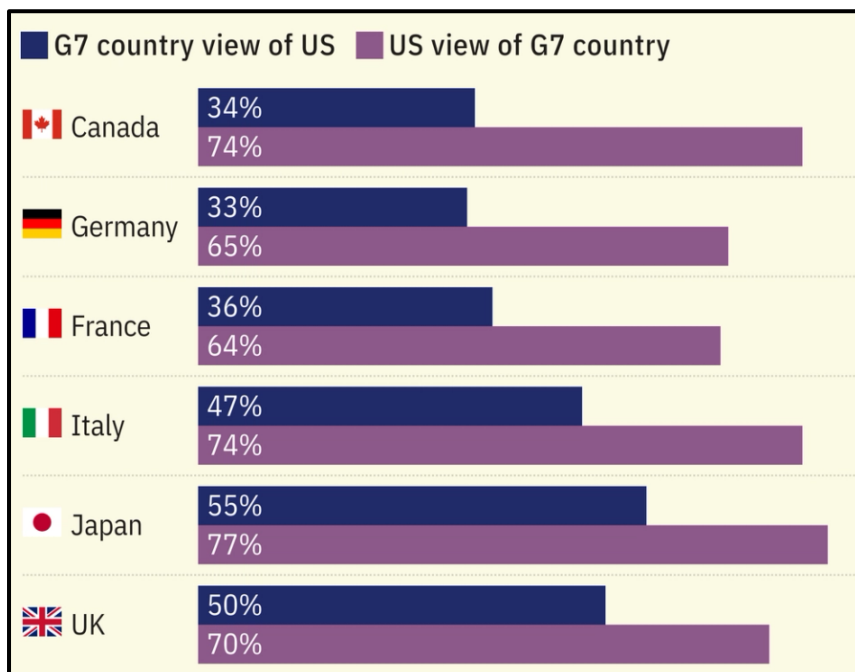
prove in halting Iran's move towards a nuclear weapon, beyond sparking a major regional escalation.

## Chart of the Day

A new survey from Morning Consult has found that, "U.S. businesses have been targeted for overseas boycotts in recent months as a result of anger in other countries over U.S. government actions and rhetoric, including tariffs."

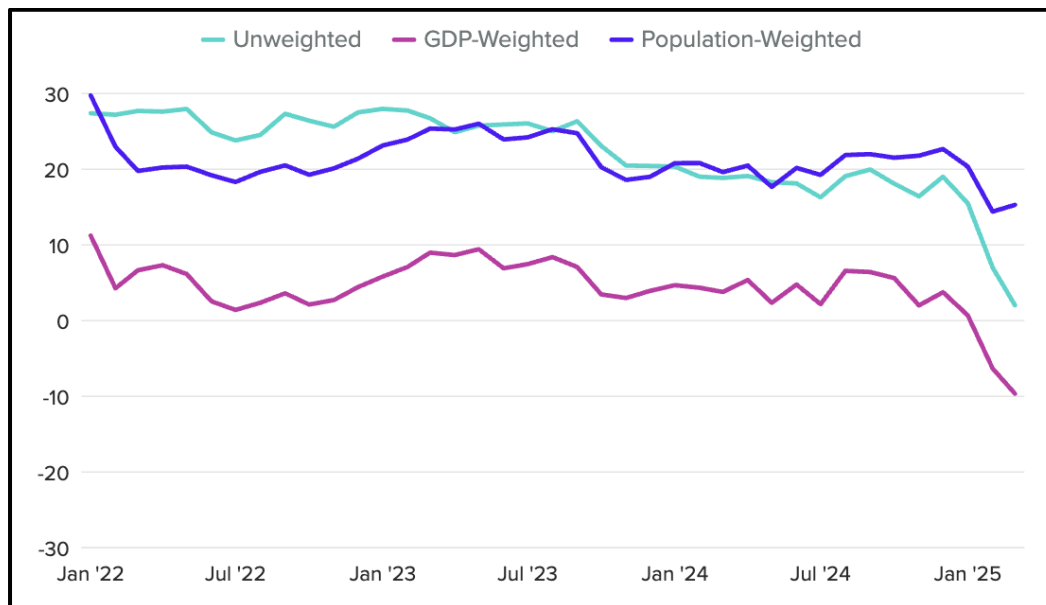
- Morning Consult adds: "Increased boycott likelihood has gone hand-in-hand with the United States' declining reputation globally, suggesting the two are related."
- A new Pew Research Center survey of 25 nations, "Trump receives mostly negative ratings... More than half in 19 of these countries say they lack confidence in Trump's leadership of world affairs."
- Semafor notes: "Trump has upended US foreign policy paradigms since returning to office through his transactional approach and skepticism of traditional alliances — shifts that are expected to define a meeting of the Group of Seven major industrial democracies next week in Canada. "All eyes will be on Trump" at the G7 summit, the Council on Foreign Relations wrote."

**Figure 2: Favourability Rating between US and other G7 Countries**



Source: Pew Research Center, Semafor

**Figure 3: Global Average Net Favourability Towards the US**



Source: Morning Consult

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