

MNI POLITICAL RISK ANALYSIS - US Daily Brief 16-05-25

by Adam Burrowes

The White House *(times subject to change)*

02:50 ET 07:50 BST	President Trump participates in a US-UAE Business Council Breakfast Roundtable
04:00 ET 09:00 BST	President Trump tours the Abrahamic Family House
07:45 ET 12:45 BST	President Trump departs Abu Dhabi International Airport
22:40 ET 03:45 BST	President Trump arrives at the White House

KEY DATES:

- ❖ House GOP target for concluding budget reconciliation: May 26
- ❖ White House target for concluding budget reconciliation: July 4
- ❖ Government funding expires: September 30

Trump in the Middle East

US President Donald Trump has departed the United Arab Emirates after a four-day trip that has deepened ties with Gulf nations on defence, technology, and business.

- Semafor notes: "Trump's tour has focused on drawing the region closer to the US on trade and technology, including massive defense sales to Saudi Arabia and a huge jet deal with Qatar."

In his remarks to the press, which came during several events in Abu Dhabi with Emirati officials and business leaders, Trump nixed the prospect of a last-minute trip to Turkey to help facilitate peace talks between Ukraine and Russia. But he said will meet with Russian President Vladimir Putin "as soon as we can set it up". (More on that below)

- Trump hinted at some foreign policy announcements in the coming "two or three weeks", stating: "We're looking at Gaza and we're going to get that taken care of". He didn't expand, but discussion of Israel has been conspicuously absent from Trump's Middle East trip. The marginalisation of Israel appears to reflect a growing schism with Prime Minister Benjamin Netanyahu, despite a call from Secretary of State Marco Rubio yesterday affirming the US' 'ironclad' support for Israel's security.

Trump reiterated the nuclear deal ultimatum to Tehran he delivered in Riyadh on Tuesday: "Either it'll be done nicely or not nicely".

- He added that "we're talking to [Iran] and I think they've come a long way" but declined to provide any new details on the status of talks following [reports](#) yesterday that the US had submitted a formal nuclear proposal for the first time since talks resumed in April.

Trump announced more optimistic numbers for the level of US-bound investment he has drummed up since returning to office, saying the US "probably has ten trillion dollars of investment probably twelve or thirteen," adding "these are numbers nobody's heard of". He said details of a \$1.4 trillion UAE investment in the US would be announced shortly.

- Trump noted a deal with the UAE to buy Boeing planes – one of the biggest beneficiaries of the trip - following a similar deal with Qatar.
- As expected, he announced that the US and UAE agreed to "create a path" for the UAE to buy "some of the most advanced AI semiconductors" from American companies. The prospective deal has raised [some concerns](#) in Washington about China gaining access to US chip technology via the deal.

Trade and Tariffs

Trump highlighted recent "trade deals" with the UK and China and said 150 countries "want to make a deal". Trump revealed that "over the next two-three weeks", Treasury Secretary Scott Bessent and Commerce Secretary Howard Lutnick "will be sending letters out telling people what they'll be paying to do business in the US."

- Trump added: "I guess you could say they could appeal it, but for the most part I think we'll be very fair."
- Trump's comments appeared to acknowledge that the administration doesn't have the capacity to negotiate the kind of bilateral trade deals implied by his 'reciprocal' tariff regime. Rather, countries would be forced to accept template deals and retroactively hammer out more favourable terms with Washington.
- Trump said on May 9: "We have four or five other deals coming immediately. We have many deals coming down the line. Ultimately, we're just signing the rest of them in."

Republican Legislation

House Speaker Mike Johnson (R-LA) is expected to press ahead with a scheduled Budget Committee markup this morning at 09:00 ET 14:00 BST, despite a major rebellion from conservative deficit hawks and blue-state 'SALT' Republicans. [LIVESTREAM](#)

- Conservatives are furious that the Republican 'megabill', known as the 'One Big Beautiful Bill' is set to be marked up without hard numbers from the Congressional Budget Office on the debt implications of the package.
- The blue-state Republicans, to whom SALT is an existential political issue, are threatening to torpedo the entire package if Johnson doesn't hike the State and Local Tax (SALT) deduction cap higher than the \$30,000 currently written into the tax bill.

Johnson can only lose two votes in the Budget Committee, if all Democrats are present and voting, as expected. Reps Chip Roy (T-TX), Josh Brecheen (R-OK), and Ralph Norman (R-SC) are all potential noes. Rep Brandon Gill (R-TX) could also miss the meeting due to parental leave.

- Norman said: "It's all a matter of numbers. I know Chip's a no. I think Andrew is. I'm voting no."

CBO chief Phillip Swagel told conservatives yesterday that the final score for the Energy and Commerce portion of the package is only likely to be available next week. Conservatives are particularly irked about the delay to the E&C score as they believe cuts to Medicaid aren't deep enough to offset tax cuts and spending.

- Brecheen said in a statement on X yesterday: "...after a meeting with the CBO this morning, it's clear we don't know the true cost of this bill or whether it adheres to the Budget blueprint. We have a duty to know the true cost of this legislation before advancing it."

House Budget Committee Chair Jodey Arrington (R-TX) said yesterday: "I haven't given up yet. But there are concerns about having to get more information, which would potentially delay this to next week, so we'll see."

- As the vote is up-down on the package with no debate or amendment, If Johnson is to successfully discharge the bill from Budget, it is likely to depend on 'handshake' deals with both SALT Republicans and conservatives promising alterations to the package when it comes in front of the House Rules Committee next week.

Prominent SALT Republican, Rep. Nick LaLota (R-NY), told reporters yesterday that the group wants a \$62,000 SALT cap – a figure that will draw major backlash from red state conservatives who see the SALT cap as a subsidy for Democratic states paid by Republican voters.

- Johnson sees the SALT group as more likely to fold than the conservatives, but they are putting up a robust fight. They may be willing to exercise their leverage this time around after taking a backseat to the more vocal conservative disruptors in previous standoffs.

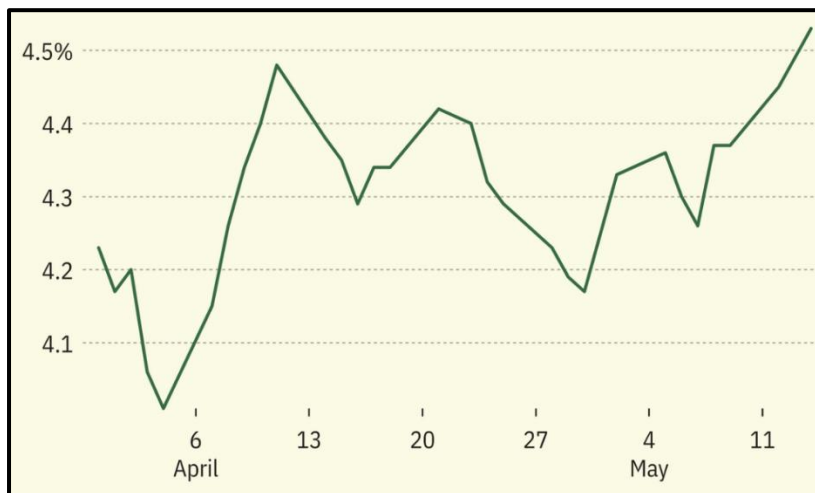
Johnson told reporters yesterday after a meeting with House conservatives and SALT Republicans: "I am convinced that we'll be able to adjust the dial, so to speak, so that we can come to an agreement that will meet the criteria that everybody has and that we can move this thing forward,"

- Johnson added: "If you do more on SALT, you have to find more savings. So these are the dials, the metaphorical dials, that I'm talking about. We are trying to do this in a deficit neutral way — that was the commitment that we made all along."
- When asked if he could speed up Medicaid work requirements, one of the key demands from conservatives, Johnson said: "Everything is on the table."
- Johnson added: "I've committed to work throughout the weekend on this. We are still on path to pass this bill next week."
- Punchbowl News notes: "These speed bumps aren't surprising. This is a gigantic legislative grab-bag with lots of disparate priorities. We get that. It reminds us a bit of Build Back Better – which failed and led to the IRA, for what it's worth."

Conservatives may have one influential ally in US bond markets. Semafor reports that anxiety over the GOP reconciliation bill has pushed Treasury bond yields, "to levels last reached in the wake of Trump's "Liberation Day" tariffs, when the bond market revolt caused the president to back off."

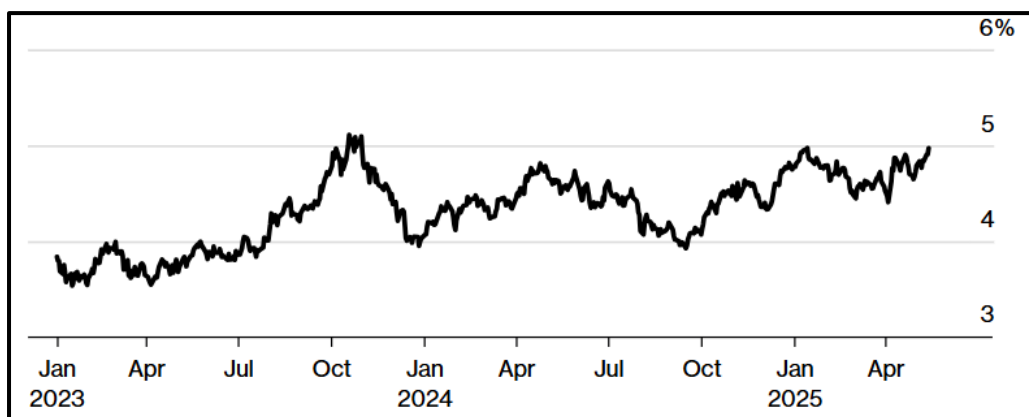
- Stephen Jen at Eurizon SLJ noted that bond market moves were similar to those seen in response to former UK Prime Minister Liz Truss' minibudget in 2022.
- Jen [said](#): "I'm not giving up completely. But I'm conceding that we don't seem to be moving in the right direction and I'm fearful of what may happen. It may be necessary to have a repeat of what happened to Liz Truss with the US bond market forcing them, actually sending yields close to or breaching 5%, to force everyone to do the right thing."
- Bloomberg notes: "Trump talks a lot about reining in spending to bring down the deficit, but the modest cuts DOGE has made so far are dwarfed by the estimated loss in revenue that would be generated by a new batch of tax cuts..."
- Bloomberg has a rundown of the debt implications of the bill [here](#).

Figure 1: Yield on 10-year US Treasury Bond



Source: Semafor

Figure 2: Yield on 30-year US Treasury Bond



Source: Bloomberg

Congressional Business

The House is IN

The Senate is IN

Committee Schedule –

- 09:00 ET 14:00 BST: HOUSE Budget: Reconciliation markup

Crypto

Senate Majority Leader John Thune (R-SD) moved yesterday to tee up a vote next week on a landmark crypto regulation bill. The GENIUS Act, a bipartisan bill that would create a regulatory framework for payment stablecoins, hit a wall this week amid Democrat concerns about provisions on “anti-money laundering, national security and a handful of other issues”, per The Hill.

- Senator Cynthia Lummis (R-WY) said: “It has been an all-week marathon and sprint at the same time, but I believe we’ve got final, final language. So, members will have a chance to look at it over the weekend again, and I expect procedural votes to begin on Monday.”
- Analysis from Politico and the revised draft text can be read [here](#).

Russia-Ukraine

A relatively junior Russian delegation and a slightly more senior Ukrainian delegation have met in Istanbul, Turkey, today for the first direct talks between the countries since 2022.

- Ukrainian Defence Minister Rustem Umerov told reporters that Kyiv is ready for "direct negotiations at the highest level" and a "complete and unconditional ceasefire."
- Given the lack of high-level participation on the Russian side, it remains to be seen how much progress will be possible in today's talks. There has been some hope from Ukraine and its European allies that Russian President Vladimir Putin's decision to skip talks with Ukraine's Volodymyr Zelenskyy could force Trump to back harsher sanctions.
- Earlier, Kremlin spokesperson Dmitry Peskov told reporters that a potential meeting between Putin and Trump would required “advanced preparation and must yield results”. He added that "such a meeting is essential for US-Russia ties" but that the aforementioned preparation can be "lengthy".

If the Turkey talks fail to result in some progress towards a ceasefire, Trump is likely to come under increasing pressure from Republican lawmakers to back a new Russia sanctions package.

- Rep. Rob Wittman (R-VA), a member of the House Armed Services Committee, said: “Putin has shown, first of all, he’s not trustworthy. Second of all, that he’s not serious about this. He’s slow rolling this. There has to be consequences for him not being serious about negotiating peace.”
- Senator John Cornyn (R-TX) said: “Putin has disrespected the US and the goodwill of our President.”

The Senate has a massive new sanctions bill, introduced by Senators Lindsay Graham (R-SC) and Richard Blumenthal (D-CT), ready to go, but is allowing time for the talks in Turkey to play out before pushing for a vote.

- Senator Jeanne Shaheen (D-NH), the ranking Democrat on the Senate Foreign Relations Committee, said the Graham-Blumenthal bill has 70 supporters: “It’s veto proof. Let’s get that done now. Let’s let Russia know we’re really serious, and if they don’t move that, there are going to be consequences.”

Chart of the Day

A Bloomberg [survey](#) has found that analysts and investors believe, “Trump’s tariffs on China will likely remain at a level expected to severely curtail Chinese exports to the US after the 90-day truce.”

- Bloomberg notes: “The results of the survey, conducted Wednesday and Thursday, reveal a low expectation for trade negotiation to quickly undo duties Trump imposed on China during his second term. Official data due Monday are forecast to show a slowdown in China’s industrial output in April as tariff threats weighed on exports, according to a separate survey.”

Figure 3: “Analysts, Investors See 30% US Tariffs on China to Stay, *Bloomberg* survey shows expectations are more divided further into the future”

	In one month	In three months	In six months	Final level*
Median estimate	30%	30%	30%	20%
Highest estimate	33	54	65	60
Lowest estimate	20	10	10	3

Source: Bloomberg

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