POLITICAL RISK

mni
All Signal, No Noise

MNI POLITICAL RISK ANALYSIS - US Daily Brief 17-09-25

by Adam Burrowes

The White House *(times subject to change)*

07:20 ET 12:20 BST	President Trump and the First Lady participate in a Windsor Castle Arrival Ceremony
08:05 ET 13:05 BST	President Trump and the First Lady participate in a Private Luncheon
10:00 ET 15:00 BST	President Trump and the First Lady lay a wreath at the Tomb of Queen Elizabeth II
11:25 ET 16:25 BST	President Trump and the First Lady participate in a musical performance
15:30 ET 20:30 BST	President Trump and the First Lady participate in a State Banquet
17:15 ET 22:15 BST	President Trump and the First Lady participate in a Post-Dinner Program

KEY DATES:

- Government funding expires: September 30
- China tariff truce expires: November 10

Washington

President Donald Trump's State Visit to the United Kingdom kicks off today with an Arrival Ceremony at Windsor Castle at 07:20 ET 12:20 BST.

- Trump is joined in the UK with a raft of White House officials and high-ranking Cabinet members including Secretary of State Marco Rubio, Vice President JD Vance, and Treasury Secretary Scott Bessent. (More on what to expect below)
- The Federal Reserve's two-day Open Market Committee meeting continues today with its interest rate decision expected at 14:00 ET 19:00 BST. Fed Chair Jerome Powell's highly anticipated press conference will begin at 14:30 ET 19:30 BST.

Federal Reserve

At roughly 10:00 ET 15:00 BST yesterday, Trump's top economic advisor, Stephen Miran, was formally sworn in as a governor on the Federal Reserve board, capping a lightning-fast Senate confirmation process that ensures Miran's position on rates will be recorded today. Miran will hold the seat vacated by former Fed Governor Adriana Kugler until January 2026.

- Miran's decision to take a leave of absence from the White House, rather than resign, is unprecedented in modern US history. To smooth his Senate confirmation, Miran told sceptical Republican senators that he would exit the White House if Trump were to nominate him for a full 14-year term.

Punchbowl News notes, "Fed watchers on and off Capitol Hill are increasingly worried about the Fed's ability to stay independent of Trump's control."

- Senator Elizabeth Warren (D-MA), the ranking Democrat on the Senate Banking Committee, said that the Fed's independence "is dissolving by the moment… Donald Trump has attacked the independence of the Fed repeatedly, and he's now making inroads."

- Trump allies asserted that Fed Chair Jerome Powell's monetary policy decisions represented the primary threat to the bank's independence. Senator Bernie Moreno (R-OH) said, "I think we're taking the politics out of the Fed. Jerome Powell has infected the Fed with all kinds of incompetence and with an amazing amount of political thinking."

Meanwhile, Governor Lisa Cook appears to have survived Trump's attempt to fire her, at least for now. On Monday, an appeals court ruled that Cook can remain in place while litigation plays out.

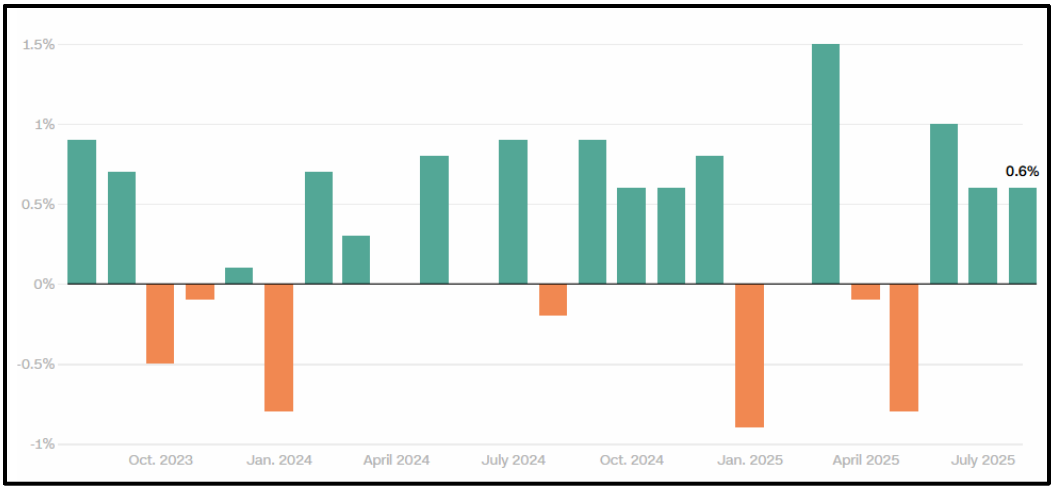
- Bloomberg reports that the Trump administration intends to ask the US Supreme Court to uphold Cook's firing, but a White House official did not know exactly when the Justice Department would file papers taking the fight over firing Cook to the Supreme Court.
- White House spokesperson Kush Desai said, "The President lawfully removed Lisa Cook for cause. The Administration will appeal this decision and looks forward to ultimate victory on the issue."

Economy

The Commerce Department said yesterday that US retail spending rose 0.6% in August, much better than economists' expectations of a 0.2% increase, according to a poll by data firm FactSet cited by CNN.

- CNN notes, "Employers have hit the brakes on hiring in recent months as Americans once again grow pessimistic about the economy's future… Yet, US consumers haven't cut back their spending meaningfully, and they may continue to spend, so long as layoffs don't surge."
- Semafor notes, "The Federal Reserve is closely watching spending trends as policymakers debate a path for interest rate cuts — with the first trim expected Wednesday — but signs of a weakening labor market loom over the economy. Americans are still spending, but "the big question is how long this can continue if layoffs pick up," one economist said."

Figure 1: Percentage change in retail sales, by month

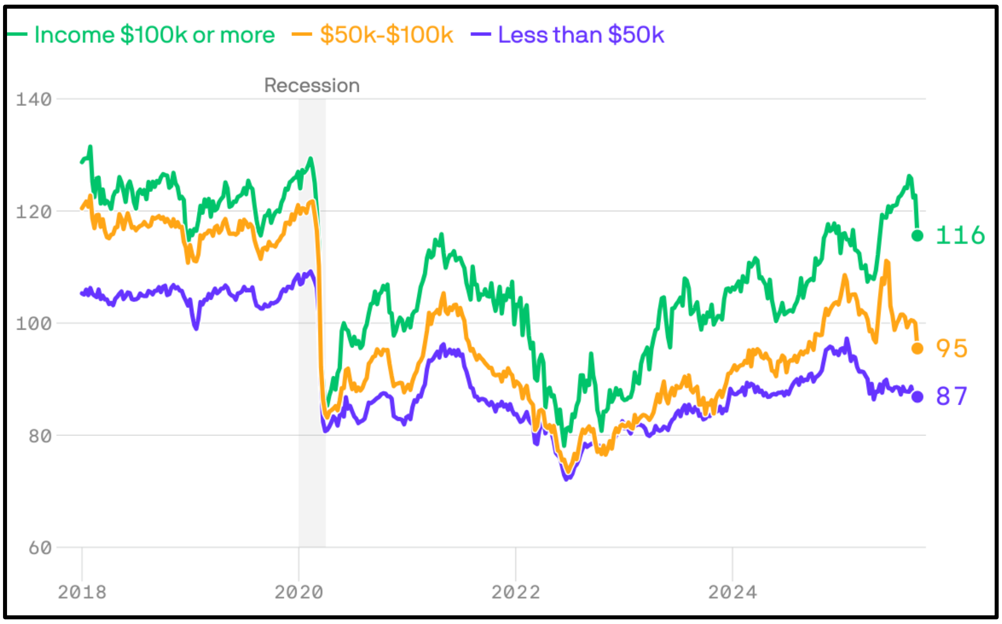


Source: US Census Bureau, CNN

Axios reports, citing Morning Consult data, “The mood among the country's highest earners is souring… Consumer sentiment among those earning $100,000 or more is still in positive territory, but has fallen about 10 points over the past month, according to Morning Consult's index.”

- Axios notes, “The research firm measures people's feelings about their own personal finances, business conditions overall and whether a major purchase is a good idea.”

Figure 2: US Consumer Sentiment by Income Group



Source: Axios, Morning Consult

United Kingdom

President Trump’s State Visit schedule today includes a raft of formal engagements hosted by King Charles III at Windsor Castle in Berkshire, England.

- Trump told reporters yesterday, *“my relationship is very good with the UK. And Charles, as you know, who is now king, is my friend. And it's the first time this has ever happened where somebody was honored twice, so it's a great honor.”*
- One of the primary aims of the trip is hammering out substantive details of the trade framework agreement reached on May 8. Trump noted to reporters, *“I'm there also on trade, they want to see if they can refine the trade deal a little bit. We made a deal and it's a great deal and I'm into helping them. Our country is doing very well.”*

The trip is expected to include a range of investment announcements, including more than USD$40 billion in pledges by US tech companies for artificial intelligence, data centers, and other new technologies.

- The New York Times notes, “Microsoft said it would invest about $30 billion in Britain over four years, including developing a new supercomputer with the British company Nscale. Google said it was opening a new data center as part of a two-year investment worth about $6.8 billion. OpenAI and the semiconductor company Nvidia are developing a new A.I. data center called Stargate UK with Nscale."

- Politico notes, "The UK government said today the site near Blyth would become an AI Growth Zone — areas of the country earmarked for AI data centers. It will also link to nearby Newcastle University and a business park. The government said the site could mean the addition of 5,000 new jobs in the region."

Trump and British Prime Minister Keir Starmer are also expected to unveil a multi-billion-pound US-UK partnership to build a fleet of small modular nuclear reactors (SMRs).

- The Guardian notes, "Five new deals, adding to an existing SMR partnership between Rolls-Royce and Virginia-based BWXT. According to the US embassy, the deals are worth a combined $100bn (£73.5bn)."

Bloomberg reports, "The UK has shelved its talks with the US aimed at eliminating tariffs on British steel, with British officials expecting commitments that tariffs on steel would remain at 25%."

- Bloomberg writes, "A failure to remove the tariffs will undercut assessments of the state visit, which Prime Minister Keir Starmer hopes will help covert Trump's interest in Britain and royal pageantry into diplomatic wins."

In addition to bolstering economic ties, Starmer will use a bilateral meeting at Chequers tomorrow to advance Europe's case for stepping up pressure on Russia.

- Politico notes, "any sort of win for Europe on Ukraine is likely to be incremental at best… Don't expect any major breakthroughs on Ukraine or Russia when Trump and Starmer speak to press on Thursday."
- However, according to Politico, "The two powers might, for example, reexamine lowering the price cap set on Russian oil, which the EU and U.K. have lowered while the U.S. has not. Another small win might be getting Trump to join European sanctions on individual Russian ships."
- Starmer will also look to bolster US support for AUKUS, the nuclear submarine alliance between the US, UK, and Australia. The future of the alliance has appeared on shaky ground since Pentagon policy chief Elbridge Colby recently questioned its viability.

China

The South China Morning Post reports that the US and China are in "the "final stage" of negotiations for a state visit to Beijing by [Trump], with bulk purchases of American goods a critical part of the deliverables".

- The potential finalisation of a state visit comes after the latest round of talks led by US Treasury Secretary Scott Bessent and Chinese Vice Premier He Lifeng in Madrid, Spain, aimed at reaching a deal on trade and tariffs. Chinese President Xi Jinping and Trump are due to hold a call on Friday, 19 September to discuss a wide range of issues.
- Yesterday, Trump signed an Executive Order extending the deadline for TikTok potentially being banned in the US to Dec. 16, the fourth extension since Trump took office in January, per Politico.

SCMP notes, "The deliverables may include a new deal to purchase US goods," the source said, adding that Boeing aircraft were "very likely" on the list. The source confirmed that China sent a formal state visit invitation to Trump in the first week of September, which usually indicates a state visit is "more or less confirmed" and that planning is in a "very advanced stage".

- With Trump set to travel to East Asia for the Asia-Pacific Economic Cooperation (APEC) summit in South Korea, running 31 Oct-1 Nov, any state visit could come around that time.
- While the article paints a relatively rosy picture of the prospect of a state visit, the evident tensions between the US and China on geopolitical and economic/trade issues could derail the prospect of a high-profile visit over the coming months.

The Financial Times reports, "China's internet regulator has banned the country's biggest technology companies from buying Nvidia's artificial intelligence chips, as Beijing steps up efforts to boost its domestic industry and compete with the US."

- According to FT, "The Cyberspace Administration of China (CAC) told companies, including ByteDance and Alibaba, this week to end their testing and orders of the RTX Pro 6000D, Nvidia's tailor-made product for the country… The ban goes beyond earlier guidance from regulators that focused on the H20, Nvidia's other China-only chip widely used for AI."
- Jensen Huang, chief executive of Nvidia, told reporters in London that he expected to discuss the chipmaker's ability to do business in China with Donald Trump that evening, "We can only be in service of a market if the country wants us to be. I'm disappointed with what I see. But they have larger agendas to work out, between China and the US, and I'm understanding of that. We are patient about it."

India

Trump revealed on Truth Social yesterday that he called Indian Prime Minister Narendra Modi yesterday to convey a birthday message. Trump characterised the call as 'wonderful' and said, Modi, "is doing a tremendous job." He went on to thank Modi for his, "support on ending the War between Russia and Ukraine!"

- Modi responded on X, "Thank you, my friend, President Trump, for your phone call and warm greetings on my 75th birthday. Like you, I am also fully committed to taking the India-US Comprehensive and Global Partnership to new heights. We support your initiatives towards a peaceful resolution of the Ukraine conflict."

Bloomberg notes, "The call comes as the two nations resumed trade negotiations this week, discussions both sides characterized as positive as they look to reset ties following Trump's move last month to levy 50% tariffs on exports from the South Asian nation."

- Bloomberg adds, "The US and India had previously committed to a bilateral agreement, which they intended to complete this fall, but those talks deadlocked and recent months have seen Trump toughen his stance against New Delhi as he looks to ramp up pressure over its Russia ties. New Delhi's refusal to open dairy and agriculture markets are also among the reasons the talks have stalled."

- Amitendu Palit, senior research fellow and research lead on trade and economics at the Institute of South Asian Studies, said, "This is typical carrot and stick approach. His officials remain critical of India but there is this understanding that let us not give up on the diplomatic route."

Tariffs

The House of Representatives voted yesterday to approve a measure that would block any member from forcing a vote to challenge Trump's tariffs until March 31, 2026, effectively ceding more authority over tariffs to the White House.

- Politico notes, "GOP leaders flipped several of the Republican holdouts with a promise to add language shortening the block on tariff disapproval votes to a forthcoming measure set for approval later in the week, per two Republicans with direct knowledge of the agreement. The expiration date on the block will be reset from March 31 to the end of January, House Majority Leader Steve Scalise said Tuesday. It's likely the Supreme Court will have ruled on a challenge to Trump's tariff-declaring powers by then."

United States-Mexico-Canada Trade Agreement

The office of the United States Trade Representatives yesterday confirmed in a statement that it has initiated a public consultation process in advance of the joint review (Joint Review) of the Agreement between the United States of America, the United Mexican States, and Canada (USMCA or Agreement) on July 1, 2026.

- As directed by Congress, USTR is seeking public comments on the operation of the Agreement. In addition, USTR will hold a public hearing on November 17. This consultation process is required by U.S. law, per the statement.

Congressional Business

The House is IN

The Senate is IN

Committee Schedule –

- 10:00 ET 15:00 BST: HOUSE Judiciary: "Oversight of the Federal Bureau of Investigation". FBI Director Kash Patel to testify
- 14:00 ET 19:00 BST: HOUSE Financial Services: Task Force on Monetary Policy, Treasury Market Resilience, and Economic Prosperity: Less Mandates. More Independence
- 14:00 ET 19:00 BST: HOUSE Oversight: "Underfunded and Overlooked: Assessing U.S. Southern Command's Role in Defending the Homeland"

Government Funding

House Republicans yesterday released a 91-page Continuing Resolution to keep the government open beyond the September 30 funding deadline. The CR extends funding through November 21.

- As expected, the CR is 'clean' - maintaining funding at FY25 levels and eschewing policy changes - but it includes tens of millions of dollars in new funding for the security of lawmakers and other federal officials. The CR does not include any of the healthcare measures demanded by Democrats.
- House Speaker Mike Johnson (R-LA) intends to hold a House vote as soon as possible. After which the bill will be forwarded to the Senate. Although Johnson only has a one-vote cushion, the prevailing view is that he likely has enough support to muscle the bill through the House.

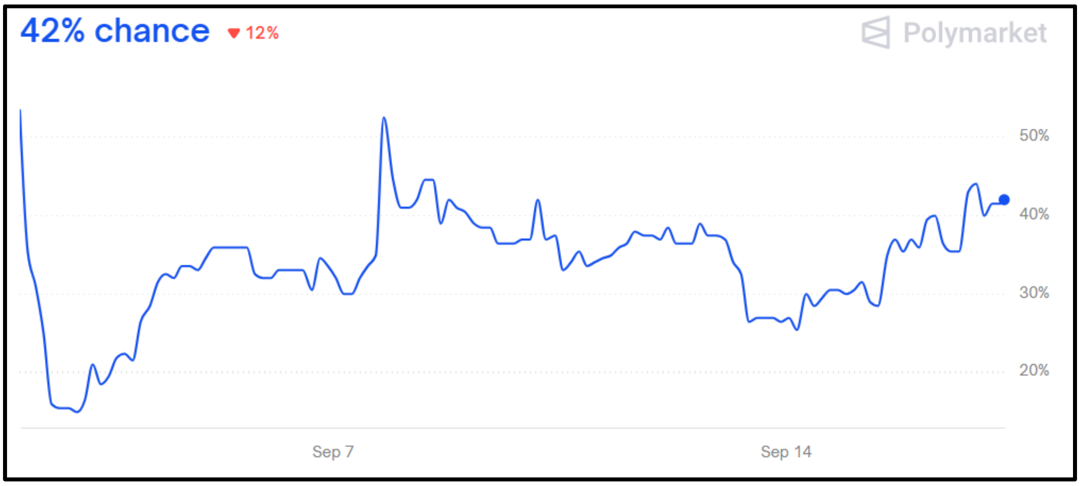
Senate Minority Leader Chuck Schumer (D-NY) and House Minority Leader Hakeem Jeffries (D-NY) issued a joint statement opposing the CR, *"By refusing to work with Democrats, Republicans are steering our country straight toward a shutdown. President Trump called the play last week when he told Congressional Republicans to jam a partisan spending bill down the throats of the American people without Democratic support. Instead of governing, Republicans are once again taking orders from Donald Trump, hurting the American people and recklessly marching our nation to the brink of a shutdown."*

- Jeffries told reporters, *"House Democrats have been clear that we will not support a partisan Republican spending bill that continues to gut the healthcare of the American people. That's not a clean continuing resolution. It's a dirty spending bill and one that is unacceptable."*
- The two top Democratic appropriators, Senator Patty Murray (D-WA) and Rep. Rosa DeLauro (D-CT), said, "House Republican leadership has walked away from negotiations and are now threatening a shutdown by trying to jam through a funding bill on their terms alone."

Axios reports that Schumer is preparing to go public with a counterproposal that jams Republicans and keeps the government open. However, Schumer's leverage is uncertain as a half-dozen Senate Democrats are "quietly open" to backing the CR, according to Axios.

- Punchbowl notes, "While the text isn't final, the centerpiece of the Democratic plan will be a permanent extension of the Obamacare enhanced premium tax credits, according to multiple sources briefed on it. There's GOP interest in addressing the soon-to-expire subsidies, but Republican leaders have ruled out doing so on a short-term CR."
- Senate Majority Leader John Thune (R-SD) needs seven Democratic votes. Senator John Fetterman (D-PA) is likely to be one. Senators Catherine Cortez Masto (D-NV), Maggie Hassan (D-NH), Jeanne Shaheen (D-NH) and Gary Peters (D-MI) are all potential "yes" votes, according to aides cited by Axios.
- Senator Brian Schatz (D-HI), one of the group that voted for the March CR, wrote on X, "Trump said yesterday that he doesn't need to work with Democrats. If that's the case I wish him the best, I'm a no."

Figure 3: Government Shutdown by October 1



Source: Polymarket

Venezuela

Trump told reporters at the White House yesterday that US forces "knocked off" a third Venezuelan boat allegedly involved in drug smuggling, killing three people aboard, hours after announcing a second boat had been struck, per Politico.

- Politico writes, "The announcement of the strikes came after Venezuelan President Nicolás Maduro formally described an earlier U.S. strike on another Venezuelan vessel as a "heinous attack," according to The New York Times. Speaking to reporters in Caracas, Maduro said the first attack — which occurred earlier this month and resulted in 11 deaths — had violated U.S. and international laws and accused Trump of trying to push Venezuela into a "major war.""

Iran

The Iranian Foreign Ministry confirmed this morning that Iranian Foreign Minister Abbas Araghchi will hold a phone call today with his counterparts from the E3 nations (France, Germany, the UK) as well as European Commission High Representative for Foreign Affairs and Security Policy Kaja Kallas later today.

- Iran Nuances notes, "The call could be a crucial, if not final, opportunity for diplomacy to defuse a crisis [spiralling] from the potential reimposition of UN sanctions, [...]. The primary goal of the conversation is to prevent what the source described as an "unnecessary escalation," which they warned would be an "inevitable outcome" if the so-called "snapback" mechanism is activated."
- Following the E3 initiating snapback sanction proceedings against Iran on 28 August, the UN Security Council has 30 days (setting a 27 Sep deadline) to decide on whether to maintain relief on sanctions or let this expire.
- The agreement last week between Iran and the International Atomic Energy Agency (IAEA), described by Foreign Policy as "less-than-meets-the-eye", ostensibly gives IAEA inspectors access to Iranian nuclear facilities. However, there is no timeline for visiting key sites at Isfahan, Natanz and Fordow, significantly weakening the provisions of the agreement.

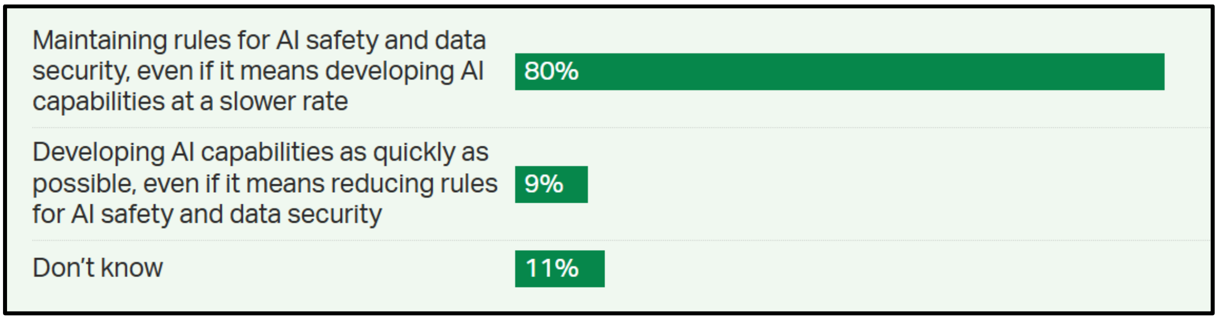
- The E3 has made three demands (allow UN inspectors, confirm location of stock of enriched uranium, and engage in UN talks) to delay snapback sanctions for six months. Tehran likely to view the price (particularly the second demand) as too high for just six months of relief.

Chart of the Day

A new Gallup survey has found that 80% of US adults believe the government should maintain rules for AI safety and data security, even if it means developing AI capabilities more slowly.

- According to Gallup, In contrast, 9% say the government should prioritize developing AI capabilities as quickly as possible, even if it means reducing rules for AI safety and data security. Eleven percent of Americans are unsure.
- Gallup notes, “This preference is notable against the backdrop of global competitiveness in AI development. Most Americans (85%) agree that global competition for the most advanced AI is already underway, and 79% say it is important for the U.S. to have more advanced AI technology than other countries.”

Figure 4: Which should the government prioritize when it comes to AI?



Source: Gallup
