

MNI POLITICAL RISK ANALYSIS - US Daily Brief 21-07-25

by Adam Burrowes

The White House *(times subject to change)*

12:30 ET 17:30 BST	President Trump has lunch with the Vice President
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KEY DATES:

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

Washington

President Donald Trump will sit down for lunch with Vice President JD Vance at 12:30 ET 17:30 BST. He has no other scheduled events in his diary.

- On Wednesday, Trump will deliver the keynote address at a "Winning the AI Race" [summit](#), hosted by the All-In Podcast and the Hill & Valley Forum. Trump's AI and crypto czar, David Sachs, and other high-ranking Trump officials will also attend.
- The White House is expected to release its long-awaited [AI Action Plan](#) ahead of the AI summit. The plan will "define priority policy actions to enhance America's position as an AI powerhouse and prevent unnecessarily burdensome requirements from hindering private sector innovation," according to the White House.

At 13:00 ET 18:00 BST today, Secretary of State Marco Rubio will meet Philippine President Ferdinand Marcos, Jr. at State. There will be a press spray at the top of the meeting.

- The meeting comes after Trump raised the August 1 proposed tariff rate on Manila from 17% to 20% in his recent round of tariff letters, threatening to complicate Washington's relationship with its closest ally in Southeast Asia.
- Marcos is also scheduled to meet with Defense Secretary Pete Hegseth at the Pentagon today, and then become the first Southeast Asian leader to meet with Trump during his second term, later in the week.

Axios reports that OpenAI CEO Sam Altman is in Washington this week to argue that AI is already making Americans more productive — and to promise to keep AI "democratic".

- Tomorrow, Altman will join Michelle Bowman, the Fed's new vice chair for supervision, for a fireside chat at a bank regulation conference before an audience that includes Fed officials and Wall Street executives, per Axios.

Japan

Japanese Prime Minister Shigeru Ishiba pledged to stay in office after his Liberal Democrat Party suffered a major setback in upper house elections on Sunday. The loss of the House of Councillors majority means Ishiba is the first LDP leader since 1955 to govern without a majority in either house of parliament.

- The election loss is likely to lead to additional market volatility and undermine Ishiba's authority to strike a trade deal with the US, as chief tariff negotiator, Ryosei Akazawa, heads to Washington for an eighth round of talks.
- AP notes: "Ishiba said he takes the result seriously but that his priority is to avoid creating a political vacuum and to tackle impending challenges, including the Aug. 1 deadline for a tariff deal with the U.S."
- The Wall Street Journal notes that, "Ishiba's weakened position means his government may struggle to persuade enough lawmakers to back any agreement it does manage to make with Washington, especially if it involves concessions on sensitive sectors such as agriculture or autos".

Trade and Tariffs

Treasury Secretary Scott Bessent told CNBC this morning that while trade talks are "moving along" the "quality of the deal" is more important than the timing.

- Bessent said, when asked about progress toward trade deals ahead of the August 1 date for new reciprocal tariffs, that the White House is, "more concerned with high quality deals than getting them by August 1," adding: "We're not going to rush."

South Korea's national security adviser Wi Sung-lac is in the US for a second round of talks to head off the 25% tariff President Trump has threatened to impose on August 1.

- Wi Sung-lac departed for the US "to engage in various negotiations with US officials," Woo Sang-ho, a senior presidential secretary, [said]. "This may not be the last time, and it could continue," Woo said, adding that the top security official "will visit the US whenever he deems it necessary for the overall negotiations," per Bloomberg.
- Bloomberg notes: "While it remains unclear who Wi is scheduled to meet in Washington, the trip is widely viewed as a bid to bridge differences and finalize a trade agreement with the US, South Korea's biggest source of trade surplus. Talks have been delayed by months of political gridlock in Seoul, leaving South Korea racing to catch up on lost negotiating time."

Commerce Secretary Howard Lutnick told CBS' "Face the Nation" yesterday that he thinks Trump "is absolutely going to renegotiate [U.S.-Mexico-Canada trade agreement], but that's a year from today. ... He doesn't want cars built in Canada or Mexico when they can be built in Michigan and Ohio. It's just better for American workers."

- Lutnick hinted that the Canada tariff rate will remain in place: "The president understands that we need to open the markets. Canada is not open to us. They need to open their market. Unless they're willing to open their market, they're going to pay a tariff."
- CBS notes that Lutnick's comments come days after Prime Minister Mark Carney told reporters in French there's "not a lot of evidence right now" that the U.S. is willing to cut a deal with Canada without some tariffs included.

Europe

The Wall Street Journal [reports](#) that the European Union is "readying a counterattack", after US officials told Trade Commissioner Maros Sefcovic that "they expect President Trump to

demand further concessions from the bloc to get an agreement, including a baseline tariff on most European goods that could be in the range of 15% or higher”.

- The speculated new benchmark is higher than the assumed 10% tariff that European officials had anticipated, putting it in line with the deal negotiated between Washington and London, but higher than many European capitals were comfortable.
- The Journal notes: “The shift prompted Germany, Europe’s biggest economy and its largest exporter, which had previously been more dovish on U.S. retaliation, to swing closer to France’s more confrontational position...”

The European Commission reiterated yesterday that its preferred outcome is a negotiated deal, but said all options remain on the table. Options include the EU’s never-before-used ‘anticoercion instrument’, which would activate a range of measures targeting trade and investment.

- The Journal notes: “The commission is already preparing measures that could be introduced using the anticoercion instrument, people briefed on the matter said. After Šefčovič’s return from Washington, more member states now say they want the tool to be ready...”
- Semafor notes: “More than \$5 billion in goods and services is traded between the US and EU every day — it is the world’s biggest trading relationship — and a prolonged fight could cost both sides heavily.”
- Treasury Secretary Bessent indicated to CNBC this morning that the EU had “become more engaged in talks” and stressed that it “doesn’t have to get ugly with the Europeans,” per Bloomberg.

Figure 1: US Trade in Goods with the EU



Source: Semafor, US Census Bureau

Congressional Business

The House is IN

The Senate is IN

Committee Schedule –

- 17:30 ET 22:30 BST: HOUSE Appropriations: Fiscal Year 2026 Financial Services and General Government Bill

FY26 Appropriations

The Senate is expected to vote this week on the FY2026 spending bill for MilCon-VA. It may also begin floor action of the annual defence policy bill.

- The MilCon-VA bill, which was discharged from the Senate Appropriations Committee via a 26-3 vote, will be the first major test of how Senate Minority Leader Chuck Schumer (D-NY) will approach the appropriations process.
- Punchbowl writes that the bill “will be a key test vote for the prospects of a government shutdown. Senate Democrats have said they want a bipartisan process but that Republicans’ support for Trump’s \$9 billion rescissions package blew up any chance of a deal. It’s unclear how Senate Democrats will handle this week’s vote, but they aren’t likely to say so until GOP leaders decide whether to package it with other funding bills.”

Federal Reserve

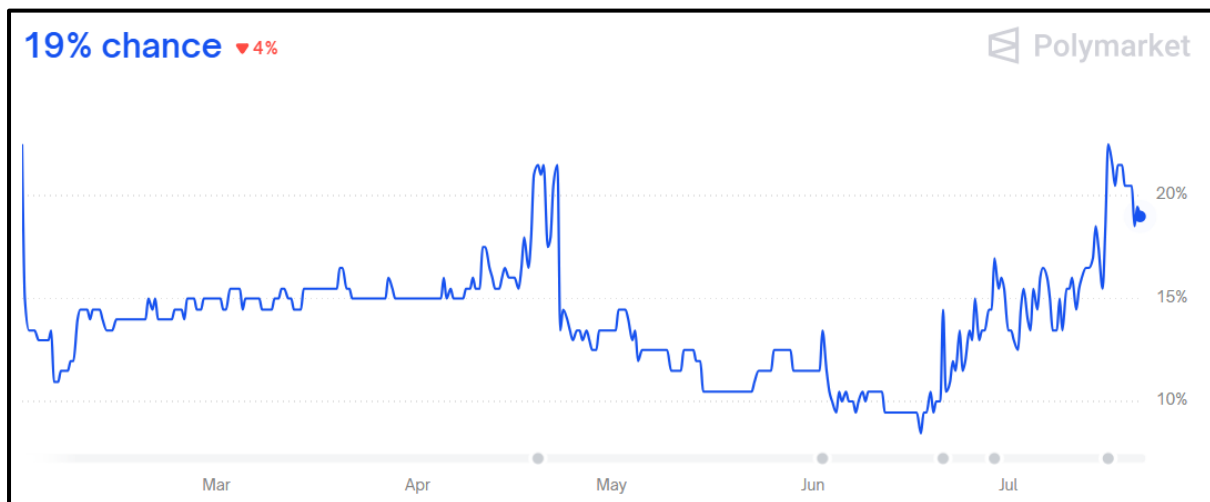
President Trump has pushed back on reporting from the Wall Street Journal claiming that Treasury Secretary Scott Bessent privately cautioned him against ousting Federal Reserve Chair Jerome Powell.

- The Journal reported: “Bessent said firing Powell was unnecessary because the economy is doing well and markets have responded positively to the president’s policies... Bessent also reminded Trump that Fed officials have signaled they could cut rates twice before year’s end, this person said.”
- Trump responded on [Truth Social](#): “The Wall Street Journal ran a typically untruthful story today by saying that Secretary of the Treasury, Scott Bessent, explained to me that firing Jerome “Too Late” Powell, the Worst Federal Reserve Chairman in History, would be bad for the Market. Nobody had to explain that to me. I know better than anybody what’s good for the Market, and what’s good for the U.S.A. If it weren’t for me, the Market wouldn’t be at Record Highs right now, it probably would have CRASHED! So, get your information CORRECT. People don’t explain to me, I explain to them!”

The Trump administration wants to visit the Federal Reserve this week to review its \$2.5 billion renovation, according to White House deputy chief of staff James Blair. Senate Banking Chair Tim Scott is in talks to attend as well, a person familiar with the plans said, per Semafor.

- Treasury Secretary Scott Bessent told CNBC this morning that he will “be at the Fed on Monday,” night. He added that the “entire Federal Reserve institution” need to be examined, per Reuters.
- When asked about Trump forcing Powell out, Bessent said he is “not going to engage in hypotheticals”.
- The implied probability of Trump forcing Powell out in 2025 has dropped to around 20%, according to data from Polymarket.

Figure 2: Jerome Powell out of Fed Chair in 2025



Source: Polymarket

Crypto

Treasury Secretary Scott Bessent said in a statement after President Trump signed into law the landmark crypto bill - The GENIUS Act – that “Stablecoins represent a revolution in digital finance.”

- Bessent added: “The dollar now has an internet-native payment rail that is fast, frictionless, and free of middlemen. This groundbreaking technology will buttress the dollar’s status as the global reserve currency, expand access to the dollar economy for billions across the globe, and lead to a surge in demand for US Treasuries, which back stablecoins.
- “The GENIUS Act provides the fast-growing stablecoin market with the regulatory clarity it needs to grow into a multitrillion-dollar industry. The signing of this bill marks a seminal moment for digital assets and dollar supremacy.”

Senate Banking Committee Chair Tim Scott (R-SC) said on Friday that the Senate is likely to take up a second major crypto bill – The CLARITY Act – when the upper chamber returns from recess in September.

- Crypto industry players note that the CLARITY Act, which designates the Commodity Futures Trading Commission (CFTC) as the primary overseer of digital assets, rather than the Securities and Exchange Commission (SEC), is likely to have more positive long-term implications for the sector.

- Coinbase's Kara Calvert told CNBC last week: "When consumers buy and sell and trade these digital assets, they want to know what they're getting and they want to know that they're using a reputable intermediary. And what this bill does is provide that construct to do that."

Israel

A ceasefire deal between Israel and Hamas in Gaza is looking increasingly unlikely after 85 Palestinians were reportedly [killed](#) while trying to reach food in Northern Gaza, described by Politico as the "deadliest day yet" for Palestinians in Gaza in nearly two years.

- Semafor notes that, "Israel has widened evacuation orders in Gaza, and ceasefire talks in Qatar appear stalled, even as some officials voice optimism over a potential truce."

Axios reports that after recent Israeli strikes on Syria, some US officials believe that Israeli Prime Minister Benjamin Netanyahu is "out of control". Axios writes: "Six U.S. officials tell Axios that despite a U.S.-brokered ceasefire on Friday that halted escalation in Syria, the week ended with the White House significantly more alarmed about Netanyahu."

- A US official said: "The bombing in Syria caught the president and the White House by surprise. The president doesn't like turning on the television and seeing bombs dropped in a country he is seeking peace in."

Adam Boehler, Trump's special envoy for hostage affairs, told CNN on Sunday that Hamas should "take the deal" on the table with Israel, as it is the "best they're going to get."

- Boehler said: "We need to get the other hostages out. And then what we have done is, we have said, 'Hey, there's a firm pathway to negotiate peace.' That's the best they're going to get. And they should take on the offer, take the offer that's there. They haven't in the past."

Iran

Iranian Foreign Ministry spokesperson, Esmail Baqaei, this morning nixed speculation that Tehran and Washington could start new nuclear talks in the short term: "Currently, we have no plans for talks with the US. Dialogue is a tool. Whenever we conclude that this tool can be used to secure the interests of the Iranian people, we will not hesitate for a moment to use it."

- The downplaying of prospective talks came several hours after Baqaei [confirmed](#) that Deputy Foreign Ministers Majid Takht-Ravanchi and Kazem Gharibabadi will hold talks with representatives from the E3 nations (France, Germany, the UK) on Friday, 25 July in Istanbul, Turkey.
- Prior to this, Iranian officials will hold a trilateral meeting with China and Russia on Tuesday, 22 July. The talks will discuss the situation of sanctions on Iran over its nuclear programme and the UN snapback sanctions that are due to come into force from October if no new nuclear deal is in place to take over from the expiring Joint Comprehensive Plan of Action 2015.
- Last week, Axios [reported](#) that the E3 are preparing to enact the snapback sanctions if no deal is in place by end-August. The report notes, "The process of activating

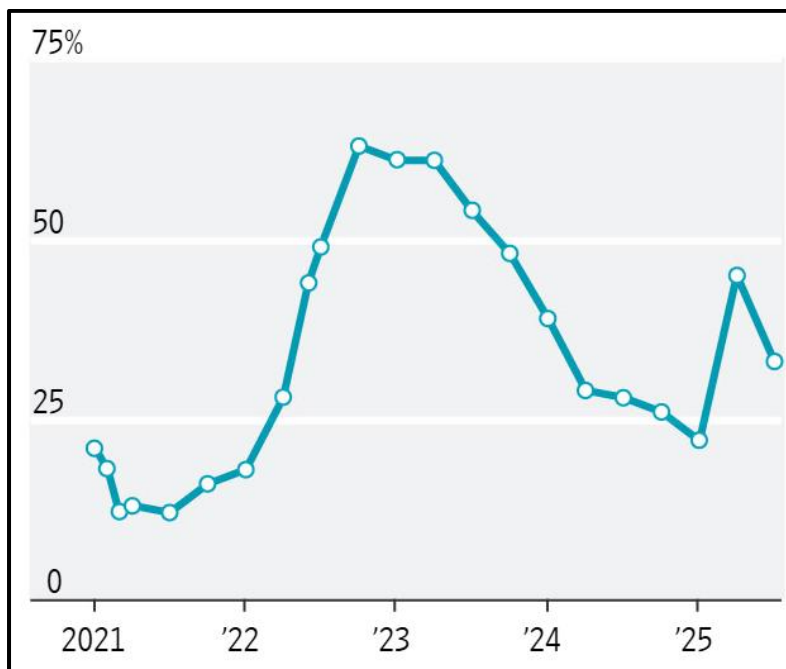
"snapback" takes 30 days, and the Europeans want to conclude the process before Russia assumes the UN Security Council presidency in October. U.S. and European officials view snapback as both a negotiating tool to pressure Tehran and a fallback if diplomacy fails."

Chart of the Day

A new [Wall Street Journal survey](#) shows that, "Economists this month dialed back their earlier pessimism that U.S. trade policies would lead to slower growth and higher inflation this year—at least for the near term."

- The Journal notes: "Economists lowered the likelihood of a recession in the next 12 months to 33%, down from 45% in April—but still higher than the panel's 22% consensus in the January survey. Historically, a reading of 33% in the WSJ survey is slightly elevated."
- "The risks to the outlook remain skewed to the downside," said Gregory Daco, chief economist at EY-Parthenon. Many economists' survey comments included notes about longer-term weakness.

Figure 3: Likelihood of Recession in the next 12 Months



Source: Wall Street Journal

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