POLITICAL RISK

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All Signal, No Noise

MNI POLITICAL RISK ANALYSIS - US Daily Brief 21-10-25

by Adam Burrowes

The White House *(times subject to change)*

11:00 ET 16:00 BST	President Trump participates in the Richard Nixon Architect of Peace Award Ceremony
12:00 ET 17:00 BST	President Trump hosts a Rose Garden Club Lunch
16:00 ET 21:00 BST	President Trump participates in a Diwali Celebration
19:00 ET 00:00 BST	President Trump hosts a Rose Garden Club Dinner

KEY DATES:

- China tariff truce expires: November 10

Washington

President Donald Trump will participate in the 'Richard Nixon Architect of Peace Award Ceremony' at 11:00 ET 16:00 BST. In the afternoon, Trump will host a 'Rose Garden Club' lunch and then join White House Diwali celebrations. In the evening, Trump will host a second 'Rose Garden Club' event.

- Senate Republicans will have lunch at the White House at 12:00 ET 17:00 BST. The lunch appears to be a social event rather than a signal that Trump is preparing to insert himself into negotiations to end the government shutdown.
- Senator John Cornyn told reporters, "My sense is it's social. The Democrats are clear about what it takes to reopen the government, so there's really nothing for us to discuss ourselves other than to have a nice lunch." (more below)

At 10:00 ET 15:00 BST, House Speaker Mike Johnson (R-LA) will be joined by House Republican leaders and Oversight Committee Chair James Comer (R-KY) for another government shutdown-related presser.

- Senator James Risch (R-ID), the chair of the Senate Foreign Relations Committee, will meet Australian Prime Minister Anthony Albanese at 10:30 ET 15:30 BST. The pair are likely to discuss a rare earth deal announced with Trump yesterday and developments in AUKUS (more below).

A federal appeals court ruled yesterday that Trump can send federal troops to Portland, Oregon, reversing a temporary restraining order from a lower court.

- The Wall Street Journal notes, "The unsigned order said that the sporadic violence at protests before an ICE facility was sufficient to trigger the president's power to federalize the Guard."

Bloomberg reports that, "Polymarket data shows wagers against Trump taking action would have yielded returns similar to the S&P 500. And gambling that he'll actually follow through was a losing proposition."

- Bloomberg writes, “As it turns out, Trump rarely follows up on most of the stuff he churns out daily. We turned to prediction markets to test that assertion, and the data supports us. In fact, it pays to bet on Trump doing … absolutely nothing. You would have made a $12 net profit for every $100 you spent if you had followed that path.”
- Axios notes on the report, “This definitely doesn't mean Trump is inactive — just that his administration is unpredictable, even on issues where Trump has stated his intentions publicly.”

Government Shutdown Day 21

It’s Day 21 of the US government shutdown. The Senate voted against reopening the government for an 11th time yesterday. There is no sign of the impasse ending in the short-term, but there is increasing talk of an alternate strategy to end the deadlock.

- National Economic Council Director Kevin Hassett told CNBC that the government shutdown is “likely to end sometime this week”. But if that does not happen, the Trump administration may impose “stronger measures” to force Democrats to cooperate.

Semafor reports, “A growing number of Republicans are wondering whether they need to draft a new government spending bill now that the House-passed one would buy them just one month.”

- “The original [continuing resolution] was to take us to Nov. 21, and that’s only a few weeks away, and this shutdown could last until then,” Senator John Kennedy (R-LA) said, adding that he’d support a year-long CR.
- Senate Majority Leader John Thune (R-SD) told reporters yesterday he doesn’t want a full-year Continuing Resolution, but Democrats “may not leave any alternatives if they continue to block opening the government and continuing the appropriations process.”

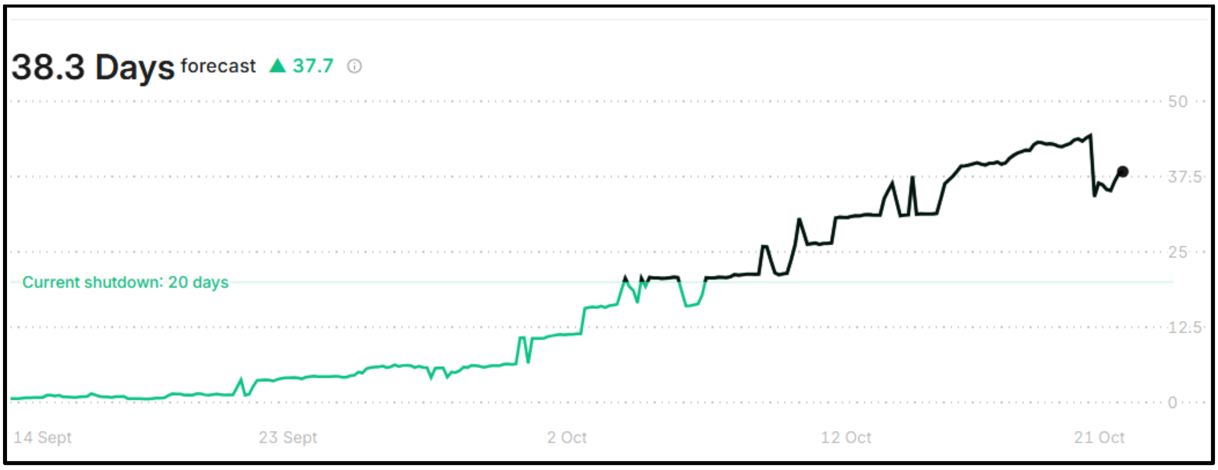
Politico reports, “Some fiscal hard-liners… are now advocating for a continuing resolution that would run until March or even to the beginning of the next fiscal year, according to three Republicans granted anonymity to discuss private conversations.”

- Politico continues, “If Republicans do decide to pitch a longer-term CR, they have an idea for trying to entice Democrats to come on board: offer to hold a separate vote on extending Affordable Care Act tax credits.”
- However, Senator Markwayne Mullin (R-OK), a regular conduit between the White House and Congress, said discussions are “not really happening” anymore and the two sides are at an “impasse.”

The New York Times notes on the Affordable Care Act subsidies that have become the central battleground of the shutdown: “The enhanced subsidies are popular, especially in red states. And the prospect of higher health care costs alongside rising food and housing prices is weighing on Americans… But keeping the tax credit carries a big price tag. Permanently expanding the most generous benefits would increase the deficit by $350 billion from 2026 to 2035, the Congressional Budget Office has estimated.”

- Punchbowl reported yesterday that the Nov. 1 start of open enrolment for health insurance could be a moment for Senate Democrats to declare “victory” and allow the government to reopen.
- Punchbowl notes, “Last week, top Democrats pushed back on this theory, saying Nov. 1 will only increase the pressure on Republicans to accede to their health care demands. But now, there’s a sense within the Senate Democratic Caucus that this deadline is in fact their off-ramp to end the shutdown. Democrats can argue it’s no longer feasible for Congress to address the expiring Obamacare subsidies legislatively.”
- Bettors at Kalshi slightly reduced the projected length of the shutdown yesterday, reflecting some optimism that Democrats may be eyeing November 1 as a potential offramp out of the shutdown.

Figure 1: How long will the government shutdown last?



Source: Kalshi

Meanwhile, shutdown pressures are mounting. The Hill notes that states have started to issue concerning warnings: Funding for food assistance is about to dry up. The Interior Department revealed in court that it’s planning more than 2,000 layoffs, per Axios, while the EPA sent out its most sweeping furloughs thus far, per Politico.

- Officials in Texas, Colorado, Illinois, Minnesota, Oregon, New York, Pennsylvania and West Virginia all issued warnings, saying the Supplemental Nutrition Assistance Program (SNAP) is poised to run out of money in a matter of days.

Politico notes that “the Trump administration is exploring ways to pay air traffic controllers while the federal government is shut down, according to five people familiar with the matter.”

- “Paying air traffic controllers is a tough feat as the government would need to find more than $500 million per month to cover their payrolls, said a congressional aide… And so far it’s unclear what pot of money the White House would use to pay them…”
- The FAA said in a statement, “As [Transport] Secretary [Sean] Duffy has said, there have been increased staffing shortages across the system. When that happens, the FAA slows traffic into some airports to ensure safe operations.”
- The 13,000 air traffic controllers, who were credited by some with ending the 2019 government shutdown, will miss their first full paychecks next week.

Politico reports separately that the government shutdown is now affecting management of the US' nuclear weapons stockpile.

- "Roughly 1,400 employees at the National Nuclear Security Administration, an agency of the Department of Energy tasked with oversight of the nuclear stockpile, received furlough letters this morning as the government shutdown enters its fourth week. Fewer than 400 employees remain on the job."

Government Shutdown Key Dates:

- *Oct. 24: Many federal employees will miss their first full paycheck*
- *Oct. 31: Second military payday of shutdown period*
- *Nov. 1: Possible lapse in funding for WIC nutrition assistance program*
- *Nov. 1: Open enrolment for ACA. Dems argue this is the deadline for Obamacare*
- *Nov. 2: Possible disruptions to SNAP benefits*
- *Nov. 5: The shutdown will overtake the 2018-19 shutdown as the longest ever*

China

Semafor reports, "China's rare earth shipments to the US fell nearly 30% in September — even before Beijing announced its latest export restrictions."

- Gideon Rachman at the Financial Times writes, "There are clear signs that President Trump is looking for a deal… America's eagerness for a deal probably reflects a dawning realisation that — if the two sides really begin to trade blows — it is China that has the greater chance of putting its opponent on the canvas."

USTR Jamieson Greer issued a statement in response to China's "attempted coercion against companies that are helping revive American industry through large, strategic investments in critical sectors."

- "China's recent retaliatory actions against private companies across the globe is part of a broader pattern of economic coercion to influence American politics and control global supply chains by discouraging foreign companies from investing in America's shipbuilding and other critical industries," Greer wrote.
- *Note*: Greer will testify before a Senate Appropriations subcommittee today at 10:00 ET 15:00 BST.
- According to a series of readouts from the Treasury Department, Secretary Scott Bessent "highlighted the need for a unified response towards China's global rare earth export controls, and the importance of diversified supply chains," in recent meetings with counterparts from the United Kingdom, Canada, and the European Union.

Australia

Trump and Australian Prime Minister Antony Albanese signed a landmark deal that would provide the US increased access to rare earths and critical minerals in return for US investment in Australia.

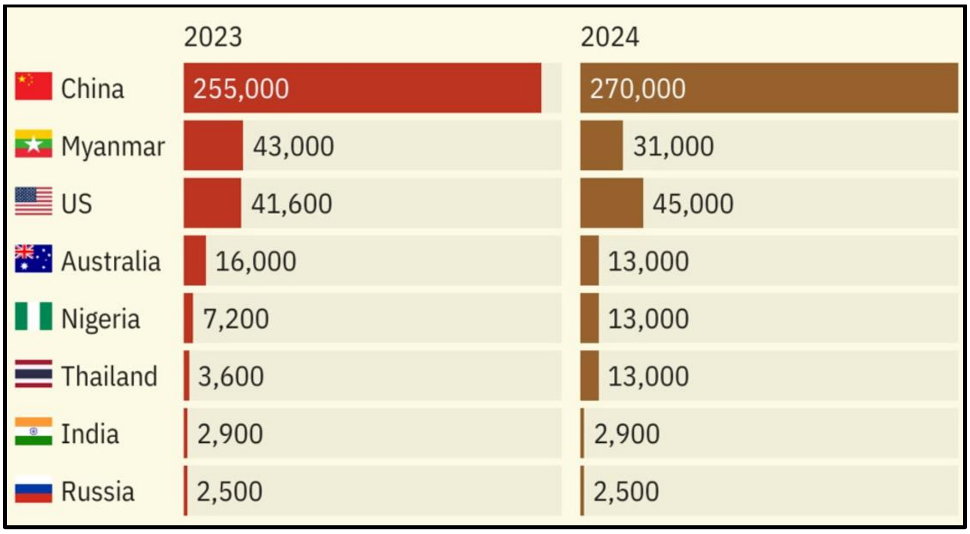
- Bloomberg notes, "The two governments will jointly invest in a swathe of mines and processing projects in Australia to boost production of commodities used in advanced technologies from electric vehicles to semiconductors and fighter planes."

- Gracelin Baskaran, a critical minerals-focused director at the Center for Strategic and International Studies, told Bloomberg, "This is the most significant bilateral minerals cooperation we have seen between two major Western countries. Today's announcement really shows the US isn't trying to address critical minerals alone. It's looking to find the right partners."
- "In about a year from now, we'll have so much critical minerals and rare earths that you won't know what to do with them," Trump said.
- Trump also assured Albanese that the AUKUS submarine alliance would progress "full steam ahead" despite a Pentagon review initiated by Elbridge Colby, the number two official at the Pentagon.

In a useful piece on Substack, Simon Nixon details the challenges for the US in reducing its reliance on China in rare earths. "In its enthusiasm for weaponising every US chokepoint from finance, to technology to security, it failed to notice that China had not only had acquired its own chokepoint - but was willing to weaponise it too. And there is little that the West can do to counter it," Nixon notes on the strategies of both the Biden and Trump administrations.

- Jon Emont at the Wall Street Journal writes, "Beijing's methodical approach to dominating the industry—it now produces around 90% of global refined supply—reflects China's ability to use state control over the economy to achieve goals that often elude the U.S., where policymaking is more erratic."

Figure 2: Rare Earth Production, Metric Tons



Source: Semafor, US Geological Survey

Canada

The Globe and Mail reports that, "A trade deal on steel, aluminum and energy could be ready for Prime Minister Mark Carney and [Trump] to sign at the Asia-Pacific Economic Cooperation summit later this month, two sources say."

- The Globe adds, “But the sources say the Americans are not ready to make any deal on automobiles or softwood lumber, two of Canada’s most important exports to the United States.”
- The reports notes that critical minerals “are not on the table” in current trade talks but “negotiations also involve the possible revival of the Keystone XL oil pipeline from Alberta to Texas refineries.” The pipeline project was cancelled by former president Joe Biden.

Congressional Business

The House is OUT

The Senate is IN and voting on the House-passed government funding bill

Committee Schedule –

- 10:00 ET 15:00 BST: SENATE Banking: Hearings to examine innovation in U.S. housing, focusing on solutions and policies for America's future.
- 10:00 ET 15:00 BST: SENATE Appropriations: Hearings to examine a review of the activities and fiscal year 2026 funding priorities of the Office of the United States Trade Representative.

Gaza

Vice President JD Vance, Trump’s special envoy Steve Witkoff, and Trump’s son-in-law Jared Kushner are in Israel today as the Trump administration looks to stabilise the Gaza ceasefire amid a series of violations. Vance is expected to meet with Israeli Prime Minister Benjamin Netanyahu during the visit.

- Semafor notes, “Tensions between Israel and Hamas escalated sharply on Sunday, with Israel conducting dozens of air strikes in Gaza and temporarily pausing aid shipments after accusing Hamas of attacking its troops, in violation of the truce.”

Trump told reporters at the White House on Monday: “We made a deal with Hamas that they're going to be very good, they're going to behave, they're going to be nice. If they're not, we're going to go and we're going to eradicate them, if we have to. They'll be eradicated, and they know that.”

- Al-Monitor notes, “Both Israel and Hamas have said they are committed to the US-backed truce despite the weekend's violence, and the Israelis confirmed that on Monday Hamas had handed over the body of another hostage, the 13th of the 28 the group had pledged to return.”

Banking

Bill Pulte, director of the Federal Housing Finance Agency, wrote in a series of posts on X yesterday that mortgage giants Fanny Mae and Freddie Mac could be taken out of federal government conservatorship as soon as this year.

- Pulte wrote, "Combined, Freddie and Fannie have over $7 trillion of assets on their balance sheets. We are focused on running them like a business and taking out costs so I don't think there's any limit to what they could be worth one day."
- In a second message, he said: "President Trump made the right decision not to take Freddie and Fannie public during his first term and is opportunistically evaluating an offering this time around, which could be as early as the end of 2025."
- The Hill notes, "Fannie and Freddie purchase U.S. home loans and package them into securities, the proceeds of which go into funding more mortgages with the goal of making homeownership easier for Americans. While Trump had attempted to release Fannie and Freddie from federal control during his first term, the onset of COVID-19 pandemic foiled those plans."

Punchbowl News reports: "The Financial Technology Association has assembled a sweeping coalition of fintech, crypto and merchant groups to try to preserve the legal framework that undergirds "open banking.""

- According to Punchbowl, "Today is the deadline for a comment period that will reconsider the implementation of open banking rules mandated by the Dodd-Frank Act. After more than a decade, those rules were briefly finalized under the Biden administration. Then, in August, the Trump administration's Consumer Financial Protection Bureau hit the reset button."
- "The nation's largest banks want to roll back open banking, weaken consumer financial data sharing and crush competition to protect their position in the marketplace," the group wrote in a letter, which includes the FTA, American Fintech Council, Blockchain Association, Crypto Council for Innovation, Financial Data and Technology Association, National Association of Convenience Stores, National Grocers Association and National Retail Federation.

Energy

Interior Secretary Doug Burgum appeared to throw cold water on reports that the administration could strike a deal with Democrats to back off from cuts to offshore wind as part of a broader deal on permitting for energy projects.

- "I hadn't thought about the idea of trading something that makes sense for everybody in America for something that makes no sense — and that's sort of how I view offshore wind," Burgum said at an American Petroleum Institute event.
- Politico reports that Senate Environment and Public Works Chair Shelley Moore Capito (R-WV), "who wants a deal on a bill that would speed up the permitting process for a wider range of energy projects, including fossil fuels — at that same event said the administration should stop canceling contracts for projects that have already been approved, including for renewables."

Ukraine War

Kremlin Spokesperson Dmitri Peskov pushed back on a CNN report suggesting that the as-yet-undefined summit between Presidents Vladimir Putin and Donald Trump in Budapest could be delayed.

- The CNN report claimed Secretary of State Marco Rubio "is not likely to recommend the Putin-Trump meeting move forward next week". Peskov told reporters this morning, "you cannot postpone what was not scheduled."
- Separately, speaking at a press conference in Moscow alongside his Ethiopian counterpart Gedion Timotheos, Russian Foreign Minister Sergey Lavrov claimed that he talked "in great detail" with Rubio on 20 October, and that the two sides agreed to continue phone conversations. Lavrov added that he was "surprised" to read the CNN article.

Uncertainty surrounding the summit comes amid another major pivot from Trump on the Ukraine war. Putin appears to have headed off new US sanctions and delayed a decision by Trump to approve the sale of long-range Tomahawk missiles, maintaining the status quo.

- In light of Trump's call with Putin, Senate Majority Leader John Thune (R-SD) told reporters on Monday that the Senate is putting the bipartisan Russia sanctions bill back on ice.
- Senator Lindsay Graham (R-SC), the bill's coauthor, told reporters: "I think they're thinking that — see how this meeting goes in a couple of weeks with Putin."

The European Union's top diplomat, Kaja Kallas, told reporters in Luxembourg yesterday that Trump's renewed suggestion that Kyiv should cede territory "gives a message to everybody that you can just use force against your neighbors and get what you want."

- Trump's ambivalent position has increased the importance of European support. "Ukraine's allies are racing to reinforce Kyiv's position ahead of talks between Donald Trump and [Putin], amid concern that the two leaders could stitch up a bad ceasefire deal that would weaken all of Europe," per Politico.
- Politico notes, "At the heart of their strategy is a plan to mobilize more funding to Kyiv from frozen Russian assets, alongside more weapons, and moves to hit Russia's economy with new sanctions, according to diplomats and officials preparing Thursday's gathering in Brussels."

Colombia

Trump escalated his Latin American drug war yesterday, cancelling the provision of US aid to Colombia and accusing President Gustavo Petro of "encouraging the massive production of drugs."

- Trump wrote on Truth Social that Petro, "is an illegal drug leader strongly encouraging the massive production of drugs, in big and small fields, all over Colombia. It has become the biggest business in Colombia, by far, and Petro does nothing to stop it, despite large scale payments and subsidies from the USA that are nothing more than a long term rip off of America. AS OF TODAY, THESE PAYMENTS, OR ANY OTHER FORM OF PAYMENT, OR SUBSIDIES, WILL NO LONGER BE MADE TO COLOMBIA."
- Trump added that, "Petro, a low rated and very unpopular leader, with a fresh mouth toward America, better close up these killing fields immediately, or the United States will close them up for him, and it won't be done nicely."

Petro responded with a lengthy statement on X arguing that the drug crisis is primary fuelled by demand from the US, “I propose to Trump the opposite: remove tariffs on Colombia's agricultural and agro-industrial production, to strengthen legitimate agricultural production, invest in agrarian reform so that the peasantry moves to fertile lands near the cities and does not adopt the jungle as a means of survival…”

- The Colombian Foreign Ministry described Trump’s statement as a “direct threat to national sovereignty by proposing an illegal intervention in Colombian territory.” Defense Minister Pedro Sánchez told reporters that the country “has used all its capability and also lost men and women fighting drug trafficking,” per AP.

Argentina

Semafor reports, “The Argentine peso fell to a new low on Monday, even as officials signed a $20 billion currency swap agreement with the US. The rout suggests President Donald Trump’s rare intervention to stem Buenos Aires’ market turmoil has so far faltered…”

- The Wall Street Journal reports, “A group of banks including JPMorgan Chase, Bank of America and Goldman Sachs is struggling to put together a $20 billion loan to Argentina without leaving themselves too exposed to the financially distressed South American country, people familiar with the matter said.”
- “The bank loans would be part of the Trump administration’s plan to backstop the finances of libertarian President Javier Milei’s government with a $40 billion package, including a $20 billion currency swap with the U.S. Treasury Department and the separate $20 billion bank-led debt facility,” writes the Journal.
- El Pais writes that Trump, “particular approach seems to generate more tension than it dissipates. A week ago, the US president received Milei at the White House and confirmed a multimillion-dollar aid package. However, since he made it contingent on the outcome of next Sunday's midterm elections, the financial turmoil deepened.”

Trump’s Argentina deal has raised another potential problem with farmers, a key constituent of the Republican base. The National Cattlemen’s Beef Association and other industry groups publicly criticised Trump’s proposal to buy more beef from Argentina to lower prices.

- NCBA CEO Colin Woodall said in a statement on Monday: “This plan only creates chaos at a critical time of the year for American cattle producers, while doing nothing to lower grocery store prices.”
- The reaction is similar to that from US soybean farmers who criticised the administration of providing economic assistance to a country that is undercutting its soybean exports to China.

Iran

Iranian Supreme Leader Ali Khamenei threw cold water on the prospect of new nuclear talks with the US in a series of messages on social media.

- “The US President says that he makes deals and wants to make a deal with Iran. “Dealing” where the outcome is predetermined using coercion isn’t a way of dealing. It’s a way of imposing something, and the Iranian nation will never submit to such impositions,” the Iranian Supreme Leader wrote.

- “The US President boasts that they’ve bombed and destroyed Iran’s nuclear industry. Very well, in your dreams!” Khamenei wrote in a separate post.
- The comments come after Trump said in an address to the Israeli parliament last week that it would be great if Washington could negotiate a “peace deal” with Tehran following the start of the Gaza ceasefire,” per the Times of Israel.

Chart of the Day

A new survey from Gallup has found that, “Americans continue to see the Republican Party as better than the Democratic Party for protecting the U.S. from international threats, 48% to 41%, though the margin has narrowed since last year.”

- The survey, which began before the government shutdown and the Israel-Hamas ceasefire deal, “also finds the GOP has lost its advantage as the party better for keeping the country prosperous.
- “In both cases, Republicans’ weaker position is mainly the result of fewer Americans than a year ago preferring the Republican Party for these responsibilities, not because of increased confidence in the Democratic Party to handle them.”

Figure 3: “Looking ahead for the next few years, which political party do you think will do a better job of ...?”

	Sep 3-15, 2024	Sep 2-16, 2025
	%	%
Protecting the U.S. from international terrorism and military threats		
Republican Party	54	48
Democratic Party	40	41
No opinion	5	11
Keeping the country prosperous		
Republican Party	50	43
Democratic Party	44	47
No opinion	7	10

Source: Gallup
