

## MNI POLITICAL RISK ANALYSIS - US Daily Brief 22-07-25

by Adam Burrowes

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

11:00 ET 16:00 BST	President Trump greets the President of the Philippines
11:15 ET 16:15 BST	President participates in a Bilateral Meeting with the President of the Philippines
11:45 ET 16:45 BST	President participates in a Bilateral Lunch with the President of the Philippines
19:00 ET 00:00 BST	President participates in a Reception with Republican Members of Congress

### KEY DATES:

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

### Washington

President Donald Trump will meet with Philippine President Ferdinand Marcos Jr. at the White House today for a bilateral meeting and working lunch. In the evening, Trump will meet with Republican members of Congress.

- Marcos, who met with Secretary of State Marco Rubio and Secretary of Defense Pete Hegseth yesterday, will become the first Southeast Asia leader to meet with Trump in his second term. Tariffs and security are expected to be at the top of the agenda, with Manila facing a 20% tariff if a deal can't be struck by August 1.
- ABC News notes: "Marcos' three-day visit shows the importance of the alliance between the treaty partners at a time when China is increasingly assertive in the South China Sea, where Manila and Beijing have clashed over the hotly contested Scarborough Shoal."
- The Diplomat notes: "Manila is justifiably mystified as to why it should face the same tariff wrath as its non-aligned ASEAN neighbors, when it has done much more to align with U.S. strategies to counter China."

Federal Reserve Chair Jerome Powell will deliver opening remarks at the Integrated Review of the Capital Framework for Large Banks Conference at 08:30 ET 14:30 BST. (More on the Fed below)

- Pentagon officials announced yesterday that the 700 U.S. Marines that have remained in Los Angeles since early June will begin to withdraw, per the LA Times.
- The New York Post reported today, citing a White House official, that the US will pull out of the UN cultural agency UNESCO again, just over two years after rejoining after Trump left it during his first term.

## Trade and Tariffs

Shortly before this newsletter went to print, Treasury Secretary Scott Bessent told Fox Business Network that the White House is “about to announce a rash of trade deals in coming days.” (Comments per Reuters)

- Bessent said that the August 1 deadline is “a pretty hard deadline,” noting that “tariffs would boomerang back,” without deals in place, but “we can still negotiate”.

Bessent noted that talks with China are likely to take place on Monday and Tuesday, stating that the two sides, “will likely work out an extension” on the August 12 deadline for striking a durable trade deal, and calling on Beijing to “pull back on glut of manufacturing”.

- Bloomberg noted on July 15 that Bessent “suggested the deadline for a US-China tariff truce slated to end next month is flexible”. “I tell market participants not to worry about Aug. 12,” Bessent said.
- The Treasury Secretary said today, if “we can do more manufacturing,” and China “does more consumption, that would be a home run”.
- Bessent told CNBC on China yesterday: “Trade is in a good place. And I think now we can start talking about other things. The Chinese, unfortunately, are very large purchasers of sanctioned Iranian oil, sanctioned Russian oil — so we could start discussing that.”

## Japan

Commerce Secretary Howard Lutnick had “frank, in-depth discussions toward achieving a mutually beneficial [trade] agreement” yesterday with Japan’s chief trade negotiator Ryosei Akazawa, per a statement from Japan’s cabinet secretariat. Without a trade deal by August 1, Tokyo is facing a 25% tariff on all exports to the United States.

- Bessent told Fox this morning that talks are “going well” with Japan and he will not be “surprised if we can iron out something quickly.”
- Bloomberg notes: “Akazawa is in the US capital for an eighth round of trade talks with his US counterparts — negotiations that have so far produced no concrete results since they began in April. Japanese Prime Minister Shigeru Ishiba is under renewed pressure to secure reprieves before the Aug. 1 deadline, following his ruling coalition’s historic election loss on Sunday.”

## Canada

A bipartisan delegation of US Senators met with Canadian Prime Minister Mark Carney in Ottawa yesterday, “to build bridges”, according to Senator Ron Wyden (D-OR).

- Wyden, the ranking member of the Senate Finance committee who also leads on international trade issues, was joined by Lisa Murkowski (R-AK), Maggie Hassan (D-NH) and Catherine Cortez Masto (D-NV).
- Politico reports that the meeting covered ground on “some of the thorniest cross-border trade irritants: lumber, digital services taxes and metals tariffs.”
- Wyden said the delegation agreed the US, Canada, and Mexico, should “reinvigorate” USMCA when it comes due for review: “This is something that we’ve

had a considerable amount of success with since it was written during the Trump administration, and we ought to strengthen it. We ought to build it, not get rid of it.”

Politico notes that Wyden, “applauded the prime minister’s decision not to collect a digital services tax that could’ve raked in billions from U.S.-based tech giants that operate in Canada — but which angered Trump and many American lawmakers.”

- Wyden said: “I asked that Canada move as quickly as possible to get a law passed in Parliament making sure that it’s gone permanently. The prime minister was receptive to that. He said he would get on it in the fall.”

The delegation also touched on a potential lumber agreement that could resolve one of Trump’s main grievances: “We now have a clear idea of how to proceed, and that’s to build around some sort of quota arrangement, and the prime minister said he was open to that,” Wyden said.

- Hassan, who represents a border state, said: “We know that the instability in our relationship right now has meant that some Canadians have decided to stay away from their favorite American tourist spots, and we hope you will come back. And it’s not just that we miss your business, which, of course, every good businessperson does, but we miss your friendship.”

## Economy

Axios reports that Trump administration economists are spotlighting a little-noticed piece of federal data on production of business equipment “they argue shows a business investment surge is in the works — one that could have lasting consequences for U.S. growth”.

- Axios notes: “Industrial production of business equipment is an early indicator of capital spending — investments in property, equipment and technology — that ultimately fuels higher productivity and higher incomes.
- Axios adds: “Production of business equipment in the second quarter averaged 7.9% higher than in the final three months of last year, which works out to a 16.5% annual rate. That was the highest two-quarter rise since 1997, other than in the immediate pandemic bounce-back in 2020.”
- Axios has “learned that Treasury officials will soon begin highlighting this data as a key economic achievement of the administration... Trump administration officials view increasing business capital investment as the linchpin of their economic agenda, including ultimately driving gains in blue-collar wages.”

## Congressional Business

The House is IN

The Senate is IN

### Committee Schedule –

- 10:15 ET 15:15 BST: HOUSE Natural Resources: Oversight hearing titled “Permitting Purgatory: Restoring Common Sense to NEPA Reviews.”



- 10:30 ET 15:30 BST: HOUSE Energy and Commerce: Strengthening American Energy: A Review of Pipeline Safety Policy.
- 10:30 ET 15:30 BST: HOUSE Appropriations: Fiscal Year 2026 Interior, Environment, and Related Agencies Bill

## Big Beautiful Bill

The Congressional Budget Office released its [final score](#) of the GOP's One Big Beautiful Bill, estimating that the legislation "will result in a net increase in the unified budget deficit totaling \$3.4 trillion over the 2025-2034 period, relative to CBO's January 2025 baseline updated to reflect enacted legislation. That increase in the deficit is estimated to result from a decrease in direct spending of \$1.1 trillion and a decrease in revenues of \$4.5 trillion."

- Following the report's release, Leavitt told reporters outside the White House the legislation was "a fiscally responsible bill, one of the most fiscally conservative pieces of legislation for its size that has ever crossed through Capitol Hill." She emphasized that Trump "wants to cut our deficit" and said he would do so with tariff revenue, per Politico.
- Senate Minority Leader Chuck Schumer (D-NY) said: "This finalized independent analysis from the CBO confirms it: Republicans' signature bill is the ultimate betrayal of the American people," adding that constituents will see that "when people lose their jobs, when people's bills go up, when they're paying more, when they're losing their health insurance."
- Maya MacGuineas, president of the Committee for a Responsible Federal Budget, said in a statement: "It's still hard to believe that policymakers just added \$4 trillion to the debt. Many supporters of this law have spent months or years appropriately fuming about our unsustainable fiscal situation. But when they actually had an opportunity to fix it, they instead made it \$4 trillion worse."

## FY26 Appropriations

The Senate will hold a first procedural vote today on its annual spending bill for Military Construction-Veterans Affairs, providing a temperature check on whether the government is likely to shut down on October 1. While the MilCon-VA bill - usually the most straightforward of the 12 annual appropriations bills - cleared committee in a bipartisan 26-3 vote, Democrats have little leverage elsewhere to exert influence over a spending process they believe has been co-opted by the White House.

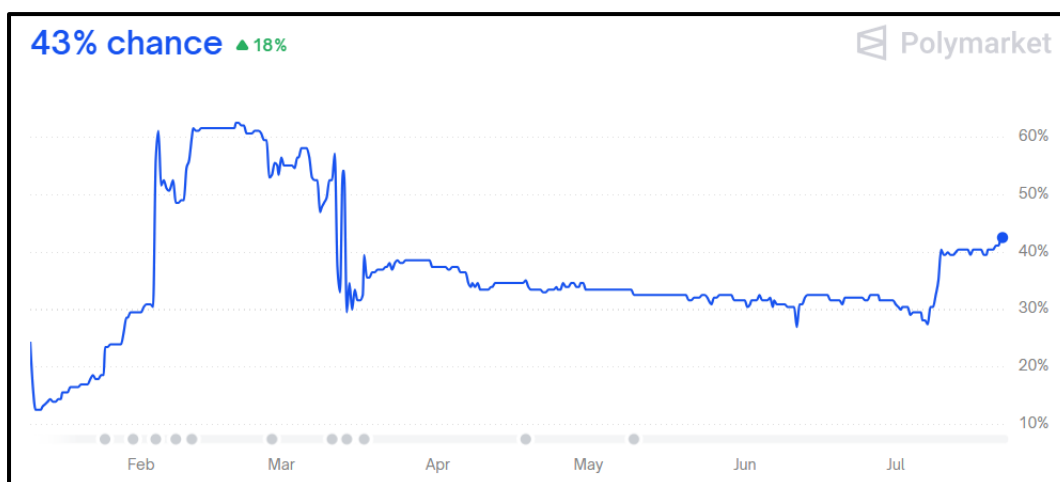
- Slow progress on appropriations suggests that another Continuing Resolution will likely be required, maintaining funding at Biden-era levels. A CR would need at least seven Democrats. The House is also behind schedule, only passing two of its bills along party lines.
- Senate Majority Leader John Thune (R-SD) hinted the Senate is unlikely to pass their spending bills before September 30: "It'd be great if we could. But it would take a high level of cooperation. So we'll see."
- Senate Minority Leader Chuck Schumer (D-NY), criticised by House Democrats for backing a CR in March, has been ambiguous, criticising Thune and OMB Director Russell Vought, but declining to reveal how he will approach voting.

- Schumer is expected to meet House Minority Leader Hakeem Jeffries (D-NY) today to discuss strategy. House Dems are expected to line-up against partisan Republican spending bills, but averting a shutdown will ultimately fall to Schumer, who must provide votes for Thune to overcome the Senate filibuster.

Historically, Democrats have never willingly allowed the government to shut down. However, a lack of leverage elsewhere and President Trump's perceived executive overreach - most recently with his rescissions package - means that Democrats may assess that triggering a shutdown is politically expedient.

- Senate Democrat Appropriator, Tammy Baldwin (D-WI), said: "I want to pass strong bipartisan bills to provide the basis for negotiations with the House. But a lot of trust has been lost through the rescissions process."
- Senator Mike Rounds (R-SD), a Republican appropriator who acknowledged Democrats' concerns with Trump's rescissions package, warned that allowing the government to shut down would likely provide the White House with greater authority over spending. (Schumer noted this dilemma when he agreed to approve the CR in March.)
- Rounds said: "Are [Democrats] willing to give up an appropriations process as a protest knowing full well that a continuing resolution works to the advantage of an administration because there's less congressional input available?"
- The Hill reports: 'One senior Republican on the Senate Appropriations Committee put the chances of a shutdown in the fall at "a real square 50-50."'
- The implied probability of a shutdown has ticked up to 43%, per Polymarket, but remains below the roughly 65% probability in March before Schumer acquiesced to a stopgap measure.

**Figure 1: Government Shutdown in 2025**



Source: Polymarket

## Federal Reserve

Treasury Secretary Scott Bessent said in a [statement on X](#) that he has called for a "exhaustive internal review" of the Federal Reserve's "non-monetary policy operations,"

arguing that “Significant mission creep and institutional growth have taken the Fed into areas that potentially jeopardize the independence of its core monetary policy mission.”

- Bessent said: “As I have said many times, the Fed’s conduct of monetary policy “is a jewel box” that should be walled off to preserve its independence. This independence is a cornerstone of continued U.S. economic growth and stability.
- “However, this autonomy is threatened by persistent mandate creep into areas beyond its core mission, provoking justifiable criticism that unnecessarily casts a cloud over the Fed’s valuable independence on monetary policy.”

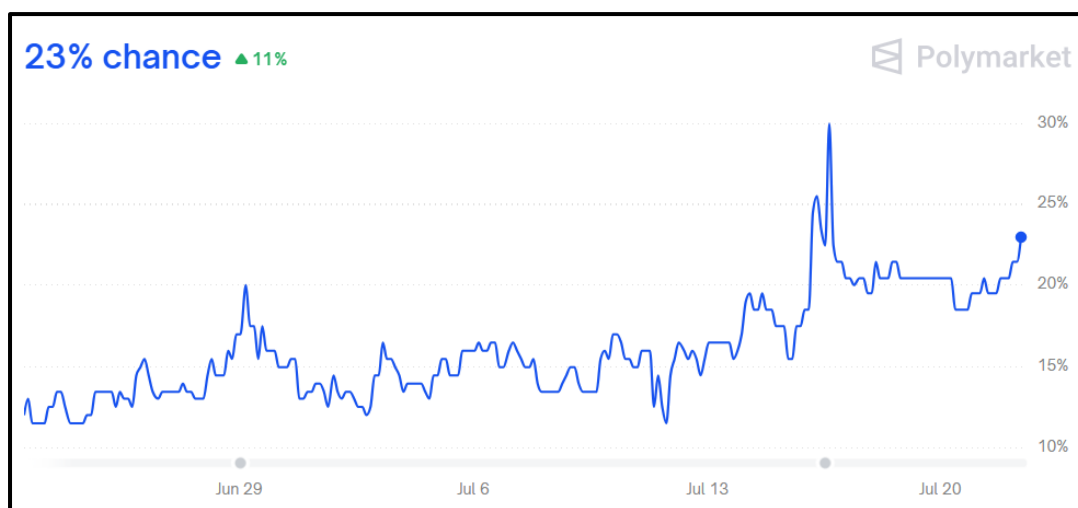
Rep Anna Paulina Luna (R-FL) yesterday [referred](#) Fed Chair Jerome Powell to the Department of Justice, accusing him of two counts of lying under oath related to the ongoing renovation project at the Fed’s Washington D.C., headquarters.

- Luna wrote: “On June 25, 2025, Chairman Powell provided testimony under oath before the Senate [Banking] Committee regarding the renovation of the Federal Reserve’s Eccles Building. In his statements, he made several materially false claims.”

Rep. French Hill (R-AK), the chair of the House Financial Services Committee, said on Thursday that he does not believe that Trump can fire Powell: “He’s not going to fire Jay Powell, and I don’t believe he can fire Jay Powell.”

- Hill added: “Jay Powell’s term is up as chairman next spring. President Trump also has a vacancy coming up earlier in the winter, that he can add the governor, and I think that’s the bottom line,”
- Former Fed lawyer Cornelius Hurley told [MNI’s Pedro da Costa](#) that Powell would likely prevail in court and get to serve out his term even if Trump goes through with threats of firing him.

**Figure 2: Jerome Powell out of Fed Chair in 2025**



Source: Polymarket

**Israel**



Israel's Kan [reported](#) yesterday that, "several Arab countries, including Qatar, Saudi Arabia, and the United Arab Emirates, are trying to convince Iran to return to the negotiating table [with the US] due to the assessment that Israel is planning another round of fighting."

- The report noted: "An Arab diplomat [said] many countries in the region are currently investing great efforts to reach a political solution and convince the Islamic Republic to return to the negotiating table... According to the diplomat, the countries focusing on this effort are Egypt, Qatar, Saudi Arabia, the United Arab Emirates, and Oman."
- Raz Zimmet at the Alliance Center for Iranian Studies said in response to the report: "The concern of Gulf states about the renewal of fighting between Iran and Israel is understandable. However, it is doubtful whether Tehran is interested at this stage in returning to a negotiated framework, especially one that would require concessions perceived by it as capitulation to U.S. dictates..."

A group of European countries, Australia, Canada, New Zealand, and Japan issued a [joint statement](#) on Monday saying the war in Gaza "must end now" — the latest sign of allies' sharpening language as Israel's isolation deepens, per CNBC.

- The BBC wrote: "There have in recent years been many international statements condemning Israel's tactics in Gaza. But this declaration is notable for its candour, reflecting both western frustration at Israeli intransigence and also the growing political pressure that many governments are feeling."
- Israel's foreign ministry spokesman Oren Marmorstein said: " Hamas is the sole party responsible for the continuation of the war and the suffering on both sides. At these sensitive moments in the ongoing negotiations, it is better to avoid statements of this kind,"

## Russia-Ukraine

Ukraine and Russia will hold another round of peace in Istanbul on Wednesday. The meeting comes after Ukrainian President Volodymyr Zelenskyy proposed a new round of talks after Trump threatened Russia with "severe" sanctions if no ceasefire was reached within 50 days.

- Semafor notes: "Previous talks in May and June led to prisoner exchanges but failed to end hostilities, as Kyiv rejected Moscow's demands that it surrender major cities and disband most of its military. Zelenskyy faces domestic challenges too, however: The state's security services raided the country's anti-corruption body over suspected collusion with Russia."
- Politico notes: "Zelenskyy said that his agenda is clear and includes "the return of prisoners of war, the return of children abducted by Russia and the preparation of a leaders' meeting." But Russian leader [Vladimir Putin] views Zelenskyy as an illegitimate leader — making it doubtful the two may meet..."

Kremlin spokesperson Dmitry Peskov said: "There is our draft memorandum and there is a draft memorandum that has been handed over by the Ukrainian side. There is to be an exchange of views and talks on these two drafts, which are diametrically opposed so far."

- Peskov added this morning that there is "no reason to expect miraculous breakthroughs", saying such a development is "unlikely in the current situation".

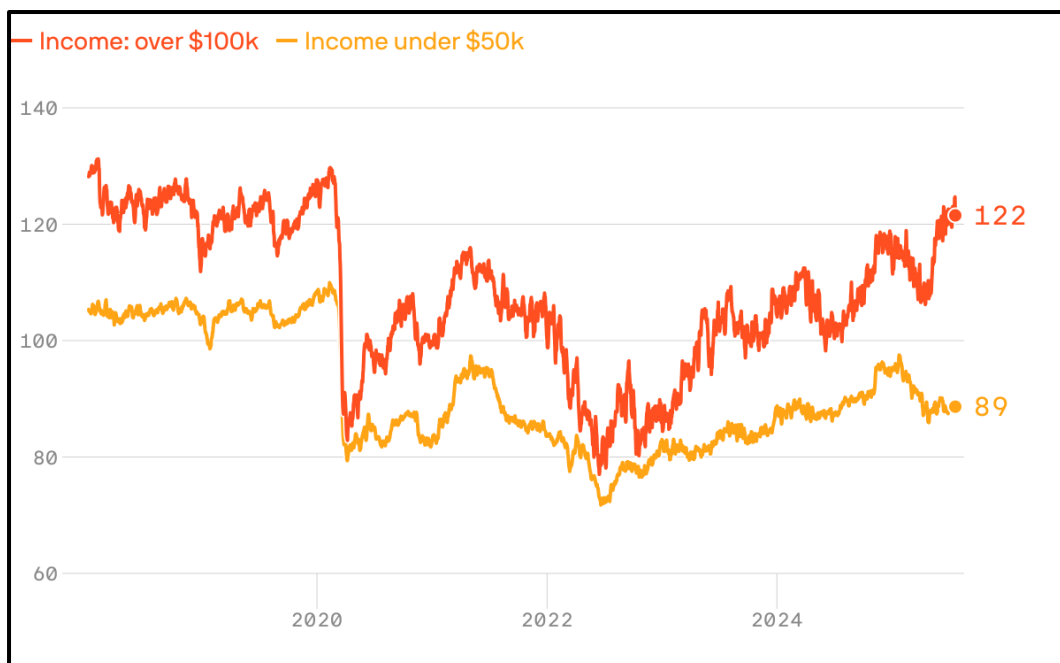
- Peskov said the agenda is "complicated", and that memorandums exchanged in the second round of talks need to be discussed, adding "a lot of work needs to be done before talking about the possibility of top-level meetings." Peskov continued: "I would not assess the potential timeframes [for reaching a settlement agreement] at all. It depends on many factors, and any forecasts now would be wrong."

## Chart of the Day

New data from Morning Consult shows that consumer sentiment is increasing amongst high earners, but stagnating at lower levels, due to low stock market participation and home ownership.

- Axios notes: "The difference in sentiment between the top and bottom income groups is the widest since Morning Consult began tracking the data in 2018."
- Axios: "The S&P 500 has bounced back — and then some — from its April "Liberation Day" lows. A rising 401(k) drives spirits higher. But the vast majority of low-income adults don't have money invested in stocks."
- "Higher house prices make homeowners feel great [but] That does nothing for renters, except make them feel locked out of the American dream.... While overall unemployment still seems low, lower-earning adults are increasingly reporting a loss of pay or income in Morning Consult data, says chief economist John Leer."

**Figure 3: Consumer Sentiment Index, by Income Group**



Source: Axios, Morning Consult



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