MNI POLITICAL RISK ANALYSIS - US Daily Brief 23-10-25

by Adam Burrowes

The White House *(times subject to change)*

13:00 ET 18:00 BST	Press Secretary Karoline Leavitt briefs reporters
15:00 ET 20:00 BST	President Trump makes an announcement in the State Dining Room

KEY DATES:

- China tariff truce expires: November 10

Washington

US President Donald Trump will make an announcement in the White House State Dining Room at 15:00 ET 20:00 BST. No word yet on the focus, but previous announcements have related to Trump's pharmaceutical pricing initiative.

- At 13:00 ET 18:00 BST, White House Press Secretary Karoline Leavitt will deliver her first press conference since October 6.

Secretary of State Marco Rubio is travelling to Israel, bolstering senior administration presence as the White House looks to shore up the Gaza peace plan. He will join Vice President JD Vance, negotiator Steve Witkoff, and Trump's son-in-law/advisor Jared Kushner in the region.

- The Washington Post reports that the administration officials are in Israel, "to help calm tensions after violence flared in Gaza over the weekend, with two Israeli soldiers and 45 Palestinians killed. The three envoys were also there to open a US-run civil-military coordination center to monitor the deal."
- Rubio said, before his departure to Israel, that a vote in the Israeli Knesset on annexing the West Bank to Israel could jeopardize the peace agreement, per Axios' Barak Ravid.
- Rubio said, "President Trump has already made it clear that we do not support such moves right now. We are concerned about anything that could undermine what we are working on."
- Ravid notes that Vice President JD Vance described the Knesset vote as "a stupid political stunt" and said, "We are not gonna allow Israel to annex the West Bank."

Government Shutdown Day 23

It's Day 23 of the US government shutdown, and there is still no end in sight. The Senate rejected the GOP's November 21 funding bill for the twelfth time yesterday, following a delay from Senator Jeff Merkey's (D-OR) nearly 24-hour filibuster.

- Merkley said during his remarks, "Be aware and worried about the possibility of the use of an emergency in order to expand authoritarian power."

Today, Senate Majority Leader John Thune (R-SD) will jam Democrats with Senator Ron Johnson's (R-WI) supplemental funding bill at 12:15 ET 17:15 BST to pay troops and some federal workers during the shutdown. As noted in yesterday's edition of this newsletter, Democrats are expected to block the bill, believing it gives Trump and OMB Director Russ Vought too much authority over who to pay.

- Thune has also prepped a vote, likely to take place next week, on a second piece of legislation from Senator Ted Cruz (R-TX) that would pay TSA employees and air traffic controllers, and there is another pending bill to pay troops, introduced by Senator Dan Sullivan (R-AK). Thune's strategy is clear: put Democrats on the record voting against both reopening the government and paying troops.
- Failing an unexpected breakthrough, the Senate will recess for the weekend this evening, ensuring the shutdown extends beyond October 24, when most federal employees miss their first full paycheck.

Senators Rand Paul (R-KY) and Gary Peters (D-MI) will host a bipartisan lunch for Senators at 12:30 ET 17:30 BST today "to celebrate the spirit of bipartisanship," according to the invite. The confab will be a rare opportunity for senators to discuss a bipartisan route out of the shutdown.

- Thune told Axios he won't be attending, "I think that's more rank-and-file members. And that's probably actually good, because I think that if this gets resolved, it's going to get resolved at the rank and file level."
- Paul said, "They told me 50 or 60 RSVPs, about half Republican, half Democrat, and usually there's more than that. A lot of people don't make up their mind until that day."

As noted in previous editions of the US Daily Brief, Democrats believe that the shutdown can only be resolved if President Trump inserts himself into negotiations, with Senate Minority Leader Chuck Schumer (D-NY) gambling that Trump will see a political imperative in striking a deal on extending Obamacare subsidies.

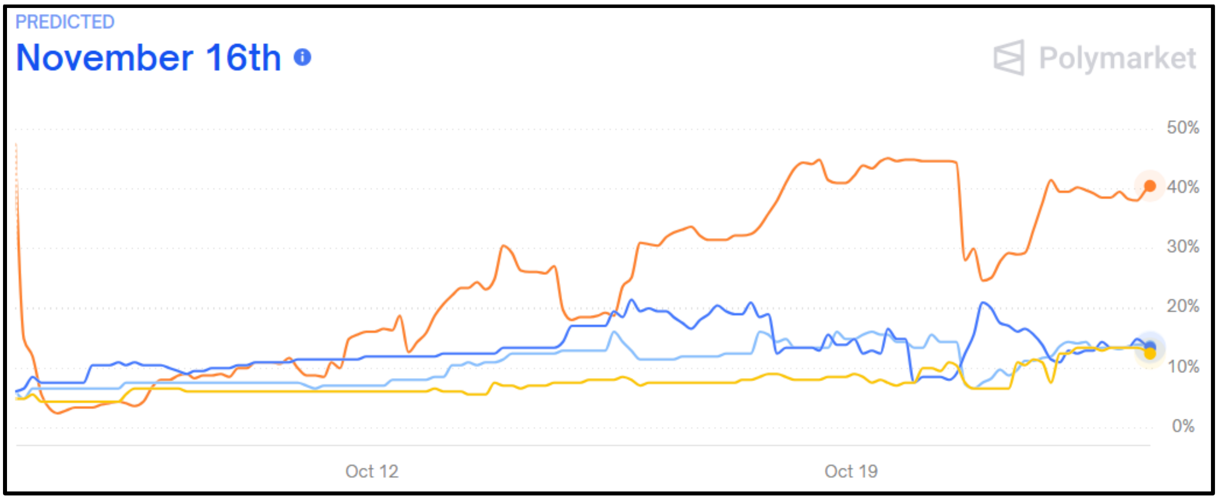
- Schumer believes that the November 1 cliff for SNAP benefits will also heap more pressure on Trump. He told reporters yesterday, "it should change Republicans' calculus, that they should sit down and negotiate, negotiate a way to address this crisis."
- Punchbowl News notes, "Nov. 1 is a key date not only because of missed paychecks or WIC-SNAP funding. It's also the start of open enrollment for health-care plans, which Democrats believe will turn up the heat on Republicans over rising premium costs. Alternatively, Democrats could use the start of open enrollment to declare victory and end the shutdown."

Senator Brian Schatz (D-HI), a senior appropriator, told reporters yesterday, "Everybody knows [House Speaker] Mike Johnson is not going to take a single step without Donald Trump's permission. He has to get involved."

- However, with Trump set to depart tomorrow evening on a three-country trip to Asia, that moment is not likely to come until early November. Indeed, Trump told reporters at the White House yesterday he would not speak with Democrats until they vote to reopen the government, the official party line from Thune and Johnson.

- Prediction markets see little chance of a resolution in the short term. According to Polymarket, there is a roughly 40% implied probability that the shutdown will extend to November 16.

Figure 1: When will the Government Shutdown End?



Source: Polymarket

<u>Government Shutdown Key Dates:</u>

- *Oct. 24: Many federal employees miss their first full paycheck*
- *Oct. 31: Second military payday of the shutdown*
- *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*

Ukraine War

President Trump announced yesterday that he is imposing new sanctions on Russia for the first time during his second term, targeting Russia's two largest oil companies – Lukoil and Rosneft - and a raft of subsidiary companies. The Treasury Department said in a statement that sanctions were imposed "as a result of Russia's lack of serious commitment to a peace process to end the war in Ukraine."

- The sanctions come after Trump floated and then quashed the idea of a second in-person summit with Russian President Vladimir Putin, apparently displeased with Moscow's inflexibility on its hardline demands to end the war in Ukraine.
- Politico notes, "In what is surely a coordinated move, the EU in turn this morning announced its own set of sanctions on Russia — its 19th package since the full invasion — including a ban on Russian liquefied natural gas imports."

Trump told reporters yesterday, speaking in the Oval Office alongside NATO Secretary General Mark Rutte, "Look, these are tremendous sanctions. These are very big. Those are against their two big oil companies and we hope that they won't be on for long. We hope that the war will be settled." Trump added, referring to Russia and Ukraine, "I think they want peace. I think they both want peace at this point. It's been -- you know, it's almost four years.”

- Secretary of State Marco Rubio told the Wall Street Journal, “The president has said for months that at some point he’d have to do something if we didn’t make progress on the peace deal. Today was the day he decided to do something.”

The Treasury Department said, “Today’s actions increase pressure on Russia’s energy sector and degrade the Kremlin’s ability to raise revenue for its war machine and support its weakened economy.”

- Treasury Secretary Scott Bessent said in a statement, “Given President Putin’s refusal to end this senseless war, Treasury is sanctioning Russia’s two largest oil companies that fund the Kremlin’s war machine. Treasury is prepared to take further action if necessary to support President Trump’s effort to end yet another war. We encourage our allies to join us in and adhere to these sanctions.”

Senator Richard Blumenthal (D-CT), the Democratic coauthor of the pending Russia sanctions bill, praised the decision as a “step in the right direction” but said the measures don’t go far enough to punish Russia.

- He said the secondary sanctions legislation he is spearheading with Senator Lindsey Graham (R-SC), which would impose steep tariffs on countries that buy Russian oil, is still necessary. The bill has broad bipartisan support, but will not be put on the floor by Senator Majority Leader John Thune (R-SD) without the green light from Trump.
- Graham, “thanked the president for his sanctions move Wednesday, and encouraged him to keep going after Russian oil companies “and the customers that buy their cheap oil and refuse to help Ukraine,” per Politico.
- Trump’s move suggests that the administration may be edging closer to synchronising with a more hawkish Congress, although much is likely to depend on the outcome of Trump’s meeting with Chinese President Xi Jinping in South Korea at the end of the month.

We noted in yesterday’s edition of this newsletter that the Senate Foreign Relations Committee has teed up three additional bills that would ramp up pressure on Russia, providing the administration with coercive tools, should Trump decide to escalate.

- Axios reports, “One would label Russia a state sponsor of terrorism over kidnapped Ukrainian children. Another would impose economic penalties on China for its support of Russia's war effort. A third bill repurposes frozen Russian assets held in the US and then transfers them to Ukraine every 90 days.”

Separately, Trump downplayed the prospect of supplying Ukraine with long-range Tomahawk missiles, capable of striking targets deep inside Russia – one of Ukrainian President Volodymyr Zelenskyy’s key asks.

- Trump said, “Well, the problem with the Tomahawk that a lot of people don't know, it'll take a minimum of six months, usually a year to learn how to use them. They're highly complex. So the only way a Tomahawk is going to be shot is if we shot it, and we're not going to do that. But there is a tremendous learning curve with the Tomahawk.”

A spokesperson for the Russian Foreign Ministry said the sanctions are "counterproductive from the perspective of finding peace in Ukraine...If the US follows the example of previous US administrations, then it will be a failure".

- Regarding the cancellation of the Trump-Putin summit in Budapest, the ministry spokesperson said that Moscow is "ready to continue contacts with the US State Department". A phone call between Foreign Minister Sergey Lavrov and US Secretary of State Marco Rubio earlier in the week was viewed as a major driver of the cancellation and sanctions, with Rubio believed to have informed Trump that Russia is showing no signs of making concessions.

The Wall Street Journal reported yesterday that the Trump administration lifted restrictions on the use of Western-supplied long range missiles, “enabling Kyiv to step up attacks on targets inside Russia and increase pressure on the Kremlin, U.S. officials said Wednesday.”

- Trump pushed back on the report on Truth Social, “The Wall Street Journal story on the U.S.A.’s approval of Ukraine being allowed to use long range missiles deep into Russia is FAKE NEWS! The U.S. has nothing to do with those missiles, wherever they may come from, or what Ukraine does with them!”
- The Journal noted that the US can restrict Ukraine’s use of British-supplied Storm Shadows because the missiles use American targeting data.

China

Speaking alongside NATO Secretary General Mark Rutte in the Oval Office yesterday, President Trump confirmed that his meeting with Chinese President Xi Jinping on the margins of the APEC Summit at the end of the month is likely to go ahead.

- Trump said, “And as you know, we are going to be making a big trip next week. Some of you are going with us. We'll be going to Malaysia, South Korea and Japan. In South Korea, I'll be meeting with President Xi of China. We'll have a pretty long meeting schedule. We can work out a lot of our questions and our doubts and our tremendous assets together.”

Asked what he expects to come out of the meeting, Trump suggested the pair could strike a deal that covers the majority of pressure points in the bilateral relationship, including rare earth export controls and agricultural trade. Analysts are unconvinced. The broader trajectory “points toward competitive confrontation”, with “trade barriers persisting” in the short and medium term, according to Morgan Stanley analysts.

- Trump said: “I think we're going to make a deal on -- the rare Earth is the least of it. Look, the tariffs are much more powerful than the rare earth. The rare earth is a disturbance, but there's a lot of rare earth around. I'll tell you… we'll make a deal on, I think, everything.”
- Trump continued, “I think we're going to make a deal on soybeans and the farmers. I think we're going to make a deal on, maybe even nuclear. You know, President Putin in his call mentioned to me about nuclear, where we do a de-escalation and I'm fine with that. I think it's good. I think it's a very appropriate thing. We have the most nuclear weapons.”

Asked if he can convince Xi to stop purchasing Russian oil, Trump said: “Well, I think I'll be talking to him about it. I think it's a little bit of a different talk. India, as you know, has told me they are [stopping].”

- On Xi’s influence over Russia, Trump said, “Yeah, I do. I think he can have a big influence on Putin. I think he can have a big influence on a lot of people… We will certainly be talking about Russia, Ukraine.”

Trump’s bullish comments came after Treasury Secretary Scott Bessent confirmed that the White House is weighing export restrictions against China targeting a raft of critical software.

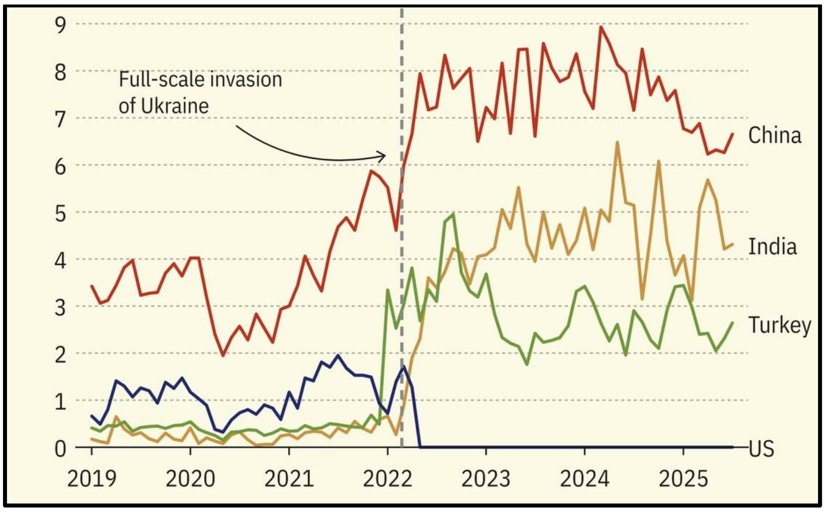
- Bloomberg reports the acknowledgement came after Reuters reported the US was “weighing efforts similar to the curbs implemented against Russia following the invasion of Ukraine if China did not backtrack from its threat to restrict [rare-earths].”
- Bessent told reporters, “Everything is on the table. These export controls, whether it’s software, engines or other things happen, it will likely be in coordination with [G-7].”
- Bloomberg notes, “It’s not clear how serious the effort is. Any sweeping technology restrictions on China could disrupt a fragile US economy already absorbing the impact of President Donald Trump’s tariffs.”

India

Bloomberg reports: “Flows of Russian oil to major Indian refiners — a boon for both countries’ economies over the past three years — are expected to fall to near zero after the US imposed sanctions on crude giants Rosneft PJSC and Lukoil PJSC.”

- Bloomberg continues, “Senior executives at the processors said the latest restrictions announced by Washington overnight, blacklisting Russia’s largest producers, would make it all but impossible for flows to continue. They asked not to be named due to the sensitivity of the issue.”
- Semafor reports that “commodity intelligence firm Kpler wrote; Russia remains “deeply embedded” in India’s energy system. New Delhi is boosting economic ties to the Kremlin in other realms with reported plans to buy Russian missiles, while its exports to Moscow are “steadily widening in scope,” The Economic Times wrote.”

Figure 2: Russia Monthly Mineral Fuel Exports (USD$B)



Source: Semafor, Bruegel

Tariffs

The Financial Times reported yesterday that the Trump administration is preparing a new probe on trading partner's pharmaceutical product pricing, under Section 301 of the 1974 Trade Act. If trading partners are found responsible for unfair foreign trade practices, it could set the stage for a fresh round of tariffs on the sector.

- The EU's existing trade agreement with the US places a 15% cap on pharma tariffs (comprised of the MFN tariff rate plus those imposed under Section 232 of the 1962 Trade Expansion Act). As such, the base case would be that this ceiling holds under a scenario where Section 301 levies are also imposed.
- Countries such as the UK and Switzerland face more uncertainty. Talks between the US and UK on pharma are still ongoing, while Switzerland's economy is heavily dependent on pharmaceutical sector exports (of which 23% go to the US).
- A reminder that Trump threatened 100% tariffs on imports of branded drugs via Truth Social at the end of last month, but the administration has not yet followed through on those remarks. Officials have said that companies will be given time to show their intentions in moving production into the US and lowering domestic prices.

Japan

The newly-minted Japanese Minister of Economy, Trade and Industry, Ryosei Akazawa, delivered a press conference this morning on a broad range of topics, including Japan-US trade.

- Akazawa was Japan's lead negotiator with the US as the previous administration of Prime Minister Shigeru Ishiba sought a trade deal with Washington to avoid the worst of the US 'reciprocal' tariffs. As such, he may be viewed as having a significant insight into the US' trade stance vis-a-vis Japan, as well as a strong relationship with US officials such as USTR Jamieson Greer and Commerce Secretary Howard Lutnick.

Per Reuters, Akazawa said the Sakhalin II gas project in Russia "plays an extremely important role in energy security," Adding that the "Asian LNG market is expected to be tight [and the] procurement price for Japan will soar if Sakhalin II supplies are to be replaced."

- Last week, US Treasury Secretary Scott Bessent said he had told then-Finance Minister Katsunobu Kato that the US expects Japan to stop its imports of Russian energy. Progressing with Sakhalin II could risk a US blowback.

On rare earth constraints, Akazawa said, "China's rare earth moves potentially have a major impact", and that the export controls "could mean Japan can't make cars."

- On US relations, Akazawa said new Prime Minister Sanae Takaichi will keep the Japan-US Agreement promise and build up US investment projects over the next 3.5 years. He added that Trump "is trying to change the world order" and Japan "needs to think more about trading with allies". He said "predictability in the world is decreasing with Trump's actions."

Congressional Business

The House is OUT

The Senate is IN

Committee Schedule –

Agriculture

Trump issued a statement on Truth Social yesterday defending his agricultural tariffs and urging American ranchers to lower prices.

- Trump wrote, "The Cattle Ranchers, who I love, don't understand that the only reason they are doing so well, for the first time in decades, is because I put Tariffs on cattle coming into the United States, including a 50% Tariff on Brazil. If it weren't for me, they would be doing just as they've done for the past 20 years — Terrible! It would be nice if they would understand that, but they also have to get their prices down, because the consumer is a very big factor in my thinking, also!"

The statement came after Trump "announced plans last week to import beef from Argentina, a move meant to reduce beef prices domestically and aid the bankrupt country ahead of its elections. But Trump is facing pushback from some Republican senators for his proposal, which they call misguided and harmful," per The Hill.

- Senator Deb Fischer (R-NE) wrote on X, "Nebraska's ranchers cannot afford to have the rug pulled out from under them when they're just getting ahead or simply breaking even. I strongly encourage the Trump administration to focus on trade deals that benefit our [agricultural] producers—not imports that will do more harm than good."
- The National Cattlemen's Beef Association wrote on X yesterday: "America's cattlemen and women operate in one of the most competitive marketplaces in the world. U.S. cattle producers are proud to provide the safest, highest-quality beef on earth."

Crypto

Politico reports, "Crypto executives left a series of meetings on Capitol Hill Wednesday worrying that negotiations over a landmark bill establishing cryptocurrency regulations will slip into next year."

- Politico notes, "The meetings came after bipartisan crypto market structure legislation stalled earlier this month, with one industry official saying it would now be a "miracle" if the bill passes this year. Senate Democrats, in particular, have bristled at deadlines being imposed after negotiations and chided crypto CEOs for their response to a leaked Democratic proposal for regulating decentralized finance."

Bloomberg analysts wrote earlier this week that they're "still bullish a deal can get done in the first half of 2026, but it's worth talking about how a piece of legislation like that is implemented."

- The analysts noted, “One question on stablecoins looms large. Can stablecoin partners offer “rewards” when the GENIUS Act prohibits issuers from paying yield? Crypto wants Congress to say yes. The banks want Congress to say no. … At this early stage, I think the status quo remains and crypto “wins.” But we’ll see.”

Latin America

The Trump administration widened its military campaign against Venezuelan narcotics cartels yesterday, striking a suspected drug boat in the East Pacific. The eighth such strike, which killed two people, is the first action to take place outside of the Caribbean and brings the total announced death toll of the campaign to 34.

- Defense Secretary Pete Hegseth said in a statement on X, “These strikes will continue, day after day. These are not simply drug runners—these are narco-terrorists bringing death and destruction to our cities. These DTOs are the “Al Qaeda” of our hemisphere and will not escape justice. We will find them and kill them, until the threat to the American people is extinguished.”
- In a second post, Hegseth explicitly compared the campaign to the War on Terror, “Just as Al Qaeda waged war on our homeland, these cartels are waging war on our border and our people. There will be no refuge or forgiveness—only justice.”

The New Yorker wrote that the strategy marks a win for Secretary of State Marco Rubio and policy advisor Stephen Miller, who argued for a harder line on the regime of Venezuelan President Nicolas Maduro than the diplomatic angle pursued by special envoy Nic Grenell.

- “Miller sided with Rubio not because of regime change,” the source told me. Rather, it was because Venezuela presented “an outlet for the belief that the President can just kill these guys” as part of an open-ended war on drugs and crime, a source told the New Yorker. For Miller, the military strikes help expand the President’s power, while also reinforcing the narrative of Venezuelan immigrants as “alien enemies,” the New Yorker wrote.

President Trump end endgame is unclear, although many suspect that regime in Caracas may be Trump’s objective. The Pentagon now has around 10,000 troops stationed in the region, primarily at bases in Puerto Rico, and a contingent of eight warships and a submarine in the Caribbean.

- Trump also took the unusual step of confirming this week that his administration had authorised covert CIA operations inside Venezuela and suggested that strikes inside the country could be coming, “We are certainly looking at land now, because we’ve got the sea very well under control,” Trump told reporters.
- Trump suggested yesterday he could go to Congress for authorisation, “We will hit them very hard when they come in by land. And they haven’t experienced that yet, but now we’re totally prepared to do that. We’ll probably go back to Congress and explain exactly what we’re doing when [they] come to the land.”
- Juan Gonzalez, who served as National Security Council senior director for Western Hemisphere affairs during the Biden administration, told the Washington Post, “I think we are a ways off from having a military presence on the ground” in Venezuela. “It doesn’t mean that they won’t use U.S. assets to try to go inside of Venezuelan

territory, but it's much easier to go after ELN safe havens ... that border Colombia [inside Venezuela] than to go inside Caracas."

Figure 3: US Military Buildup in Caribbean (October 17)

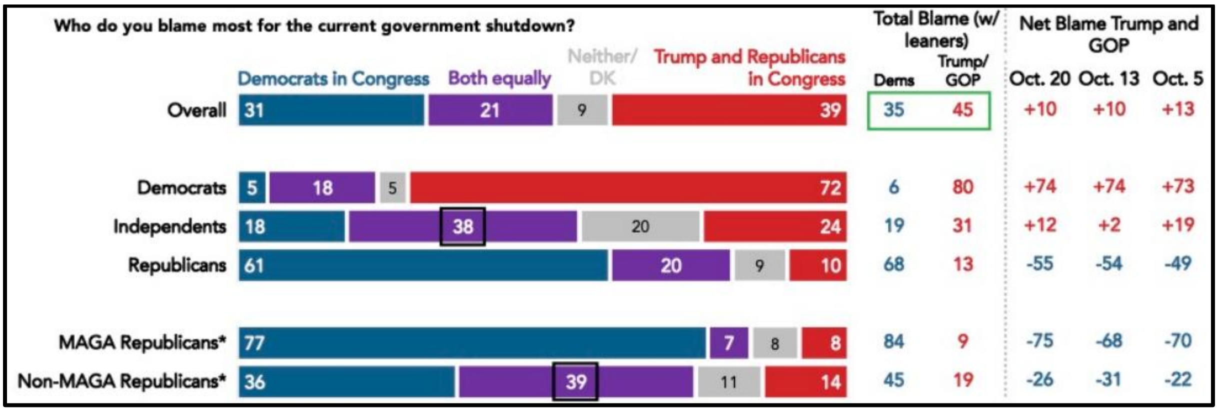
Source: New York Times

Chart of the Day

Progressive polling outlet Navigator Research reports, "More Americans blame Donald Trump and Republicans in Congress for the shutdown than blame Democrats, with no shift in the last two weeks."

- The report adds, "More think Trump and Republicans should compromise with Democrats than the reverse, and more see Trump and Republicans as having power over whether the shutdown continues."
- The report suggests that Democrats are likely to continue to believe that the political fallout of the US government shutdown will primarily fall upon Republicans and Trump, despite the fact that Senate Democrats are responsible for the shutdown.

Figure 4: "Who do you blame most for the shutdown?"



Source: Navigator Research