

## MNI POLITICAL RISK ANALYSIS - US Daily Brief 27-05-25

by Adam Burrowes

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

-	President Trump has no public events scheduled
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### KEY DATES:

- ❖ Target for concluding budget reconciliation: July 4
- ❖ Government funding expires: September 30

### Washington

It's a quiet day in Washington, D.C. today. Congress is on recess for the week and President Donald Trump has no public events scheduled, per his official diary.

- The New York Times reports that Trump intends to cancel all federal funds directed at Harvard University: "A letter to federal agencies will instruct them to end contracts, totaling about \$100 million. It is meant to sever the government's remaining ties with Harvard."

State Department spokesperson Tammy Bruce will brief reporters at 14:00 ET 19:00 BST, where she is likely to provide an update on nuclear talks with Iran and the administration's assessment of an uptick in Russian strikes on Ukraine.

- The Institute for the Study of War notes: "Russian forces conducted one of their largest drone and missile strikes of the war against Ukraine on the night of May 25 to 26 after three nights of record strikes. The May 25-26 strike is now the second largest combined strike of the war, after Russian forces conducted the largest combined strike on the night of May 24 to 25." (More below)

### Trade and Tariffs

Markets have largely shrugged off a brief escalation in the US-EU trade war, with Trump confirming on Truth Social a delay to the implementation of 50% tariffs on EU imports, from 1 June to 9 July.

- Barron's writes: "There's a new trade emerging on the heels of the ones that became popular when Donald Trump won the presidency last November... known as TACO—for Trump Always Chickens Out" and comes after Trump backed away from EU tariffs.
- Semafor notes that analysts warned that Trump's tariff policy was "unlikely to stabilize, with one expert cautioning investors to "buckle up," while all-important bond markets will likely refocus their attention on the mammoth US deficit. "While tariff headlines have taken over," an ING economist noted, "the fiscal trajectory still matters."
- Berenberg Chief Economist Holger Schmieding said the six-week window until EU tariffs kick in was probably not enough time to "settle all detailed questions" – but he

argued it should be sufficient to put the framework of a trade agreement in place, per CNBC.

- PBS has published an updated timeline of Trump trade actions [here](#).

Trump [said](#): "I agreed to the extension — July 9, 2025 — It was my privilege to do so. The Commission President [Ursula von der Leyen] said that talks will begin rapidly. Thank you for your attention to this matter!"

- Bloomberg [reports](#) that the European Commission, which leads trade negotiations on behalf of all EU member states, "will focus its new strategy on critical sectors as well as tariff and non-tariff barriers,[...]. The Commission will also link its approach to addressing regulatory barriers with its plans to simplify rules."
- Trade Commissioner Maros Sefcovic, "will lead political negotiations on industries such as steel and aluminium, automobiles, pharmaceuticals, semiconductors and civilian aircraft, [...]. Those talks will happen in parallel with the technical discussions on tariffs and non-tariff barriers."
- Sefcovic said in a short statement on X that he had "Good calls" with Commerce Secretary Howard Lutnick and USTR Jamieson Greer, adding that the EU "remains fully committed to constructive and focused efforts at pace towards an EU-US deal. We continue to stay in constant contact."

The delay avoids the worst-case scenario of 50% tariffs followed by significant EU retaliation for now at least, but the risk of escalation remains. The EU already has tariffs focused on 21 billion euros of US goods ready to go in response to the initial Trump tariffs on steel and aluminium. These levies are geared towards hitting industries and products that are centred on Republican-run states in the US in order to put maximum pressure on GOP leadership and the White House.

- A further 95 billion euros in tariffs is being put together in response to the initial 20% 'reciprocal' tariffs. The raising of this rate to 50% could see the EU's retaliation escalate further.

Guy Parmelin, the Swiss Federal Councillor and head of the Economic Affairs, Education and Research Department, told investors today that trade talks between Switzerland and the US will hopefully result in an agreement by the beginning of July.

- Parmelin said that Switzerland needs to diversify its export markets, saying, "It is important not to depend on a single trading partner."
- Switzerland sits as one of the 15 'fast track' nations that the US has identified as accelerating efforts towards a trade agreement, with Treasury Secretary Scott Bessent previously [highlighting](#) Switzerland as one of the two countries at the 'front of the queue', the other being the UK, which now has an agreement in place.

## Congressional Business

The House is OUT

The Senate is OUT

Committee Schedule –

## Big Beautiful Bill

Trump told reporters in Morristown, New Jersey, on Sunday evening that he is open to the Senate making 'fairly significant' changes to the House-passed Republican tax and spending bill, known as the 'One Big Beautiful Bill'.

- Trump said: "I want the Senate and the senators to make the changes they want. It will go back to the House and we'll see if we can get them. In some cases, those changes may be something I'd agree with, to be honest. ... I think they are going to have changes. Some will be minor, some will be fairly significant."

The comment runs counter to House Speaker Mike Johnson's (R-LA) warning that the Senate should change the bill "as little as possible" in light of the GOP's fragile majority in the House.

- Johnson said in an interview on Thursday: "If it wasn't obvious for them, I wanted them to know the equilibrium that we reached is so delicate... My hope and my encouragement to [the Senate] is – fine tune this product as little as possible," adding that passing the bill in the House was like "crossing over the Grand Canyon on a piece of dental floss."

The Washington Post outlines four items in the House-passed bill the Senate is likely to rewrite:

1. **SALT:** "This had to be in the House legislation because a band of blue-state Republicans threatened to sink the package without it. But there are no blue-state Republicans in the Senate. And SALT is not popular among Senate tax writers."
2. **Clean energy credits:** "Some policies from the Inflation Reduction Act, mainly the ones surrounding lower-emission energy production, are popular in states such as Kentucky, North Carolina and Ohio, places involved in making electric vehicles and EV batteries."
3. **Millionaire tax:** "Trump has privately endorsed higher tax rates on millionaires... Raising taxes on those earners would generate a lot of revenue that would offset the \$2.4 trillion cost of this bill (over 10 years). Some senators have told me they like the idea, and others have expressed an openness to it — if Trump will back them up."
4. **Debt limit:** "The House voted to raise the borrowing cap by \$4 trillion. The Senate wants \$5 trillion. They could meet in the middle at \$4.5 trillion..."

The Hill notes that two conservative GOP senators – Rand Paul (R-KY) and Ron Johnson (R-WI) – said on Sunday that the "big, beautiful bill" needs to be cut down to size, "signaling huge challenges in enacting Trump's plans in the Senate."

- Punchbowl News writes that if the Senate package shifts too much to the right – "more spending cuts and or big programmatic modifications to Medicaid and SNAP – support will bleed from the middle. If the Senate tempers the Medicaid spending cuts, conservatives will bolt."
- Punchbowl adds: "After the events of last week, Trump seems confident that he can swing any bloc of GOP votes in the House Republican Conference. The alternative is that nothing passes, which if you're a Hill Republican – especially a House Republican – is an absolute disaster."

- Reminder: Senate Majority Leader John Thune (R-SD) wants the bill sent to Trump's desk by July 4. That's only 39 days from now.

## Middle East

Trump's chief negotiator, Middle East envoy Steve Witkoff, told Axios he's disappointed that Hamas has so far failed to accept his proposal for a new Gaza hostage and ceasefire deal.

- Witkoff said: "What I have seen from Hamas is disappointing and completely unacceptable," following backchannel talks with Hamas facilitated by Palestinian American businessman Bishara Bahbah.
- Speaking to reporters on Sunday evening, Trump said on Gaza, "we wanna see if we can stop that. And Israel, we've been talking to them and we wanna see if we can stop that whole situation as quickly as possible".

## Iran

Speaking more positively on nuclear talks with Iran, Trump said: "I think we could have some good news on the Iran front... We've had some very, very good talks with Iran, and I don't know if I'll be telling you anything good or bad over the next two days, but I have a feeling I might be telling you something good."

- Iran's Foreign Ministry spokesperson, Esmail Baghaei, told CNN on Monday that Iran is open to compromises on its nuclear program in talks with the United States, but uranium enrichment remains non-negotiable.
- Baghaei said: "If the intention is to make sure that Iran's nuclear program would not be weaponized, I think that's something that we could simply do," adding that there are "So many ways" a compromise could be reached, without specifying.
- CNN notes that Iranian Foreign Minister Abbas Araghchi called the fifth round of talks "one of the most professional rounds of negotiations" yet but said the key issues were "too complicated to be resolved in two or three meetings."
- Politico notes a "big unanswered question": "How different will Trump's deal be to the Barack Obama-era agreement he scrapped? And how much has been gained by the hiatus?"

## Russia-Ukraine

President Trump's tone towards Russia has shifted again, just days after Trump reported that he had an "excellent" call with Russian President Vladimir Putin.

- Trump said in a statement on Truth Social on Sunday evening: "I've always had a very good relationship with Vladimir Putin of Russia, but something has happened to him. He has gone absolutely CRAZY!"
- Trump added: "I've always said that he wants ALL of Ukraine, not just a piece of it, and maybe that's proving to be right, but if he does, it will lead to the downfall of Russia!"
- Trump also targeted Ukrainian President Volodymyr Zelenskyy for criticism: "Likewise, President Zelenskyy is doing his Country no favors by talking the way he does. Everything out of his mouth causes problems, I don't like it, and it better stop."

Asked by reporters on Sunday if he's considering new sanctions on Russia, Trump said: "Absolutely. [Putin is] killing a lot of people. I don't know what's wrong with him. What the hell happened to him, right?... I'm not happy about that."

- Semafor notes: "The remarks are a positive sign for lawmakers and diplomats itching for more Russia sanctions. But it remains unclear whether Trump will officially back that lane..."
- Politico writes: "Russia's drone barrage against Ukraine over the last several days is energizing efforts to target the country with fresh sanctions, including in the Senate."
- Senate Judiciary Chair Chuck Grassley (R-IA) said in a statement on X yesterday: "I've had enuf of Putin killing innocent ppl. Pres Trump Take action AT LEAST SANCTIONS"

Reminder: A bill introduced by Senator Lindsay Graham (R-SC) now has more than 80 co-sponsors in the Senate and has the backing of Senate Majority Leader John Thune (R-SD). It would likely sail through both chambers of Congress if endorsed by President Trump.

- The Wall Street Journal [reports](#) that Trump is "eyeing new sanctions this week," but the "restrictions likely wouldn't include new banking sanctions, [sources] said, but other options are under discussion to pressure the Russian leader into concessions at the negotiating table."
- White House press secretary Karoline Leavitt said in a statement: "President Trump has been clear he wants to see a negotiated peace deal. President Trump has also smartly kept all options on the table."

JPMorgan is out with a [research note](#) calling 2025 the "year of negotiation", outlining four likely scenarios for Ukraine in the event of a ceasefire endgame. According to JPMorgan, the most likely outcome for Ukraine – 50% implied probability - is a political reality similar to Georgia. That scenario would see Ukraine's Western ambitions derailed by a lack of security assurances and a gradual drift back into Russia's orbit.

- The note suggests the best-case scenario for Kyiv would be an arrangement similar to South Korea, wherein Kyiv abandons ambitions for NATO membership but is backstopped by a robust US security guarantee. JP assigns a 15% implied probability of this outcome.

## Chart of the Day

Silver Bulletin notes that President Trump's approval rating "has improved slightly since the end of April", noting that the rise is "due in part to a lower-than-usual volume of new polls."

- Silver Bulletin notes that the positive trend has "reversed over the past few days. He's 14 points underwater in the latest American Research Group poll, 5 points underwater in the latest Civiqs poll, and 8 points underwater in the latest YouGov/Economist poll. But overall, most pollsters show little change in Trump's approval rating over the last month."
- Ruth Igielnik at the New York Times notes: "Our average has shown a slight uptick in President Trump's approval rating recently. But there have been few high-quality polls in recent weeks, and the ones we have show little change in either direction between April and May."

Figure 1: President Donald Trump Approval Rating



Source: *SilverBulletin*

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