

MNI POLITICAL RISK ANALYSIS - US Daily Brief 27-08-25

by Adam Burrowes

The White House *(times subject to change)*

12:30 ET 17:30 BST

President Trump has Lunch with the Vice President

KEY DATES:

- ❖ End of Congressional recess: September 2
- ❖ Government funding expires: September 30
- ❖ China tariff truce expires: November 10

Washington

President Donald Trump will have lunch with Vice President JD Vance at 12:30 ET 17:30 BST. The President has no other public engagements in his diary.

- At 15:15 ET 20:15 BST, Secretary of State Marco Rubio will meet Israeli Foreign Minister Gideon Sa'ar at the Department of State. The meeting is the first-known Cabinet-level confab since Israel launched a new military operation in Central Gaza.

Trump was active on social media yesterday. He re-stated that he wants to see mail-in voting abolished, believing it facilitates voter fraud: "Republicans: BAN MAIL-IN VOTING!!! President DJT," he said on Truth Social.

- Trump also suggested that he is working with Republicans on a comprehensive crime bill, although there are few details yet on what it could look like: "Speaker Mike Johnson, and Leader John Thune, are working with me, and other Republicans, on a Comprehensive Crime Bill," Trump wrote.

After market close today, Nvidia will unveil its quarterly earnings reports. The report is viewed as a significant data point on the trajectory of the tech sector.

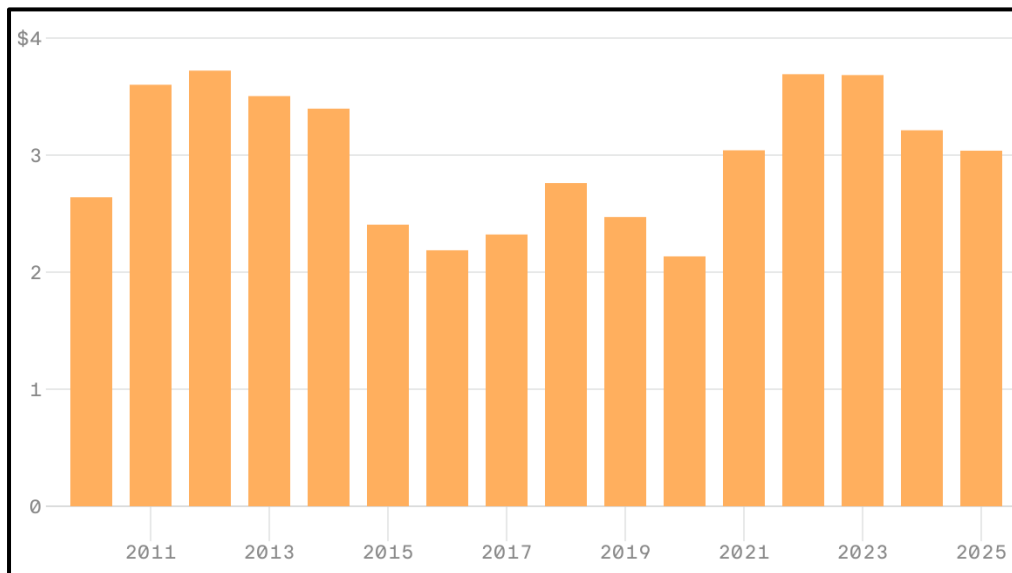
- Semafor notes: "The report could have a bigger impact on the S&P 500 than Federal Reserve Chair Jerome Powell's speech last week. "It could either swamp or turbocharge the usual post-Fed-chair move higher," one analyst said. It could also send a powerful signal about the health of the broader AI market, after OpenAI's Sam Altman said it might be a "bubble."
- The Financial Times notes: "Investors are betting that enthusiasm surrounding rapid advancements in AI, which has also boosted companies such as Microsoft, Amazon and Palantir, will continue to be a dominant factor in the coming years."

Average gasoline prices are expected to hit a Labor Day weekend low not seen since 2020, a boost for Trump, who has made reducing energy costs a central plank of his presidency.

- Axios notes: "Lots of people drive over the holiday weekend, and consumer costs will be a battleground in the midterm elections."

- Trump told reporters at a Cabinet meeting yesterday: “domestic oil production is up by more than 300,000 barrels a day... we have the oil price down to about \$62 a barrel.”

Figure 1: Average US Gasoline Price on the Monday before Labor Day Weekend, Price per Gallon of Regular



Source: Axios, US Energy Information Administration

Federal Reserve

A spokesperson for the Federal Reserve confirmed in a statement that Governor Lisa Cook will challenge the termination notice issued by President Trump on Monday, noting that the Fed will “abide by any court decision.”

- The statement said Cook “has indicated through her personal attorney that she will promptly challenge this action in court and seek a judicial decision that would confirm her ability to continue to fulfill her responsibilities as a Senate-confirmed member of the Board of Governors of the Federal Reserve System.”
- Cook’s lawyer, Abbe Lowell, said: “His attempt to fire her, based solely on a referral letter, lacks any factual or legal basis. We will be filing a lawsuit challenging this action.”

Axios writes that Cook’s response “sets up a legal battle royale over who is really in charge of the world’s most important central bank. Is it the governors appointed to lengthy, staggered terms meant to assure some political independence, or is it any president willing to cast aside norms established over 100+ years?”

- The outcome of a legal showdown is unclear as the intent of the federal statute Trump used to oust Cook is open to interpretation. The Supreme Court ruled earlier this year that the president could remove officers of an independent agency, but that power should not extend to the Fed.

Stephen Carter at Bloomberg argues that Trump “won’t win his tussle” with Cook: “I’d expect a federal district judge to issue an injunction any hour now — one the US Supreme Court is bound to uphold,” Carter writes.

- However, he continues: “I’m not sure winning is the point. More likely, this is just one more battle in the president’s war of attrition against the Federal Reserve and its Federal Open Market Committee.”

Carter’s interpretation offers one explanation for the sanguine market reaction. FT [writes](#): “The fact that the dollar and US Treasuries didn’t weaken dramatically indicates that investors are nervy about this latest development, but not freaking out quite yet, possibly on the assumption that the firing won’t stick.”

- The counterargument: Ebrahim Rahbari at Absolute Strategy Research noted, per FT: *“The President has the power to fire Fed Governors for cause under the Federal Reserve Act, but leaves cause undefined. Any court case would therefore hinge on whether the evidence meets the judicial bar for ‘cause’ rather than questions about presidential powers. This is therefore different from the Supreme Court ruling in May that noted that the President can fire leaders in government agencies without cause, but exempted the Fed from the ruling.”*

Stephen Miran

Meanwhile, the Senate Banking Committee is preparing to hold a hearing next week on the nomination of Stephen Miran to fill the vacant seat of Adriana Kugler, who resigned unexpectedly earlier this month.

- Bloomberg notes: “The Miran hearing is expected to be a broad referendum on Trump’s efforts to influence the Federal Reserve into lowering interest rates, and his move earlier this week to remove [Cook].”

Democrats are likely to use the hearing to apply pressure on moderate Republicans to defend the Fed’s independence. Two Banking Committee members to watch are Senators Thom Tillis (R-SC) and John Kennedy (R-LA). Both have previously defended Fed independence when pressed on Trump’s campaign against Fed Chair Jerome Powell.

- Aaron Klein, a former Democratic staffer on the Senate Banking Committee who is now a senior fellow at the Brookings Institution, told Politico: “Four Senate Republicans could preserve Fed independence if they refuse to move any Trump Fed nominee until he stops trying to illegally fire Cook. Fed independence is something created by Congress. It’s now time to see whether Congress will stand up for Fed independence.”

Trump suggested yesterday he might move to appoint Miran to Cook’s seat, which expires in 2038, rather than January 2026 for Kugler’s seat.

- The Wall Street Journal reports: “Among the other potential candidates Trump has discussed, according to some of the people: former World Bank Group President David Malpass, a close ally of the president who has criticized the Federal Reserve for not lowering interest rates. Malpass could be chosen to fill the other open Fed board seat if Miran is nominated to replace Cook.”

If Miran is confirmed, Trump appointees would hold a majority on the seven-person Fed Board. While that is not enough to directly dictate the fed funds rate, it would give Trump appointees control over staffing and the approval of regional Fed presidents.

- FT notes: "You'd hope that Chris Waller — one of the more credible Trump 1.0 appointees — might not roll over, but he is clearly very keen on securing the chairmanship when Jay Powell gets jettisoned next year. And to do so he might need to demonstrate his loyalty, perhaps by shivving his regional Fed colleagues early next year, ahead of Powell's inevitable ousting in May."
- MNI's Pedro da Costa spoke to Miran yesterday for a [wide-ranging interview](#). Miran said he could not comment on matters related to the central bank or monetary policy due to his pending nomination, but spoke candidly on trade and inflation.

India

Trump's 50% tariff rate on Indian imports went into effect today. New Delhi is now subject to the highest US tariff rate, with an additional 25% tariff rate levied in retaliation for buying Russian oil. The new rate affects roughly USD\$45 billion of Indian exports to the US.

- The New York Times asks: "What, exactly, does the U.S. want from India in 2025?" Indian policymakers are asking the same question. As the Times notes: "It wasn't so long ago that the answer was clear. India was America's partner in Asia, and its best counterweight to China."
- The Times notes: "India does run a trade surplus with the U.S. Officials knew that this, along with India's protectionist policies for industries like agriculture, could cause some friction. But they thought they'd come up with a solution that would make Trump happy: India would start importing more American energy and defense equipment, to help even out the balance sheet. So far, however, this doesn't seem to have counted for much with Trump."

Trump's India tariff strategy appears primarily conceived as a lower-risk route to targeting Russian oil revenue. A similar strategy with China, the biggest buyer of Russian oil, would almost likely derail fragile trade talks.

- In the cross-fire, US-India cooperation on tech and defence, which had reached unprecedented levels in recent years. And major US firms using India to diversify their supply chains away from China to hedge against tariffs.

The Economic Times notes: "S&P Global Ratings on Tuesday said high US tariffs are unlikely to impact India's long-term growth prospects as the government is focused on economic reforms and trying to improve the standard of living of people."

- S&P Global Ratings Director YeeFarn Phua said: "Going forward, we expect this growth dynamics will continue to play out over 3 years with growth averaging about 6.8 per cent. If infrastructure and connectivity improve in India, it will remove bottlenecks that are hindering long-term economic growth and bring India's potential growth path even higher."

The geopolitical consequence of the tariff rate may be an acceleration of cooperation between BRICS members. India, China, Russia, and Brazil have all been sounding out closer ties to offset the fallout from tariff rates and sanctions.

- This month has seen a flurry of diplomacy between Beijing, New Delhi, and Moscow – including a rare India trip from China’s top diplomat Wang Yi.
- Wang promised to address Indian concerns about Beijing's curbs on the export of rare earths, fertilizers and tunnel boring machines. The two countries also agreed to resume direct flights and reopen a few border trading posts, a level of diplomacy that was “unthinkable mere weeks ago,” per Nikkei. Next week, Indian Prime Minister Narendra Modi will visit China for the first time in seven years.
- Nikkei writes: “Will Sino-Indian relations improve enough for the Indian market to open up again? The Shanghai Cooperation Organization summit Modi is attending highlights yet another sticking point: Arch-rival Pakistan, which will also be present, deployed Chinese made fighter jets and missiles in a conflict with India just three months ago. So despite the positive signs, many tensions and disagreements remain.”

Figure 2: Indian Export Sectors most Exposed to Trump’s Tariffs

Items ▲	Share of US in India exports	Share of India in US imports	Tariff exempt
Auto	12%	1%	No
Capital goods	18%	2%	No
Chemicals	14%	3%	No
Food & beverages	11%	2%	No
Gems & jewellery	31%	13%	No
Oil & gas	6%	1%	Yes
Pharmaceuticals	36%	6%	Yes
Smartphones	33%	6%	Yes
Textiles	28%	9%	No
Total	18%	3%	

Source: Semafor

De Minimis

The ‘de minimis’ exemption that allows the duty-free import of goods worth USD\$800 or less is set to expire on Friday. According to the White House, US Customs and Border Protection processed more than 4 million de minimis shipments going into the country every day.

- The Hill notes that Trump’s executive order “has resulted in national postal services from dozens of countries suspending the sending of some or most packages slated for the U.S. market due to additional payments and confusion surrounding order processing.”

- The Hill continues: “The ending of the exemption is expected to impact retail giants such as Shein, Amazon and Temu, as well as portions of the fashion industry, alongside those who ship packages and import goods from China to the U.S.”

Steel

The Wall Street Journal has published a [useful piece](#) examining the US steel industry, following Trump’s protectionist pivot on the sector, arguing “America is on the cusp of a new steel age. Now, it needs customers.”

- The Journal notes: “Domestic steelmakers have embraced a protectionist fervor and gained market share versus imports. But they haven’t been able to keep prices from slipping because of soft demand from major steel consumers such as the auto and construction industries.”
- Geoff Gilmore, chief executive of Ohio-based Worthington Steel, a specialized processor of steel, said: “We’re in a tough situation. For steel demand to meet the capacity, we’re going to need much more robust GDP growth.”

Congressional Business

The House is OUT until September 2

The Senate is OUT until September 2

Committee Schedule –

Redistricting

Semafor reports that Vice President JD Vance met privately with Indiana state lawmakers at the White House on Tuesday afternoon, the latest step in the White House’s push to add more safe red seats in states governed by Republicans.

- Semafor notes: “The meeting mostly centered around policy as part of a White House State Leadership Conference, but during the last 30 minutes Vance made the case for redistricting, according to a person familiar with the meeting. Vance told the Republicans that the White House and its political network would have the backs of legislators who support redistricting.
- “The vice president also went to Indiana to make his pitch earlier this month. Republicans currently control seven of the state’s nine House seats; they think drawing out Democratic Rep. Frank Mrvan is relatively easy, but doing the same to Democratic Rep. André Carson will prove more difficult.”

Democrat News

Democrats flipped an open Iowa state Senate seat in a special election yesterday, breaking the GOP’s supermajority in the state’s upper house.

- The Hill notes: “The DNC celebrated Drey’s win on Tuesday night, noting that the district voted for President Trump in 2024 by more than 11 points. Martin said in a

statement that Iowans are seeing Republicans as a “rubber stamp” for Trump’s agenda and want change.”

- Martin said: “They are putting Republicans on notice and making it crystal clear: any Republican pushing Trump’s unpopular, extreme agenda has no place governing on behalf of Iowa families. That’s why all year long, Iowans have been electing Democrats ready to fight for working Iowans. Make no mistake: when Democrats organize everywhere, we win everywhere, and today is no exception.”
- The Hill continues: “The flip marks the second Iowa state Senate seat this year that Democrats won, after flipping another seat in January in a district that Trump won by more than 20 points. The party has also outperformed in other special state legislative elections throughout the year, winning in another Trump-friendly state Senate district in Pennsylvania in March.”

Ukraine War

Trump told reporters at the White House yesterday that there could be an “economic war” if Russian President Vladimir Putin and Ukrainian President Volodymyr Zelenskyy do not find a resolution to the war.

- “It will not be a world war, but it’ll be an economic war, and an economic war is going to be bad. It’s going to be bad for Russia, and I don’t want that,” Trump said in response to a question about whether there was a timeline for Putin to agree to bilateral talks with Zelenskyy before the US president would impose threatened sanctions, per Bloomberg.

Kremlin spokesperson Dmitry Peskov told reporters this morning that the heads of Russia's and Ukraine's working groups are in [contact](#) on a fourth round of talks between the two sides, but that no date has been agreed yet.

- Per Interfax, Peskov said: “We have a negative attitude,” towards Europe's stance on security guarantees that include troops on the ground in Ukraine. Peskov added, “there is no European military, there are military of specific countries, and most of these countries are NATO members,” claiming that NATO ‘infrastructure’ in Ukraine was one of the ‘root causes’ of the war.
- Peskov continued: “Russia maintains its determination to resolve the conflict through political and diplomatic means, and for this, reciprocity from Ukraine is necessary.”
- Russian President Vladimir Putin is set to travel to Tianjin, China over the weekend to take part in the Shanghai Cooperation Organisation (SCO) leaders' summit running 31 Aug-1 Sep. This will be followed by the Eastern Economic Forum (EEF) in Vladivostok from 4-5 Sep. Historically, Putin has used the EEF as an opportunity to deliver a wide-ranging address on economic and foreign policy, and so will be watched closely for comments on the war.

Alexander Gabuev, director of the Carnegie Russia Eurasia Center, writes in [Foreign Affairs](#): “Moscow is holding the US president’s attention, forestalling a new round of painful US sanctions, and keeping the fighting going. This is because, in the Kremlin’s assessment, time is on Russia’s side.

- “Moscow has the upper hand on the battlefield: it has maintained a significant numerical advantage in personnel and equipment, and despite mounting casualties,

it has continued to gradually gnaw through the fortified lines in the Donbas. Moreover, Russia is catching up in drone warfare, denying Ukraine its competitive edge. Moscow doesn't want a cease-fire to stop the war right now—unless, of course, all of its political demands are simply met,” continues Gabuev.

Yesterday, Russian forces made a symbolic breakthrough on the battlefield, capturing two villages in the Dnipropetrovsk region, the first settlements they have taken in the central region since the fortification of defensive lines in 2022, according to DeepState, a Ukrainian group with ties to the military.

- The New York Times notes: “The two settlements are tiny. Zaporizske has about 100 residents; Novoheorhiivka has even fewer. Although military analysts say that Russia does not intend to try to seize all of the Dnipropetrovsk region, holding territory there could be useful if peace negotiations between Russia and Ukraine move forward.”

The Wall Street Journal [reports](#): “In secret talks with Russia’s biggest state energy company this year, a senior Exxon Mobil executive discussed returning to the massive Sakhalin project if the two governments gave the green light as part of a Ukraine peace process, said people familiar with the discussions.”

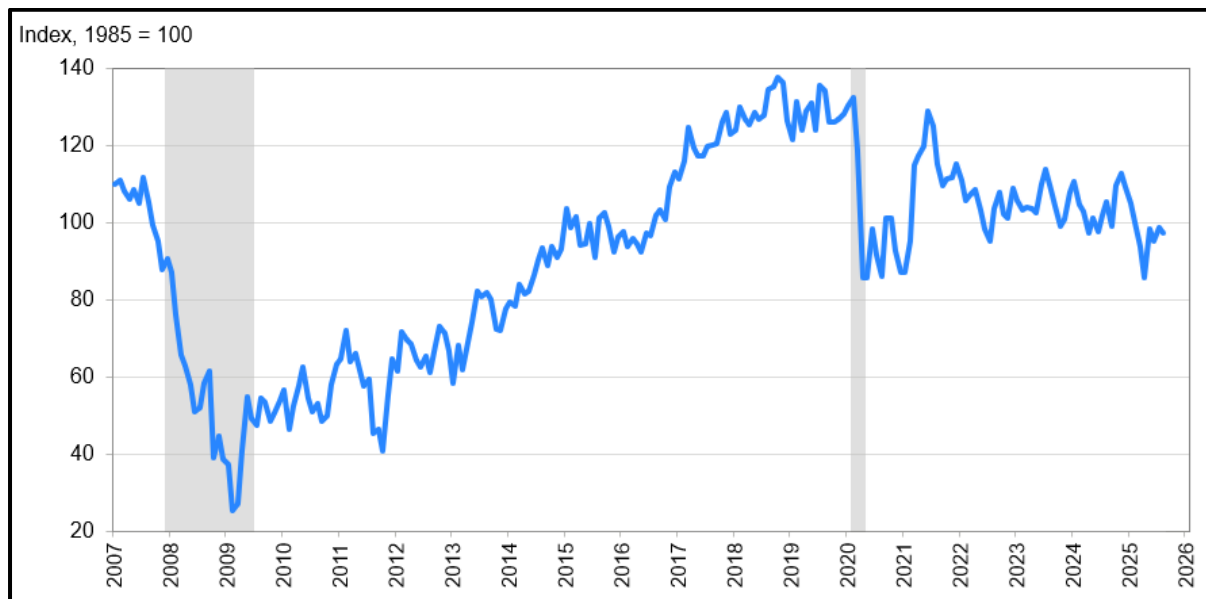
- The Journal notes: “Under the Biden and Trump administrations, Exxon and other companies have had U.S. permission and licenses from the Treasury Department to hold talks about stranded assets with Russian counterparts, one of the people familiar with the discussions said. The first round of negotiations took place shortly after Exxon’s exit from Russia in 2022.”

Chart of the Day

The Conference Board [Consumer Confidence Index](#) fell by 1.3 points in August to 97.4 (1985=100), down from 98.7 in July (revised up by 1.5 points).

- The report notes: “The Present Situation Index—based on consumers’ assessment of current business and labor market conditions—fell by 1.6 points to 131.2. The Expectations Index—based on consumers’ short-term outlook for income, business, and labor market conditions—decreased by 1.2 points to 74.8. Expectations remained below the threshold of 80 that typically signals a recession ahead.”
- Stephanie Guichard at The Conference Board said: “Consumer confidence dipped slightly in August but remained at a level similar to those of the past three months. The present situation and the expectation components both weakened. Notably, consumers’ appraisal of current job availability declined for the eighth consecutive month, but stronger views of current business conditions mitigated the retreat in the Present Situation Index. Meanwhile, pessimism about future job availability inched up and optimism about future income faded slightly. However, these were partly offset by stronger expectations for future business conditions.”

Figure 3: Consumer Confidence Index, August (Shaded Areas Represent Periods of Recession”



Source: Conference Board

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