

## MNI POLITICAL RISK ANALYSIS - US Daily Brief 29-05-25

by Adam Burrowes

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

14:00 ET 19:00 BST	President Trump receives his Intelligence Briefing
12:30 ET 17:30 BST	President Trump has lunch with Vice President JD Vance
13:00 ET 18:00 BST	Press Briefing by the White House Press Secretary Karoline Leavitt
17:00 ET 22:00 BST	President Trump participates in a Swearing-In Ceremony for the US Chief of Protocol

### KEY DATES:

- ❖ Target for Congress to send 'Big Beautiful Bill' to Trump's desk: July 4
- ❖ Government funding expires: September 30

### Washington

President Donald Trump will receive an intelligence briefing in the morning before meeting Vice President JD Vance for lunch in the White House.

- At 13:00 ET 18:00 BST, White House Press Secretary Karoline Leavitt will deliver her first press conference since May 22. The presser will be closely following for details on the Trump administration's response to the Court of International Trade's ruling on Trump's Liberation Day tariffs. Expect her to accuse the court of judicial overreach and politicisation. (More on that below)
- At 17:00 ET 22:00 BST, Trump will appear at the White House for a swearing-in ceremony for the US Chief of Protocol. He is likely to provide remarks to the press.
- At 14:00 ET 19:00 BST, State Department spokesperson Tammy Bruce will brief reporters at State. Bruce is likely to provide an update on the status of Ukraine ceasefire talks and the latest developments in Iran nuclear talks. (More below)

Elon Musk formally departed the White House yesterday, in accordance with his scheduled secondment as a Special Government Employee.

- Musk said in a message on X: "The DOGE mission will only strengthen over time as it becomes a way of life throughout the government."
- Politico notes: "Polls showed Musk was a disaster with the public, including millions of Trump's own fans. He was swiftly removed from view after his hubris helped blow up the GOP's chances in a judicial election in Wisconsin."

### Trade and Tariffs

A panel of judges on the US Court of International Trade yesterday ruled that the International Emergency Economic Powers Act of 1977 does not provide President Trump

with “unbounded authority” to apply his so-called ‘Liberation Day’ tariffs on dozens of trading partners.

- Politico notes that the three judges appointed by Ronald Reagan, Barack Obama and Trump, “unanimously agreed that the president exceeded his authority by claiming America’s long-standing trade deficit was a “national emergency” which gave him tariff powers normally left to Congress.”

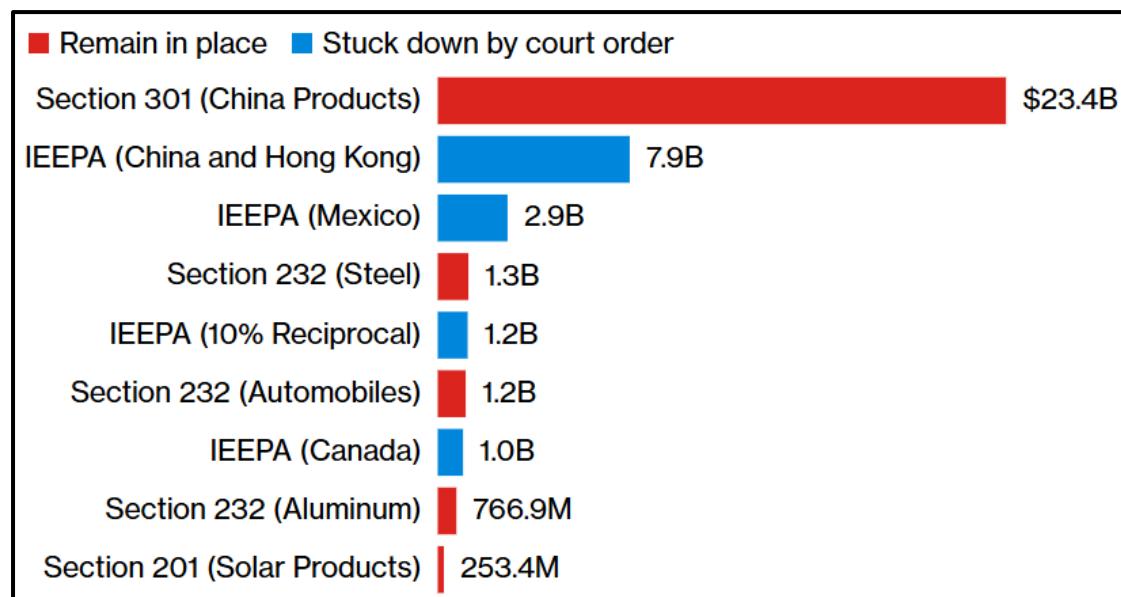
The ruling, the most significant setback so far for Trump’s trade agenda, undercuts the primary leverage used by the White House to restructure global trade.

- The court’s decision, which also extends to previous Fentanyl and border security tariffs levied on Canada, Mexico, and China, gives the White House 10 days to wind down the collection of tariffs.
- The ruling does not apply to Trump’s first-term tariffs on China or sectoral tariffs on steel, aluminium, and autos that are levied via Section 301, a different legal grounding.
- ING notes: “If the ruling is upheld, the US government may be required to refund tariffs collected under IEEPA, which amount to some \$13.7bn up to 30 April, according to US Customs and Border Protection. A significant portion – \$7.9bn – was paid on goods from China and Hong Kong.”

The panel said: “The court does not pass upon the wisdom or likely effectiveness of the president’s use of tariffs as leverage. That use is impermissible not because it is unwise or ineffective, but because (federal law) does not allow it,”

- Bloomberg notes: “If the decision holds, it would in a matter of days eliminate new 30% US tariffs on imports from China, 25% tariffs on goods from Canada and Mexico and 10% duties on most other goods entering the US.”

**Figure 1: Duties Collected in Fiscal Year 2025 by Trade Remedy and Target**



Source: Bloomberg

## Market Reaction

The dollar rallied in response to court's judgement on the legality of tariffs, mirroring the weakness in Treasuries and the bear-steepening of the US curve. Much of these moves have reversed, with European markets happy to sell the dollar off better levels as the headlines elongate political and policy uncertainty from the White House.

- Conversely, equities still trade well, with the e-mini S&P showing above 6,000 for the first time since early March. Tech indices outperform, with the e-mini NASDAQ-100 outperforming as it receives a double tailwind from the tariff legality judgement as well as solid NVIDIA earnings - which put the stock higher by over 5% in pre-market trade.

## Next Steps

The White House immediately announced that it will appeal the decision. The appeal will be held initially at the Federal Circuit Court of Appeals and ultimately at the United States Supreme Court, where a conservative majority on the bench has yet to be fully tested on Trump's agenda.

- Trump's policy advisor, Stephen Miller, described the court's decision as a "judicial coup" in a [short message](#) on X.
- White House spokesperson Kush Desai said in a statement: "It is not for unelected judges to decide how to properly address a national emergency."
- White House economic adviser Kevin Hassett told Fox Business this morning that the administration is "confident" in the success of the appeal, adding that the ruling "will not affect ongoing trade deals."
- Hassett went on to claim that he "still expects more trade deals in the coming weeks," and that "three trade deals are basically done".

The prevailing view is that the court's ruling will shift focus to sector-specific tariffs, rather than curb the broader scope of Trump's agenda. Goldman Sachs economists note: "This ruling represents a setback, but might not change the final outcome for most major US trading partners."

- The assumption that Trump will continue to pursue a hardline trade agenda is supported by comments from top Trump officials suggesting that tariffs are crucial to keep the US' fiscal house in order.
- Yesterday, Trump trade advisor, Peter Navarro, wrote in an [op-ed](#) that a 10% baseline tariff "should generate between \$2.3 trillion and \$3.3 trillion in additional revenue over the ten-year forecast period," which Navarro argues will offset the deficit implication of the GOP's 'One Big Beautiful Bill'.
- In the op-ed, Navarro argues that tariffs will effectively balance the Trump budget and calm nerves in bond markets: "The current rise in yields reflects fear — not facts. Bond traders are pricing in a future where the government borrows trillions more with no offsetting revenues. They believe the tax cuts are not paid for."
- While Goldman notes they don't expect the decision to have a "major impact" on the fiscal package in Congress, it is possible that a decline in tariff revenue will embolden fiscal hawks in Congress, who are already concerned with the deficit spending in the

'One Big Beautiful Bill, to push harder for deficit reduction in Senate negotiations that get underway next week.

Trump has a range of laws to keep tariffs in place. The aforementioned Section 301 tariffs - which address unfair trade practices - and Section 232 tariffs - which address national security - are likely to be expanded to cover additional sectors.

- ING notes that the Trump administration also retains the option to use Section 122 (balance of payments) and Section 338 (retaliatory tariffs), further expanding its "tariff toolkit".
- The USTR and Departments of Treasury and Commerce have ongoing investigations that could result in new unilateral sectoral tariffs relating to pharmaceuticals, semiconductors, critical minerals, copper, and more detailed in Fig.2 below.
- Paul Nadeau, a trade expert who edits Tokyo Review, has a comprehensive rundown of the tariff options available to Trump [here](#).

The primary concern for the Trump administration is that the investigatory process for new tariffs is slow, hence the use of the emergency declaration, and offers the administration less flexibility in tailoring country-specific tariffs for leverage in bilateral negotiations.

- The Wall Street Journal notes: "Resetting trading relationships with other countries could be more complicated. "We believe one reason bilateral negotiations had stalled was that U.S. trading partners may have anticipated this outcome," wrote analysts including Aniket Shah at Jefferies."

**Figure 2: "Pending investigations/Section 232 and Section 301 tariffs to come"**

 Pharmaceuticals and pharmaceutical ingredients, and derivative products (Section 232)
 Semiconductors and semiconductor manufacturing equipment, and their derivative products (Section 232)
 Medium and heavy-duty trucks, parts and derivative products (Section 232)
 Critical minerals (Section 232)
 Seafood (Section 301)
 Ship-to-shore cranes, assembled or made using components from Chinese origin and certain cargo handling equipment of China (Section 301)
 Copper in all forms, incl. derivative products (Section 232)
 Timber, lumber, and their derivative products (Section 232)
 Commercial aircraft and jet engines and parts (Section 232)
 Shipbuilding (Section 301)

Source: ING

## Congressional Business

The House is OUT

The Senate is OUT

**Committee Schedule –**

### **Big Beautiful Bill**

Senate Majority Leader John Thune (R-SD) could hold a vote on the House-passed One Big Beautiful Bill as soon as the week starting June 9 or the three-day stretch leading up to Juneteenth, according to sources quoted by Politico.

- Politico notes: “That timeline isn’t set in stone. Thune hasn’t committed to a specific week beyond wanting it through the Senate by the July 4 recess. But if Senate Republicans take that whole time, it would eat into the House’s ability to re-pass the bill and get it to Trump before the holiday.”
- The Senate process is unlikely to take place in high-profile markup sessions, like in the House. Rather Senate alterations are expected to take place in behind-closed-door committees, with lawmakers doing preparatory work to make sure the legislation conforms with the strict rules of budget reconciliation.

The so-called “Big Six” of Thune, Senate Finance Chair Mike Crapo (R-ID), House Speaker Mike Johnson (R-LA), House Ways and Means Chair Jason Smith (R-MO), Treasury Secretary Scott Bessent and National Economic Council Director Kevin Hassett are expected to meet again in the coming days to discuss details.

- Senate Finance Republicans will huddle Monday night to talk through their piece of the bill, which includes both tax policy and Medicaid, according to Politico.
- Punchbowl News reports: “Senate Republicans have little appetite to reinvent the wheel here. They’re not expected to make dramatic, foundational changes to the House-passed bill. But Thune will need to juggle demands from several different factions of his conference that want revisions to the proposal.”

### **Rescissions**

House Speaker Mike Johnson (R-LA) issued a [statement on X](#) yesterday promising to codify the findings of Elon Musk’s Department of Government Efficiency. The statement appears to be a direct response to [Musk’s CBS interview](#) panning the Republican tax and spending bill.

- Johnson said, “When the White House sends its rescissions package to the House, we will act quickly by passing legislation to codify the cuts,” adding that the House “will use the appropriations process to swiftly implement President Trump’s 2026 budget.”
- Politico [reports](#) that the White House is expected to send a “small package” of DOGE cuts for Congress to codify as soon as next week.

The package of cuts, known as rescissions, could test the water for a larger package of spending cuts down the line as the White House and Republican leadership in Congress look to get fiscal hawks on board with the GOP megabill.

- It is unclear if any rescissions package could pass Congress, as institutionally minded Republicans might view the action as further degrading Congress's constitutionally mandated power over the federal government's purse strings.
- Trump's policy advisor, Stephen Miller, [pointed out on X](#) that DOGE cuts cannot be legislated via the reconciliation process. They must be addressed via a standalone rescissions bill or the annual appropriations process.

## Iran

The United States and Iran are working to finalise a preliminary agreement for a new US-Iran nuclear accord known as "The Muscat Framework", to be released ahead of the next International Atomic Energy Agency (IAEA) board of governors meeting on June 9-10, according to Laura Rozen at the Diplomatic.

- Ali Vaez, director of the Iran project at the International Crisis Group, said: "I think at some point, maybe next week or next weekend, there's definitely going to be at least another round [of US-Iran talks], before they can analyze this text, the framework agreement. It does appear to me that it is going to be very broad."
- Vaez added: "I don't rule out the possibility that, once they have a finalized text, that they might also agree on some kind of quid pro quo that could meet the requirements of the Europeans for postponing snapback," referring to the punitive sanctions that European signatories (UK, France, Germany) of the 2015 Joint Comprehensive Plan of Action could trigger on Iran at the next meeting of the United Nations Security Council.
- Note: The US, although a signatory to the 2015 accord, cannot trigger the sanctions as Trump withdrew from the accord in his first term. The other two signatories, Russia and China, are unlikely to trigger the 'snapback' due to their cordial relations with Tehran.
- If the US and Iran are able to produce credible steps towards a new accord, the European signatories to the deal are likely to push for an extension of the 'snapback' to allow sufficient time for a comprehensive agreement.

In order to facilitate a deal, President Trump issued an explicit warning to Israeli Prime Minister Benjamin Netanyahu that Israel should refrain from military action against Iran's nuclear facilities.

- White House Press Secretary Karoline Leavitt told reporters after a May 22 call between Trump and Netanyahu: "The President has made it very clear...that he wants to see a deal with Iran struck, if one can be struck. He wants to see a deal. The president is a dealmaker, and he believes strongly in diplomacy, and he's made that clear to the Prime Minister."
- Danny Citrinowicz, the former head of the Iran branch in the Research and Analysis Division (RAD) in the Israeli defense intelligence, said Israel is unlikely to target Iran: "I don't see that happening... Even on the operational level, you need coordination work with [US] Centcom. But regardless, you are not attacking in Iran and starting a potential regional war with no US support."

While the optics are positive, including reports that Iran has softened its stance on allowing US inspectors to join IAEA missions in the country, Trump appeared to row back on his previous suggestion that a deal would be announced immediately.

- Trump told reporters in the Oval Office yesterday, when asked when he expected a deal might be reached: “Oh, I don’t know. I think over the next couple of weeks, if it happens.”
- Suzanne Maloney, Brookings Institution Vice President and a former State Department Iran advisor, said: “I think that the optics are positive, and both sides trying to keep it positive says something good. Because...I think we all recognize that there are no good solutions to Iran’s nuclear ambitions other than some kind of a negotiated agreement.”

## Israel

Despite Trump’s warning to Israel (detailed above), Ynet [reports](#) that Israeli Prime Minister Benjamin Netanyahu instructed the Israeli Defence Forces (IDF) to ensure readiness for [aerial attacks](#) on Iran’s nuclear facilities.

- While Netanyahu may view the current moment as a precipitous time of weakness for Iran and therefore a narrow window in which to try and knock out its nuclear programme, such an attack would be fraught with risk.
- Indeed, it could prove the final straw that spurs Tehran to develop a nuclear weapon. N12 [reports](#) that at the start of 2025, Iran informed the International Atomic Energy Agency that it had 275kg of uranium enriched to 60% at its Natanz facility. To make one nuclear bomb, 40kg enriched to 90% is required, needing 500 advanced centrifuges and 10 days to complete.
- The space required to operate this amount of centrifuges is ~1,000 sq. m, meaning that Iran can locate such sites across the country rather than just at its main nuclear sites. Even with a widespread attack, Israel has no way of knocking out all of Iran’s potential nuclear sites, many of which are deep underground.

## Russia-Ukraine

President Trump told reporters in the Oval Office yesterday he is giving Russian President Vladimir Putin two weeks to show he is serious about negotiating a ceasefire with Ukraine. The comment suggests that the punitive bipartisan sanctions package introduced by Senator Lindsay Graham (R-SC), which has 82 cosponsors in the Senate, will remain on the back burner.

- Trump said: “We’ll find out whether or not he’s tapping us along or not — and if he is, we’ll respond a little bit differently. But it will take about a week and a half to two weeks.”
- CNN’s Kevin Liptak notes that this is the third time Trump has put Putin on two weeks’ notice to change course. And given Trump took no action on the previous occasions, it’s hard to be confident anything’s going to change.
- The New York Times writes that after “four months of empty threats against Mr. Putin, it remained to be seen whether Mr. Trump’s latest harsh comments were an indicator of a new aggressive phase against Russia or another fakeout.”
- The Hill writes that Trump, “has boxed himself into a corner with Vladimir Putin over the war in Ukraine — and it’s not entirely clear how he gets out... The president is now stuck between a Ukrainian president whom he regards with great skepticism and a Russian president who won’t do what he wants.”

Moscow yesterday proposed a second round of direct talks with Ukraine to take place on Monday, 2 June, in Istanbul, Turkey.

- Kremlin spokesperson Dmitry Peskov told reporters this morning that the are intended to start discussions on the draft memoranda for a peace accord. Peskov added that it is "not constructive" to suggest that Russia is delaying the peace process.
- Russian Foreign Minister Sergei Lavrov held a phone call with US Secretary of State Marco Rubio on 28 May, their first direct interaction since meeting in Saudi Arabia in February. A Russian Foreign Ministry [readout](#) says that Lavrov informed Rubio of "the preparation by the Russian side of specific proposals for the next round of direct Russian-Ukrainian negotiations in Istanbul."
- The prospect of talks taking place, let alone a workable set of memoranda on a peace agreement being reached, looks particularly slim. In recent days, Russia has launched some of the [largest missile and drone attacks](#) since the start of its full-scale invasion of Ukraine, claiming these come as a response to mass Ukrainian drone strikes deep into Russian territory.

Semafor reports that Russia's "shift to a wartime economy has given [Putin] latitude to drag out Ukraine peace talks, despite signs that economic gains are slowing."

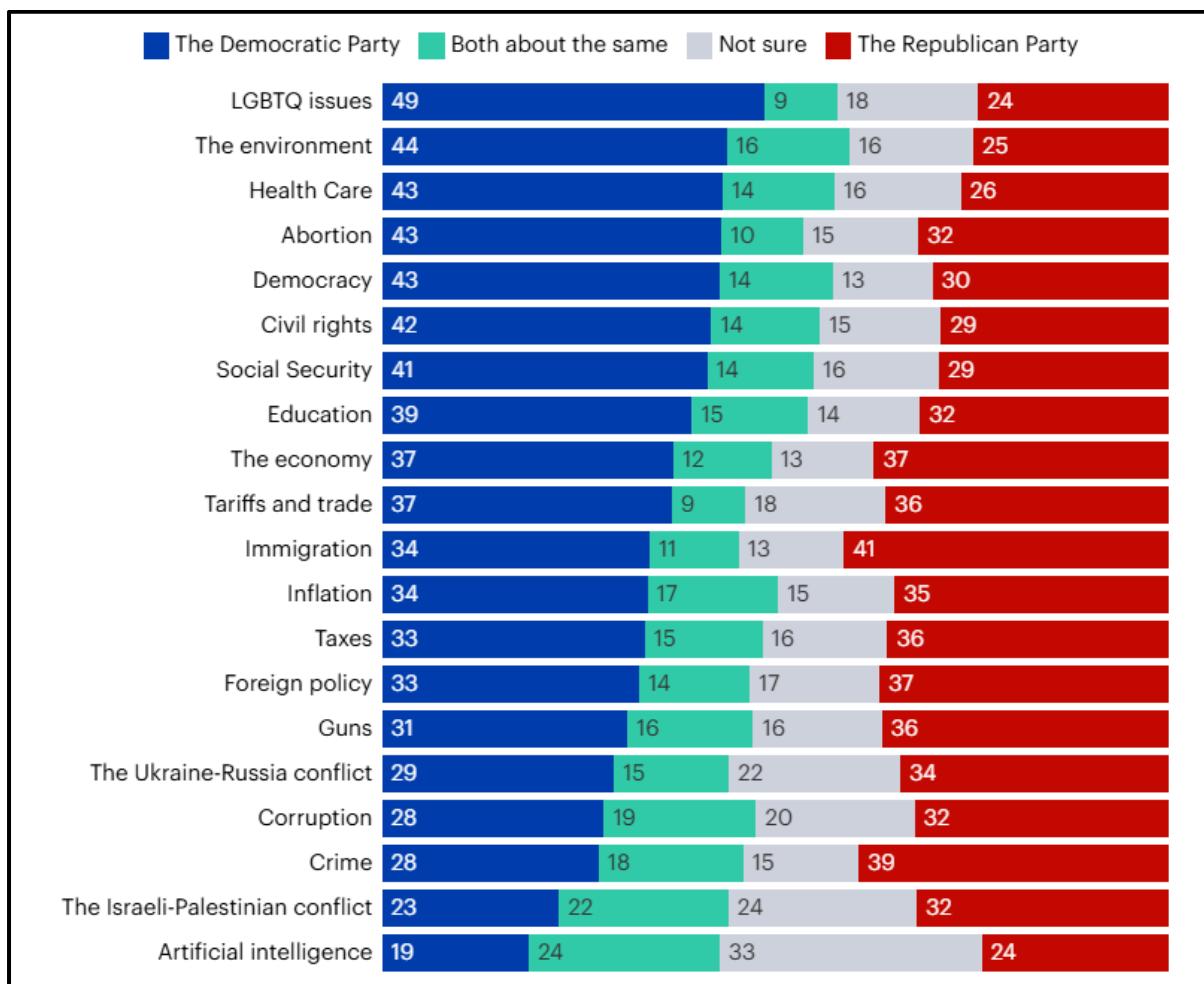
- An expert told The Wall Street Journal: "It is absolutely imperative for Russia to continue to rely on the military industry, because it [has] become the driver of economic growth."
- Semafor adds: "...salary growth has weakened, GDP growth has slowed, and oil revenues are falling, the Financial Times reported: "The problems are piling up," a Russian economist said, but not enough to change residents' views on the war."
- Reuters reports that Putin, "wants Western countries to pledge in writing that the NATO alliance won't add more members in Russia's backyard. He also wants a reprieve from a tranche of Western sanctions as part of any peace deal. But it's not clear if his demands are workable or if Western leaders have the appetite to give in to Russia more..."

## Chart of the Day

YouGov has published a new [survey](#) showing that, "both Democrats and Republicans have changed their views since last year on several key issues." Notably, Americans are evenly divided on who does a better job of handling the economy.

- The survey notes: "Issues that Americans are more likely to think the Democratic Party does a better job handling than to think the Republican Party does include LGBTQ issues (49% say the Democratic Party handles this better vs. 24% who say the Republican Party), the environment (44% vs. 25%), health care (43% vs. 26%), and abortion (43% vs. 32%)."
- "The issues Americans are more likely to think the Republican Party does a better job handling than to think the Democratic Party does include immigration (41% vs. 34%), crime (39% vs. 28%), and the Israeli-Palestinian conflict (32% vs. 23%)."

**Figure 3: "Which party do you think does a better job handling...? (% of U.S. adult citizens)"**



Source: YouGov

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