

WEEKLY CURRENT

September 23-27, 2019

Issues Making a Splash This Week

- **Congress Goes on Recess but Impeachment Doesn't:** House Speaker Nancy Pelosi got the ball rolling on impeachment proceedings just before members of Congress returned to their home districts for a two-week recess. In terms of who is winning the political messaging war, it will be particularly important to pay attention to how the latest impeachment push is received by freshmen Democrats' constituents from districts that Trump won in 2016.
- **Not So Fast on China Trade Deal:** The current market consensus is that President Trump will agree to a weak interim trade deal with China that results in him removing some of his recent tariffs in exchange for China purchasing some agricultural products because he needs a "win" for his re-election prospects. But Trump mistakenly believes that Chairman Xi Jinping needs a deal more than he does.
- **Markets in Denial on Warren:** Senator Elizabeth Warren has emerged as a new front-runner in the Democratic race for president and she still has room to grow. But investors choose to believe that Trump would beat Warren in the general election, despite polling to the contrary, because they see her as the progressive firebrand from the 2008 financial crisis that will turn off most of the country. Although the election could play out that way, it might just as well not.

IMPEACHMENT WON'T GO ON BREAK BUT CONGRESS DOES: Congress begins a two-week recess today for the Jewish New Year, as 5780 starts out with a bang. After a week in Washington, where House Speaker Nancy Pelosi (D-CA) announced an impeachment inquiry into President Trump's attempts to get Ukraine to investigate former Vice President Joe Biden and his son, the impeachment insanity will spread to the rest of the country (or not).

These two weeks will be critical for members of Congress to hear from their constituents about the pros and cons of impeachment. In particular, it will be important to watch the feedback from the 31 Democrats in Trump-won districts. With [223 Democrats currently in favor of an impeachment inquiry](#), 11 of

the 12 remaining Democratic holdouts come from districts Trump won in 2016 (Rep. Tulsi Gabbard (D-HI) is the one Clinton-district Democrat opposed to impeachment). Before this week, [impeachment has so far been a losing issue for Democrats](#), with the average for/against impeaching Trump since 2017 being 38.5/55.7. As such, there was a good chunk of voters who disapproved of Trump while also disapproving of impeachment. Pelosi has been very receptive to these moderate Democrats who propelled her to the speakership in the midterm elections, holding off on an impeachment inquiry despite increasing frustration among the progressive base for a lack of action. **It's with these moderate Democrats in mind in which Pelosi will proceed forward.**

These next two weeks will also get new polling on the impeachment question. **The preliminary results have shown a modest increase in support for impeachment.** A [Morning Consult poll](#) post-Pelosi impeachment inquiry announcement on Tuesday showed a 43/43 for/against split for the impeachment inquiry, up from 36/49 for/against from last weekend. It stands to reason with unifying Democratic support for impeachment in Washington, there will be increasing support among the Democratic electorate. Independents, too, will likely show a modest increase. **The real question, however, is how does impeachment affect Trump's approval ratings. Support for impeachment could increase Trump's disapproval rating, which is currently at 53.2 percent, according to the [FiveThirtyEight approval tracker](#). But if impeachment does not increase Trump's disapproval rating, there is unlikely to be any real change in the political dynamics.** Perhaps one variable to change Trump's standing among Republican voters is a defection among prominent Republican members of Congress against Trump. But as we have seen time and time again through Trump controversies, Republicans will continue to largely stick with Trump, despite any private misgivings, as they view their 2020 electoral fortunes bolstered by a strong top of the ticket. **As such, our base case continues to be the House impeaching Trump and the Senate acquitting him.**

So does any of this really matter? It's too early to tell. The next two weeks will be a battle of messaging between Democrats and Republicans to shape public opinion. There will be further investigations and hearings once Congress returns. Pelosi needs to balance a sense of thoroughness and speed in how she approaches the impeachment inquiry, recognizing that a vote before the end of 2019 is the preferable option. In the meantime, any hopes of bipartisanship for legislation (outside of FY20 spending) have been largely dashed for the year. On the campaign trail, Trump has been raising millions off of the Democratic impeachment push. **Meanwhile, impeachment taking over the news cycle is good news for Senator Elizabeth Warren (D-MA) and bad news for the rest of the Democratic candidates.** Although Democrats are coming to Biden's defense as he and his son are the center of Trump's attacks, it probably doesn't help for this to be the focus of voters' attention on Biden just as his sole claim to the front-runner mantle slips away. Meanwhile, Warren, who is not just a new front-runner with a rising trajectory but was also the first candidate to come out for impeachment, can further bolster

her anti-corruption message around Trump's latest conduct. For every other candidate needing to break through the news cycle to become relevant and rise in the polls, good luck.

WHY INVESTORS ARE OVER-PRICING US-CHINA INTERIM TRADE DEAL

PROSPECTS: The current market consensus is that President Trump is ready to agree to a weak interim trade deal with China that results in him removing some of his recent tariffs in exchange for China purchasing some agricultural products. The turmoil from the impeachment trial has only strengthened market conviction that Trump will want to make a big splash with a deal this fall to show a major “win” before his re-election fight really heats up. The problem with this thesis is that Trump does not currently see his trade war with China as failing, and his key trade negotiator, US Trade Representative (USTR) Robert Lighthizer, wants to keep it that way. **Consequently, while we acknowledge a skinny deal is still possible, we believe the chances of one being reached are much lower than the market is currently pricing in.**

Lighthizer is not necessarily a fan of the tariffs Trump has set to go into place on October 15th and December 15th, but he does believe that China is an existential threat to the United States, and thus he is a fan of sticking with Trump's threats to maintain pressure on China. **He opposes a mini-deal because it would let up some of the pressure on China, without forcing Beijing to implement the intellectual property protection rules and economic structural changes that the trade war was launched to address in the first place.** Lighthizer's hand in preventing a mini-deal can be seen in his decision to “ask” the Chinese officials visiting the US last week to cancel their trips to visit farmers in Montana and Nebraska out of concern that it would give China a public relations win without any major concessions.

Lighthizer, like many advisors currently in Trump's orbit, also believes China's Chairman Xi Jinping, who is sometimes referred to as “president for life,” is under greater pressure to de-escalate than Trump, despite the president facing his own re-election next year. Trump also views China as likely to capitulate if he waits long enough, and he has reason to believe that (even if he is not necessarily correct). He used the threat of auto tariffs successfully to pressure Japan to sign a mini-trade deal this week that got him the agricultural concessions he wanted, and in an overlooked move in Switzerland this week, he also convinced the Universal Postal Union to allow the US to increase its rates by threatening to pull out of the organization.

That doesn't mean Trump can hold out forever — as we've seen, the president does feel pressure to paper over the deal with China when the DJIA (which he views as a proxy for the economy) starts to drop. However, the DJIA is unlikely to experience a meaningful and sustained drop as long as investors remain hopeful for even a

skinny deal with China (the so-called “Trump Put”) and expect the Federal Reserve to serve as a backstop for the economy (the so-called “Fed Put”). **Thus, Trump is unlikely to feel pressure to make a deal until the market realizes there is no deal, and by then it will be too late. Xi will know he has the upper hand at that point, and any possibility of Trump getting the concessions he needs to show a win will be gone.**

It also may seem that the impeachment hearings would pressure Trump to take a deal quickly to show a win that distracts from the proceedings. However, the more likely scenario is that it gives Xi the impression that Trump is weak and will be forced to make larger concessions — or may even be pushed out of office in November 2020, or perhaps even earlier. This dynamic gives Xi more incentive to wait Trump out, not less, while Trump meanwhile will need to look strong by not giving into China, and both sides will continue to move farther apart.

WHY INVESTORS ARE UNDER-PRICING RISK OF A WARREN

ADMINISTRATION: Senator Elizabeth Warren (D-MA) is riding a string of strong polling lately in the Democratic race for president. The [RealClearPolitics average of polling](#) shows for the first time her ahead of former Vice President Joe Biden in Iowa. Meanwhile, Warren trails Biden by just [three points in New Hampshire](#), and the [latest Nevada poll](#) has her behind by just 3.8 points. Nationally, her support has [crossed the 20 percent mark](#) for the first time, trailing Biden by 6.7 points. **It's clear that Warren has risen to the level of co-frontrunner with Biden in the Democratic race, with arguably more upside to grow than the former VP.**

As we wrote in a [Spotlight Report this week](#) titled "Who is Elizabeth Warren?" the specter of a Warren presidency has not been fully appreciated by investors. There are three misunderstandings worth rectifying.

First, there is a mistaken belief that if Warren were to win the Democratic nomination, she will have to tack to the middle in the general election. Despite Warren's high-charging ideals and progressive bona fides, she has shown herself to be a shrewd tactician in how she is operating her campaign. She has found a balancing act of building a base of support among very liberal Democrats while also being acceptable among the more moderate and conservative wings of the party. This has not come from tailoring her ambitions and policy goals, but from choosing to frame herself in a narrative against corruption and inequality that has broad appeal. It's that consistent messaging that has caught fire in the Democratic electorate. If she can win over moderate and conservative Democrats, she will have a message that could resonate with Independents and voters who are looking for a candidate who could shake up Washington in a way that Trump did in 2016. While there will be some adjustments to appeal to the general electorate, she has a theory of winning the race that has remained consistent and is unlikely to change.

Secondly, there is a mistaken belief that President Trump will handily beat Warren in a general election. A [CNBC report yesterday](#) noted that "Democratic donors on Wall Street and in big business are preparing to sit out the presidential campaign fundraising cycle – or even back President Donald Trump – if Sen. Elizabeth Warren wins the party's nomination." If Warren is the nominee, Trump and Republicans are sure to hammer the "socialist" moniker against her as well as her faux Native American ancestry. **Wall Street may view Warren as the person they met in the wake of the 2008 financial crisis, the rest of America sees her as "Lizzie from Oklahoma."** General election matchups are notoriously hard to predict this far out, but the [latest hypothetical Trump-Warren general election polls](#) has Warren ahead of Trump 48.4 percent to 44.4 percent. For Trump, 2020 will be like 2016 in that his path to victory is overperforming his approval/favorability ratings. But he was able to do that in 2016 in the face of another historically unpopular opponent and was able to position himself as the outsider to Washington. Those dynamics are likely to be different against Warren, who although she has been in the Senate since 2012, has positioned herself as a non-Washington type of politician. Being an unabashed progressive does hold potential risks for Warren in a general election, but that may not be the primary message that breaks through in an election about Trump that she frames around corruption and inequality.

Finally, there is a mistaken belief that even if Warren wins the presidency, she'll be constrained by Congress. To be sure, any of Warren's legislative ambitions are conditioned on the makeup of Congress. Though the House is expected to remain under Democratic control, the Republican-majority Senate will be an uphill challenge to flip in 2020. Democrats have well under a 50 percent shot of winning the Senate, even if a Democrat wins the White House. Of course, if Democrats do manage to flip the Senate, it would be with the slimmest of majorities, making bipartisanship a necessity (unless they remove the filibuster or successfully use reconciliation, both of which would be highly challenging though in a Senate with a thin majority). But a President Warren will not be deterred by Congress in enacting her agenda. With personnel in her administration who are true believers of her causes, she would relish the opportunity to bypass an inactive Congress and push (and overstep) the limits of executive action in achieving her policy goals, similar to her most recent predecessors in the Oval Office.

A Quick Look Back

House

On Monday, the House was not in session.

On Tuesday, the House passed several non-controversial measures under expedited procedures.

On Wednesday, the House passed a non-binding resolution that would express the sense of the Congress that the Trump administration should provide Congress access to the whistleblower complaint against President Trump. The House also passed the SAFE Banking Act, which would provide a safe harbor for banks to service the medicinal and recreational cannabis industry, under expedited procedures, as well as a bill that would overhaul the Department of Homeland Security's border patrol policies.

On Thursday, the House passed a rule for a resolution to terminate the president's February 15th national emergency declaration, as well as a bill to create new processes for medical screenings of migrants by US Customs and Border Protection. The House also passed 11 non-controversial bills under expedited procedures.

Today, the House will reconvene at 9:00 a.m. and will consider a measure that would terminate the president's designation of a national emergency regarding the southern border.

Senate

On Monday, the Senate resumed consideration of the nomination of Brian McGuire to be a deputy under secretary of the Treasury.

On Tuesday, the Senate confirmed the following nominations: Brian McGuire to be deputy under secretary of the Treasury for legislative affairs; Joseph Cella to be ambassador to the Republic of Fiji, concurrently to serve as ambassador to the Kingdom of Kiribati, the Republic of Nauru, the Kingdom of Tonga, and Tuvalu; Daniel Jorjani to be solicitor for the Interior Department; and David Black to be deputy commissioner of the Social Security Administration.

On Wednesday, the Senate passed a joint resolution seeking to end the national emergency declared by the president in order to shift military construction funding to pay for partial construction of the wall along the US-Mexico border. The Senate then voted on seven motions to instruct the conferees to the FY20 National Defense Authorization Act.

On Thursday, the Senate passed a funding stopgap measure known as a continuing resolution that would fund the federal government through November 21st. The Senate later confirmed the nominations of Air Force General John E. Hyten to be vice chairman of the Joint Chiefs of Staff and Eugene Scalia to be secretary of Labor.

Today, the Senate is not in session.

White House

On Monday, President Trump hosted and delivered keynote remarks at the Global Call to Protect Religious Freedom event at the United Nations in New York City. Then, the

president participated in bilateral meetings with Pakistani President Arif Alvi, Polish President Andrzej Duda, New Zealand Prime Minister Jacinda Ardern, Singaporean President Halimah Yacob, Egyptian President Abdel Fattah el-Sisi, and Korean President Moon Jae-in.

On Tuesday, President Trump addressed the 74th Session of the United Nations General Assembly. Then, the president participated in bilateral meetings with UK Prime Minister Boris Johnson, Indian Prime Minister Narendra Modi, and UN Secretary-General António Guterres. Later, the president attended a luncheon hosted by UN Secretary-General Guterres. Next, Trump participated in meetings with President Tijjani Muhammad-Bande of the 74th Session of the United Nations General Assembly, Iraqi President Barham Salih, the Middle East Strategic Alliance. In the evening, Trump and First Lady Melania Trump attended a diplomatic reception.

On Wednesday, President Trump participated in a multilateral meeting on Venezuela. Later, the president participated in bilateral meetings with Japanese Prime Minister Shinzo Abe, Ukrainian President Volodymyr Zelensky, and Salvadoran President Nayib Bukele. President Trump then participated in a press conference. In the evening, the president delivered remarks at a joint fundraising committee dinner at a private residence in New York City.

On Thursday, President Trump participated in a meet and greet with the United States Mission to the United Nations. Later, the president delivered remarks at a joint fundraising committee breakfast.

Today, President Trump will participate in a High Holy Days call with Jewish faith leaders at 12:00 p.m. At 3:30 p.m., the president will receive his intelligence briefing. At 6:30 p.m., Trump will deliver remarks at the Hispanic Heritage Month Reception.

Spotlight Review

Tuesday: [Who is Elizabeth Warren?](#)

Wednesday: [The Great Fracking Ban: Democratic Climate Plans Create New Risks for Energy Industries](#)

Thursday: [Trump Health Policies Ramp Up as Impeachment Unfolds](#)

On the Horizon

Macroeconomic

Today at 12:00 p.m., Philadelphia Federal Reserve Bank President Patrick Harker will speak on the economic outlook at the "Shadow Open Market Committee Fall 2019

Meeting" held in the Princeton Club of New York, in New York, NY.

Today and Saturday, the Georgetown University Law Center will hold its 2019 Law and Macroeconomics Conference. Expected participants include:

Randy Quarles, vice chair for supervision, Federal Reserve Board of Governors

On Tuesday at 4:15 a.m., Chicago Federal Reserve Bank President Charles Evans will speak on monetary policy in Frankfurt, Germany, with audience Q&A.

On Tuesday at 9:15 a.m., St. Louis Federal Reserve Bank President James Bullard will give welcoming remarks at the 2019 Community Banking in the 21st Century Research and Policy Conference, in St. Louis, MO.

On Tuesday at 9:30 a.m., Federal Reserve Board Governor Michelle Bowman will give the keynote 2019 Community Banking in the 21st Century Research and Policy Conference, in St. Louis, MO.

On Wednesday at 9:00 a.m., Philadelphia Federal Reserve Bank President Patrick Harker will give the keynote on the second day of the 2019 Community Banking Research Conference, in St. Louis, MO.

On Wednesday at 10:50 a.m., New York Federal Reserve Bank President John Williams will participate in a moderated discussion at the UC San Diego Economics Roundtable Lecture Series in La Jolla, CA.

On Thursday at 3:45 a.m., Chicago Federal Reserve Bank President Charles Evans will speak on monetary policy at a Global Interdependence Center Central Banking Series event in Madrid, Spain, with media Q&A.

On Thursday at 8:30 a.m., Federal Reserve Board Vice Chair Randal Quarles will give a speech titled "The Financial Stability Board at 10 Year" at the European Banking Federation's European Banking Summit 2019, Brussels, Belgium.

On Thursday at 9:45 a.m., the Brookings Institution will hold a discussion titled "What's (Not) Up with Inflation?"

On Thursday at 10:00 a.m., the Commodity Futures Trading Commission will hold a meeting of the Technology Advisory Committee to hear presentations and actionable recommendations from the TAC subcommittees on Automated and Modern Trading Markets, Distributed Ledger Technology and Market Infrastructure, Virtual Currencies, and Cyber Security.

On Thursday at 12:10 p.m., Cleveland Federal Reserve Bank President Loretta Mester will participate in a panel discussion on inflation and the implications for monetary and other policy at the Hutchins Center on Fiscal and Monetary Policy event held at the Brookings Institution Falk Auditorium in Washington, DC.

On Thursday at 5:00 p.m., the Concord Coalition will hold a discussion titled "Toward a Fiscally Responsible Economic Growth Agenda." [More information here.](#)

On Thursday at 6:35 p.m., Federal Reserve Vice Chair Richard Clarida will speak on the outlook for the economy and monetary policy at the Wall Street Journal's event titled "The Future of Global Markets," in New York, NY.

On Friday at 10:25 a.m., Atlanta Federal Reserve Bank President Raphael Bostic to speak on the economy in a fireside chat at the 40th Annual Tulane Business Forum in New Orleans, LA, with audience Q&A.

On Friday at 2:00 p.m., the Federal Reserve Board will hold a "Fed Listens" event titled "Perspectives on Maximum Employment and Price Stability." [More information here.](#) Expected participants include:

- Jerome Powell, chairman, Federal Reserve Board
- Lael Brainard, governor, Federal Reserve Board
- Randy Quarles, vice chair for supervision, Federal Reserve Board of Governors
- Richard Clarida, vice chairman, Federal Reserve Board of Governors

On Friday at 4:45 p.m., Kansas City Federal Reserve Bank President Esther George will give First Day closing remarks at the 61st annual meeting of the National Association of Business Economics in Denver, CO.

Energy

On Wednesday at 9:00 a.m., the United States Energy Association will hold the 12th annual Energy Supply Forum. [More information here.](#)

Geopolitical

Today at 9:00 a.m., the Foundation for Middle East Peace and the Carnegie Endowment for International Peace will hold a discussion titled "Israeli Politics and the Prospects for Peace." [More information here.](#)

Today at 9:00 a.m., the George Washington University's Elliott School of International Affairs will hold its first North Korea Economic Forum annual conference titled "The North Korean Economy and its Future: Change vs. the Status Quo."

Today at 10:00 a.m., the Washington Institute for Near East Policy will hold a discussion

titled "Responding to the Saudi Oil Attack: A Challenge for US Policy." [More information here.](#)

Today at 11:45 a.m., the Hudson Institute will hold a discussion titled "Great Powers, Greenland, and Geostrategic Competition in the Arctic." [More information here.](#)

On Monday at 11:00 a.m., the Heritage Foundation will hold a discussion titled "Public Diplomacy in the Trump Administration."

On Tuesday at 9:30 a.m., the Brookings Institution will hold a discussion titled "Global China: Assessing China's growing role in the world and implications for US-China strategic competition." [More information here.](#)

On Tuesday at 2:00 p.m., the George Washington University (GWU) Elliott School of International Affairs' Institute for Korean Studies and the GWU East Asia National Resource Center will hold a Korea Policy Forum titled "US-China Strategic Rivalry and the Korean Peninsula."

On Thursday at 12:00 p.m., the University of Maryland Center for International and Security Studies will hold a forum titled "Deciphering Intentions: China's South China Sea Strategy and Implications for Great Power Competition." [More information here.](#)

On Friday at 1:00 p.m., the Brookings Institution will hold a discussion titled "The US-China Technology Relationship in Flux."

Healthcare

Today at 12:00 p.m., the Alliance for Health Policy will hold a briefing titled "Unpacking Policy Options to Promote Prescription Drug Affordability." [More information here.](#)

On Wednesday at 12:00 p.m., the Cato Institute will hold a briefing titled "Saving Lives from Opioid Overdoses: Naloxone Policy Discussion and Training."

On Thursday at 12:00 p.m., the Cato Institute will hold a discussion titled "Patients, Privacy and PDMPs: Exploring the Impact of Prescription Drug Monitoring Programs." [More information here.](#)

On Thursday at 1:00 p.m., the Center for Strategic and International Studies will hold a discussion titled "The UN High-Level Meeting on Universal Health Coverage: What Happened?"

Industrials

Today at 8:30 am, the National Academy of Sciences will hold day two of a workshop titled

"Identifying Opportunities to Understand, Control and Prevent Exposure to Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS)." [More information here.](#)

Immigration

Today at 10:00 a.m., the Bipartisan Policy Center will hold a discussion titled "Immigration and the 2020 Election." [More information here.](#)

Today at 10:00 a.m., the National Press Club Newsmaker Program will hold a headliners discussion titled "Immigration Courts in Crisis." [More information here.](#)

Judiciary

On Tuesday at 5:45 p.m., the American Enterprise Institute will hold a discussion titled "The Role of the Chief Justice in American Constitutionalism."

Political

On Monday at 10:00 a.m., the Brookings Institution will hold a discussion titled "Impeachment: What Happens Now?" [More information here.](#)

Space

On Monday, the Atlantic Council will hold a discussion titled "Reenergizing Transatlantic Space Cooperation in Security and Beyond," as part of the Defense-Industrial Policy series.

Tech-Media-Telecom

Today at 9:30 a.m., the House Energy and Commerce Committee's Subcommittee on Communications and Technology will hold a hearing titled "Legislating to Secure America's Wireless Future," focusing on supply chain security and spectrum.

Today at 12:00 p.m., the National Cyber Security Alliance will hold a forum titled "Challenges and Opportunities of Securing Internet of Things Connections." [More information here.](#)

Tuesday at 12:00 p.m., the Financial Services Innovation Coalition will hold a briefing titled "Artificial Intelligence, Innovation and the Workforce: What Should Congress Know and Do?"

On Tuesday at 1:00 p.m., the National Telecommunications and Information Administration will hold a meeting of the Spectrum Management Advisory Committee on developing and maintaining spectrum management policies that enable the United States to maintain or strengthen its global leadership in the introduction of communications technology, services, and innovation.

On Wednesday at 9:00 a.m., the Washington Post Live will hold its 2019 Cybersecurity Summit. [More information here.](#)

Trade

Today at 9:30 a.m., the Center for Strategic and International Studies will hold a discussion titled "The European Economic Area and European Free Trade Association: A Different Approach to Trade and a Possible Post-Brexit Path?"

On Wednesday at 9:00 a.m., the Washington International Trade Association will hold a discussion titled "The US-China Trade and Strategic Relationship." [More information here.](#)

On Wednesday at 9:30 a.m., the US Trade Representative will hold a hearing of the Trade Policy Staff Committee about the annual report to Congress on China's compliance with the commitments made in connection with its accession to the World Trade Organization.

Afterthoughts

White House's Emailing Snafu: In circulating talking points to defend President Trump around the release of the memo of his July phone call with Ukrainian President Volodymyr Zelensky, the White House [mistakenly emailed the talking points](#) to Democratic lawmakers and their staff.

If Only Barbells Could Vote: Former Rep. John Delaney (D-MD) is polling at under one percent for the presidential nomination. He may not be able to lift his poll numbers but [he can lift 350 pounds](#) on the deadlift.

A Far Out Raid on Area 51: The [Washington Post delightfully chronicled](#) the non-raid raid on Area 51 by 2,000 people.



