

Washington Quarterly Report: 2017 Q3

An overview of actions by the Trump administration and Congress, how financial markets responded, and impacts on upcoming elections

October 12, 2017

Producer

Presentation Center Team

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Understanding the Washington Quarterly Report

The Washington Quarterly Report tells the story of the capital's previous quarter and what to expect in the next. Main topics covered will be the Trump administration, Congress, the economy, and election forecasts. Building off daily content produced by National Journal's Presentation Center, this deck provides government affairs professionals a ready-made report to send to members or executives, or to form the base of any organization's quarterly report.

Roadmap

- President Trump's promises: how far has the president's agenda advanced?
- Governance: What laws and regulations have been passed and who is being hired/fired?
- The economy: How did the financial markets perform and how is the Fed responding?
 - NB: Quarters in this deck refer to the fiscal year running January to December, not the federal fiscal year
- Elections: What happened in the 2017 special elections, and what's in store for 2018?

See something Missing?

As only the second iteration of the Washington Quarterly Report, we recognize that some information important to your organization may be missing. If your organization could benefit from any new sections, or deeper examinations of sections already included, please contact the Presentation Center or your dedicated advisor. Our priority is to make the quarterly report as clear and useful as possible.

Washington Quarterly Report: FY 2017 Q3

President Trump

- Heat-map of promises and successes
- White House shakeup
- International trade agreements
- Travel ban
- North Korea
- Hurricanes Harvey, Irma, and Maria
- DACA/immigration reform
- Social issues – Charlottesville, NFL

Governance

- Laws signed by the president
- Repeal and Replace failure
- Budget process
- New executive orders
- Filling the federal workforce
- Upcoming legislative deadlines

The economy

- Stock indices
- GDP growth rate
- Employment: all private sector
- Federal Reserve actions – QE program fading out
- Potential future Fed chairmen

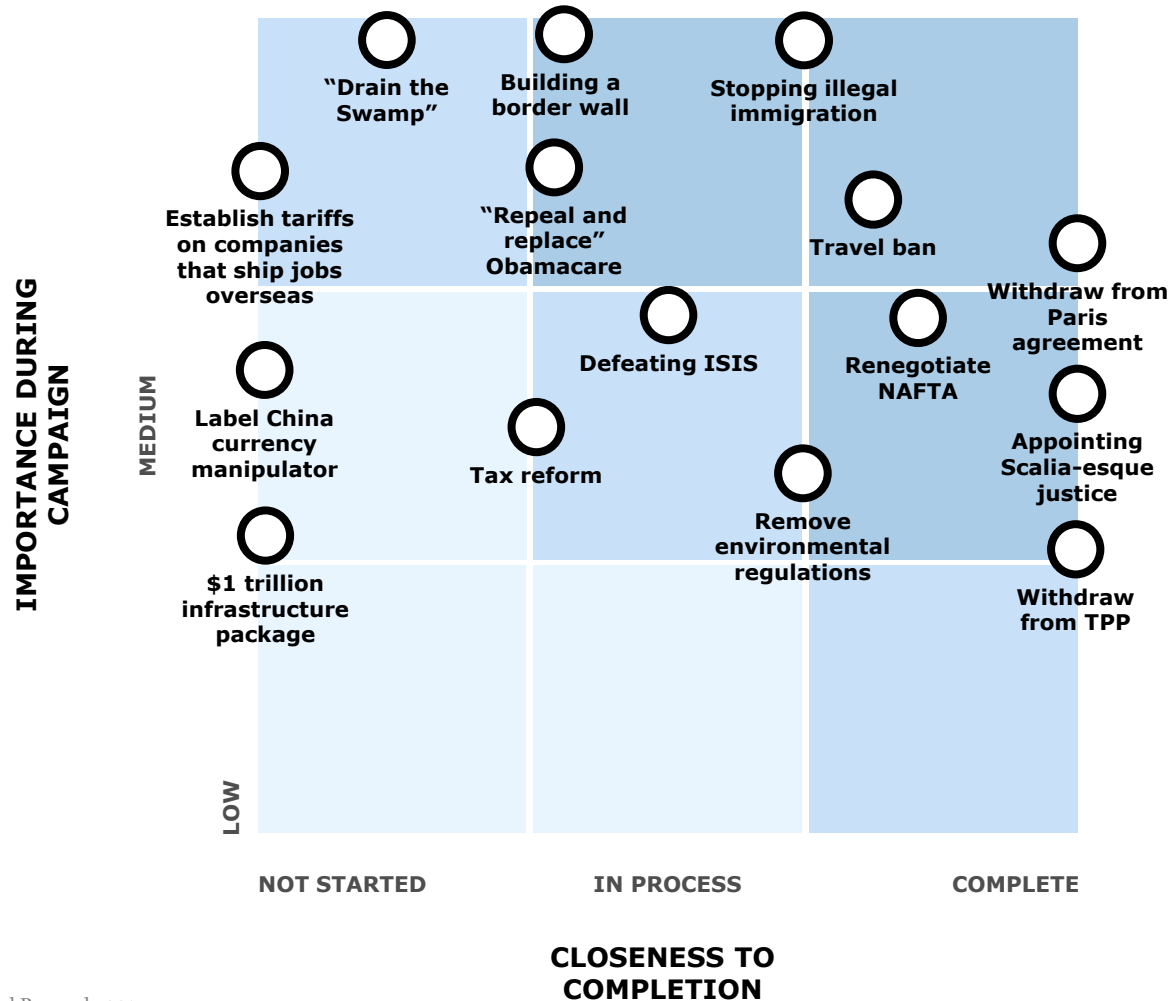
Polling

- Trump
- Trump by state
- Congress

Election results and predictions

- Results of 2017 special elections
- 2018 prospects: control of the House and Senate
- Retirements

What has President Trump done to advance his campaign promises and where has he fallen short?



Sources: National Journal Research, 2017.

An ongoing list of important dismissals or resignations from the Trump administration

In order of their departure



Michael Flynn
National Security Advisor
Resigned: 2/13/2017



Sean Spicer
Press Secretary
Resigned: 7/21/2017



George Sifakis
Director of Public Liaison
Resigned: 8/--/2017



Boris Epshteyn
Director for Surrogate Ops
Resigned: 3/27/2017



Michael Short
Snr. Asst. to the Press Sec.
Resigned: 7/25/2017



Andy Hemming
Director of Rapid Response
Resigned: 8/21/2017



Katie Walsh
Deputy Chief of Staff
Resigned: 3/30/2017



Reince Priebus
Chief of Staff
Resigned: 7/28/2017



Sebastian Gorka
Strategist
Dismissed: 8/25/2017



K.T. McFarland
Dep. Nat. Security Advisor
Dismissed: 4/9/2017



Anthony Scaramucci
Communications Director
Resigned: 7/31/2017



Tory Maguire
Director of Scheduling
Resigned: 9/22/2017



Michael Dubke
Communications Director
Resigned: 6/02/2017



George Gigicos
Dir. of Scheduling & Advance
Dismissed: 8/1/2017



Andy Surabian
Deputy Strategist
Resigned: 9/6/2017



Rich Higgins
NSC Dir. of Strategic Planning
Dismissed: 7/21/2017



Stephen Bannon
Chief Strategist
Dismissed: 8/18/2017



Tom Price
HHS Secretary
Resigned: 9/29/2017

Sources: National Journal Research, 2017. Jeremy Berke, "Anthony Scaramucci lasted less than 2 weeks — here are all 10 casualties of the Trump administration so far," Business Insider, July 31, 2017.

As the first ban expired, Trump issued a second that goes farther to prohibit some foreigners from traveling to the US

Who is affected and how?



Countries affected by the new executive order

The majority of citizens from Iran, Libya, Syria, Yemen, Somalia, Chad and North Korea will be banned from entering the US. Iraqi and Venezuelan citizens will face heightened scrutiny and restrictions.



Ban is more far-reaching than the March ban

While Trump's March travel ban suspended travel from seven Muslim-majority countries for 90 days, this ban imposes permanent restrictions on travel.



Countries dropped and added to the ban

For Chad, Venezuela and North Korea, Trump's proclamation suggested that they had been added because of those countries' inadequate information-sharing and/or a lack of cooperation with the US; for example, it stated that Chad would be included in the ban because it "does not adequately share public-safety and terrorism-related information."

Sudan was dropped from the ban, which administration officials said was because the country's cooperation with the US had improved.

Each country will have its own restrictions



Iran will be able to send its citizens on student exchanges, but they will be subject to more screening.



Certain government officials of **Venezuela** and their families will be barred from entering the US.



Citizens of **Somalia** will not be allowed to emigrate to the US, although they may visit, with enhanced screening.



All **Syrians** will be blocked from emigrating to or visiting the US.



All **North Koreans** will be blocked from emigrating to or visiting the US.

Most citizens of **Chad, Libya and Yemen** will be blocked from emigrating to or visiting the US, allegedly because those countries don't have the technical ability to screen their travelers. However, many critics are unsure why some countries were included, such as Chad, which has been an important antiterrorism ally in the region.

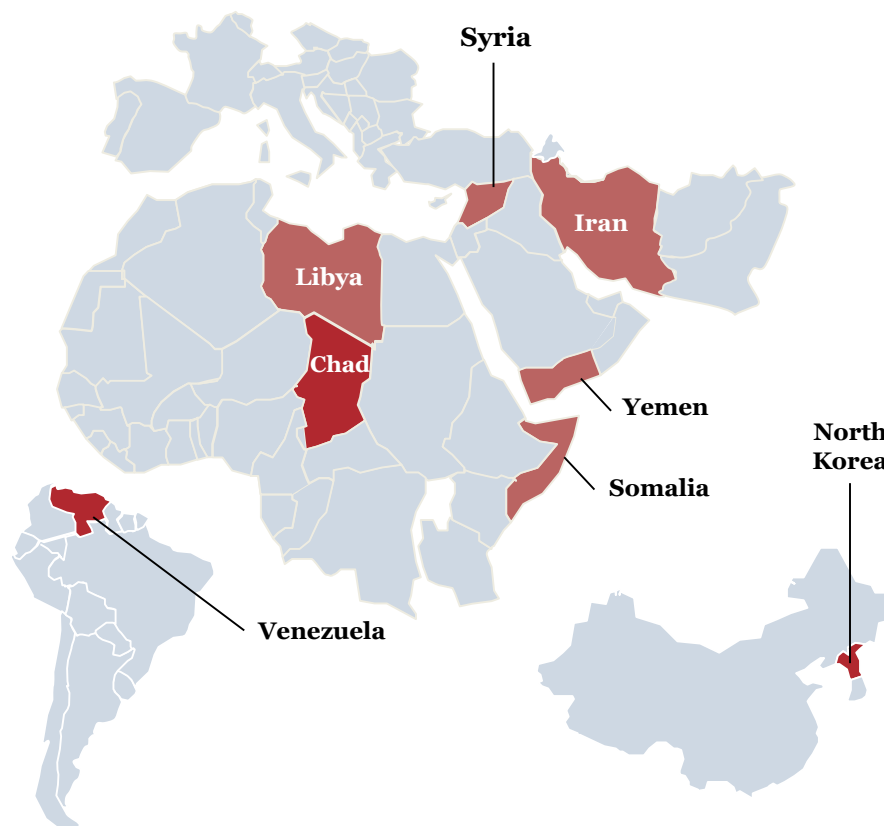


Trump's new travel order adds North Korea, Chad, Venezuela to list of affected countries, but drops Sudan

■ Countries targeted by revised travel order, partially implemented Jun. 2



Countries targeted by Sept. 24 travel order – carried over from Jun. 2 ban (■) and newly affected (■)



Sources: Kevin Lui, "President Trump added three new countries to his travel ban. Here's what to know about them," Time, Sept. 24, 2017; Michael D. Shear, "New order indefinitely bars almost all travel from seven countries," NYT, Sept. 24, 2017.

The President's continuous threats to unilaterally withdraw the US from agreements hangs over trade negotiations

Key developments:



July 2017:

US Trade Representative Lighthizer begins talks with the UK: The USTR met with British International Trade Secretary Liam Fox for the first meeting of the US-UK Trade and Investment Working Group to discuss potential bilateral trade agreements following Brexit.



August 2017:

First round of NAFTA renegotiation and increased pressure on China: Representatives from Canada, Mexico and the US met in Washington, DC to begin discussions to renegotiate NAFTA. The USTR announced the initiation of a Section 301 Investigation into Chinese intellectual property theft.



September 2017:

Second and third rounds of NAFTA renegotiation completed: Trade talks continued in Mexico City and Ottawa. Negotiators agreed on certain provisions to modernize small business regulations, but could not yet resolve differences on labor standards and dispute settlement.

Potential actions

- Fourth round of negotiations: Oct. 11-15
- Goals:
 - **Raising rules of origin**, the level of a good produced in North America needed to qualify for zero tariffs under NAFTA
 - **Eliminating Chapter 19**, which allows private companies to challenge trade rulings made by NAFTA countries
 - **Implementing a sunset clause**, which would end NAFTA in five years unless each country agrees to its renewal
- Trump has indicated he is willing to withdraw from NAFTA if a satisfactory agreement isn't reached
- Trump is expected to withdraw from TTIP negotiations with the EU



Sources: National Journal Research, 2017.

Similarly, Trump's unpredictable rhetoric towards N. Korea has many fearing an escalation towards military engagement

Key recent federal actions on the North Korea



April 2017:

The North Korea State Sponsor of Terrorism Designation Act of 2017 introduced by Rep. Ted Poe (R-TX) passes the House and moves to the Senate



August 2017:

The UN Security Council unanimously approves sanctions against North Korea



August 2017:

New sanctions legislation enacted after a delay by the White House

Potential actions

- Trump decides to take some military measure against North Korea
- Other legislation in Congress regarding North Korea ranges from requiring the Director of National Intelligence (DNI) to form a DPRK-specific intelligence gathering cell to establishing diplomatic channels to discuss North Korea
- Congressional action depends largely on that of the president. If President Trump does opt for a military option, he will need approval from Congress

Timeline of Trump statements on North Korea

October 1

*"I told Rex Tillerson, our wonderful Secretary of State, that **he is wasting his time** trying to negotiate with **Little Rocket Man**"*
-Tweet

October 5

*"This is the **calm before the storm**"*
-At a photo shoot before a dinner with military leaders and their wives

October 7

*"Presidents and their administrations have been talking to North Korea for 25 years, agreements made and massive amounts of money paid....hasn't worked, agreements violated before the ink was dry, makings fools of U.S. negotiators. Sorry, but **only one thing will work!**"*
-Tweet

October 9

*"Our country has been unsuccessfully dealing with North Korea for 25 years, giving billions of dollars & getting nothing. **Policy didn't work!**"*
-Tweet

Trump started to phase out the DACA program in Q3, giving Congress a deadline to work on a permanent fix

DACA: timeline & possible outcomes



Option 1: Phase out the program (confirmed)

The administration has announced that the government will stop issuing new work permits, but will allow current beneficiaries to stay protected under DACA until March 2018.



Option 4: Pass DACA replacement bill (possible)

Some Republicans are hesitant to let DACA beneficiaries lose protections, in part because most Americans are sympathetic toward Dreamers. Hence, four bills with bipartisan sponsors have been filed that would support or provide relief to Dreamers, including RACA and the Bridge Act. Trump could back one of these initiatives.



Option 2: Rescind the program

Trump could invalidate the work permits issued to program members, called Dreamers, since 2012. This could put 800,000 Dreamers at risk of deportation.



Option 5: Order Jeff Sessions to defend DACA

If Trump sticks with his July 2017 decision to continue the DACA program, he could order Attorney General Jeff Sessions to defend DACA in court against the attorneys general who have threatened to sue.



Option 3: Allow others to defend DACA in court

If the administration neither rescinds nor backs the program's continuation, Trump could let outside figures defend DACA against a GOP lawsuit. Defendants could include attorneys general from pro-DACA states (e.g., CA) or pro-immigration nonprofits.

Who supports DACA?

Almost all Democrats in Congress support DACA. Additionally, an April 2017 poll found that 78% of voters supported it, agreeing that DACA immigrants – called Dreamers – should be allowed to stay. Some GOP members, including Paul Ryan (R-WI), have publicly opposed cutting DACA, instead favoring reform.

Who opposes DACA?

Most Republicans oppose DACA; in 2013, almost all House Republicans voted to defund DACA (although it is almost entirely funded by its own application fees). The 10 attorneys general who threatened a lawsuit in June are also conservative.

Sources: National Journal Research, 2017.

Trump's remarks about violence "on both sides" of the Charlottesville protest sparked outrage and public rebukes

Initial remarks

Aug. 12: "We condemn in the strongest possible terms this egregious display of hatred, bigotry and violence on many sides, on many sides"

Pushback from Republicans

Sen. Gardner (R-CO) – "Mr. President - we must call evil by its name. These were white supremacists and this was domestic terrorism"

Speaker Ryan (R-WI) – "I do believe he messed up in his comments on Tuesday when it sounded like a moral equivocation... when we needed moral clarity"

Trump doubles down

Aug. 15: "Not all of those people were neo-Nazis, believe me. Not all of those people were white supremacists by any stretch..."

"So this week, it is Robert E. Lee. I noticed that Stonewall Jackson is coming down. I wonder, is it George Washington next week? And is it Thomas Jefferson the week after? You know, you really do have to ask yourself, where does it stop?"



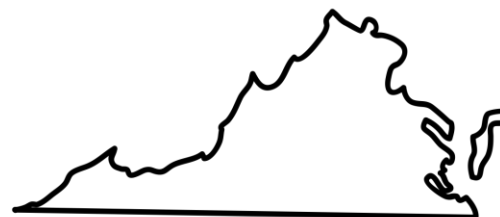
Donald J. Trump ✓
@realDonaldTrump

Manufacturer's Council disbanded

Aug. 14: "Now that Ken Frazier of Merck Pharma has resigned from President's Manufacturing Council, he will have more time to LOWER RIPOFF DRUG PRICES!"

Aug. 15: "For every CEO that drops out of Manufacturing Council, I have many to take their place. Grandstanders should not have gone on. JOBS!"

Aug. 16: "Rather than putting pressure on the businesspeople of the Manufacturing Council & Strategy & Policy Forum, I am ending both. Thank you all!"



At a campaign rally in Alabama, Trump ignited a debate about athletes kneeling during the national anthem

Initial remarks:

Sept. 22: “Wouldn’t you love to see one of these NFL owners, when somebody disrespects our flag, to say, ‘Get that son of a b--ch off the field right now. Out! He’s fired. He’s fired!’”



Other athletes protest Trump

Sept. 22: Golden State Warriors Stephen Curry says “By acting and not going, hopefully that will inspire some change when it comes to what we tolerate in this country”

Sept. 23: Trump tweets “Going to the White House is considered a great honor for a championship team. Stephen Curry is hesitating, therefore invitation is withdrawn!”

Sept. 24: Miami Dolphins TE Julius Thomas, who kneeled, said “To have the president trying to intimidate people — I wanted to send a message that I don’t condone that. “

Trump doubles down

Sept. 24: “Sports fans should never condone players that do not stand proud for their National Anthem or their Country. NFL should change policy!”

Analysis

- Trump could use similar divisive subjects to appeal to his patriotic base for the 2018 midterms
- Divisive social issues put centrist Democrats in an awkward position
 - They must appease both conservative constituents and more liberal activists
- Trump was criticized for pushing this debate while Puerto Rico was still recovering from Hurricane Maria

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- Employment: all private sector
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Election results and predictions

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Laws signed by the President

Any secondary titles in Georgia bold, 12pt

Role	Members
Speaker (5 votes)	Paul Ryan (R-WI)
Majority Whip (2 votes)	Steve Scalise (R-LA)
Conference Leadership (1 vote each)	Kevin McCarthy (R-CA), Cathy McMorris Rodgers (R-WA), Greg Walden (R-OR), Lynn Jenkins (R-KS), Virginia Foxx (R-NC), Patrick McHenry (R-NC)
Committee Chairs (1 vote each)	Hal Rogers (R-KY), Tom Price (R-GA), Fred Upton (R-MI), Jeb Hensarling (R-TX), Pete Sessions (R-TX), Kevin Brady (R-TX)
Regional Members (1 vote each)	Joe Heck (R-NV), Kevin Yoder (R-KS), John Shimkus (R-IL), Candice Miller (R-MI), Bill Shuster (R-PA), Pat Tiberi (R-OH), Steve Womack (R-AR), Lynn Westmoreland (R-GA), Bob Goodlatte (R-VA), Devin Nunes (R-CA), Jeff Miller (R-FL), Cynthia Lummis (R-WY), Lamar Smith (R-TX)
Junior Class Members (1 vote each)	Jeff Denham (R-CA), Richard Hudson (R-NC), Steve Russell (R-OK), Vacancy

Republicans failed to “repeal and replace” Obamacare



Key event 1: House passes the AHCA

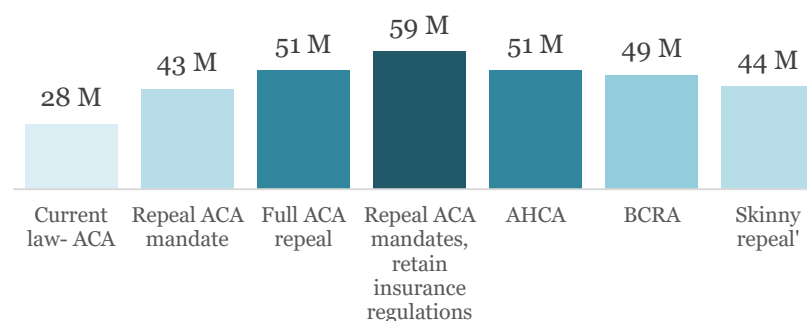
- In May, the House voted to pass the American Health Care Act of 2017
- According to the CBO, the bill would increase the number of uninsured by 23 million, reduce the federal deficit by \$119 billion and result in deep cuts to Medicaid



Key event 2: Senate fails to pass any version of BCRA

- The Senate unveiled the Better Care Reconciliation Act, which had deeper cuts to Medicaid and the would see the number of uninsured rise by 21 million, per the CBO
- The Senate tried to pass the health care bills under budget reconciliation
- The different drafts voted on:
 - BCRA with \$40 billion for opioid treatment
 - Full ACA repeal with no replace
 - Skinny repeal
- Key votes:
 - Susan Collins (R-ME)
 - Lisa Murkowski (R-AK)
 - John McCain (R-AZ)

Uninsured numbers for different health care scenarios, in millions of people



Key event 3: Senate fails to pass Graham-Cassidy

- The Senate failed to pass the Graham-Cassidy, a last-ditch effort to pass a repeal and replace of the ACA
 - Graham-Cassidy would have turned Medicaid into block grants and phased out government spending on health care
- Reconciliation had a deadline of September 30th, so health policy experts predict that if GOP wants to pass reform, they will couple it with tax reform

Hurricane response

Trump & Democrats reach deal on hurricane relief and fiscal deadlines

The offer

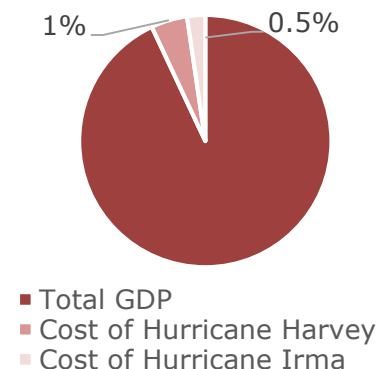
- Republican leadership offered an 18-month extension to the debt ceiling to avoid interfering with the 2018 midterm elections
- Treasury Secretary Steve Mnuchin pushed for the 18-month plan
- Democrats offered a three-month extension to the debt ceiling, revisiting spending limits by December 15 and avoiding default and a government shutdown until that time
- On hearing the Democrats' suggestion for a three-month extension, Republicans counter-offered with a six-month extension
- Trump favored the Democratic plan, and catalyzed the vote in Congress



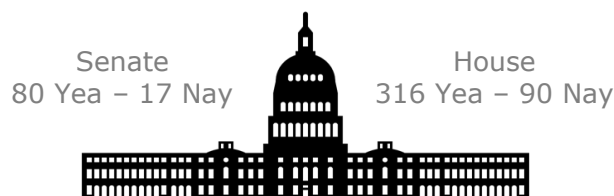
The agreement

- This agreement postpones the border wall funding fight until mid-December
- \$15.25 billion will go to disaster relief from hurricanes Harvey and Irma
- The Senate passed the legislation on Thursday, September 7, and the House followed suit on Friday. All no votes in both houses were cast by Republicans

Damages from the hurricanes



Damage to the US economy from Hurricanes Harvey and Irma is expected to be around \$290 billion



Appropriations

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Equipment for law enforcement agencies, blocked acquisition and North Korea sanctions

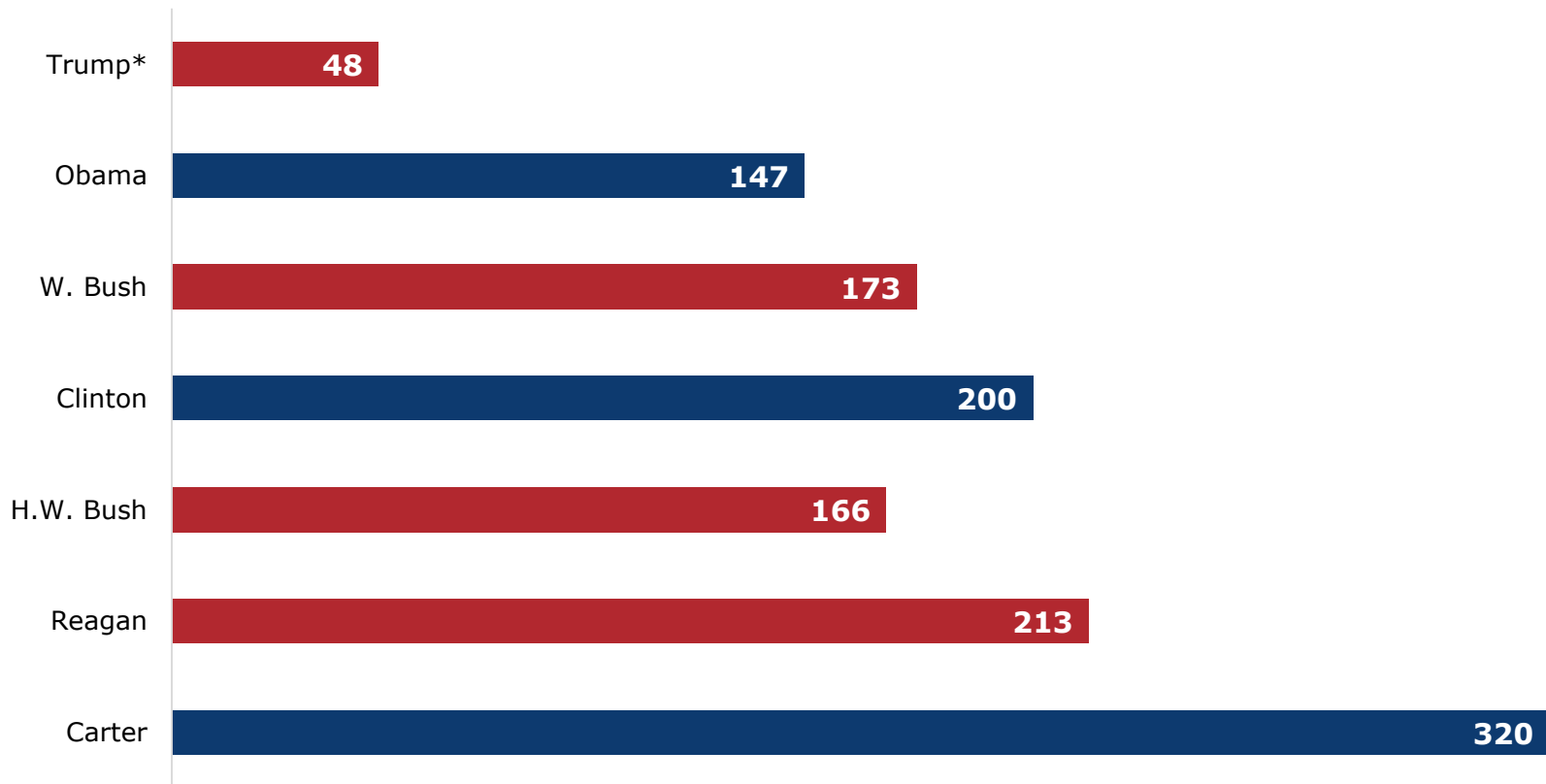
Recent executive orders signed by President Trump

Executive Order	Date	Details
Imposing Sanctions with Respect to the Situation in Venezuela	8/25/17	<ul style="list-style-type: none"> Prohibits certain financial transactions with Petroleos de Venezuela and the Government of Venezuela Authorizes the Secretary of the Treasury and the Secretary of State to implement the order through additional rules and regulations
Restoring State, Tribal, and Local Law Enforcement's Access to Life-Saving Equipment and Resources	8/28/2017	<ul style="list-style-type: none"> Revokes the Executive Order 13688, Federal Support for Local Law Enforcement Equipment Acquisition EO 13688 established increased coordination and oversight for the acquisition of certain federal equipment by state, local and tribal law enforcement agencies
Regarding the Proposed Acquisition of Lattice Semiconductor Corporation by China Venture Capital Fund Corporation Limited	9/13/17	<ul style="list-style-type: none"> Blocks the proposed acquisition of Lattice Semiconductor Corporations by Canyon Bridge Capital Partners for \$1.3 billion Follows the recommendation from the Committee on Foreign Investment in the United States to abandon the deal because of concerns for national security
On Imposing Additional Sanctions with Respect to North Korea	9/21/17	<ul style="list-style-type: none"> Penalizes any company or individual that does business with North Korea and cuts off access to American financial systems Allows the Department of Treasury to freeze assets of businesses and individuals that are involved with North Korea

Sources: Whitehouse.gov, 2017; Ayesha Rascoe and Mike Stone, "Trump to order review of US defense industrial base," CNBC, July 21, 2017; Whitehouse.gov, 2017; Liana B. Baker, "Trump bars Chinese-backed firm from buying US chipmaker Lattice," Reuters, September 13, 2017; Donna Borak, "North Korea sanctions: Here's what Trump did," CNN Money, September 21, 2017.

Trump on track to sign more EOs than Obama or Bush

Executive orders signed by presidents in their first term



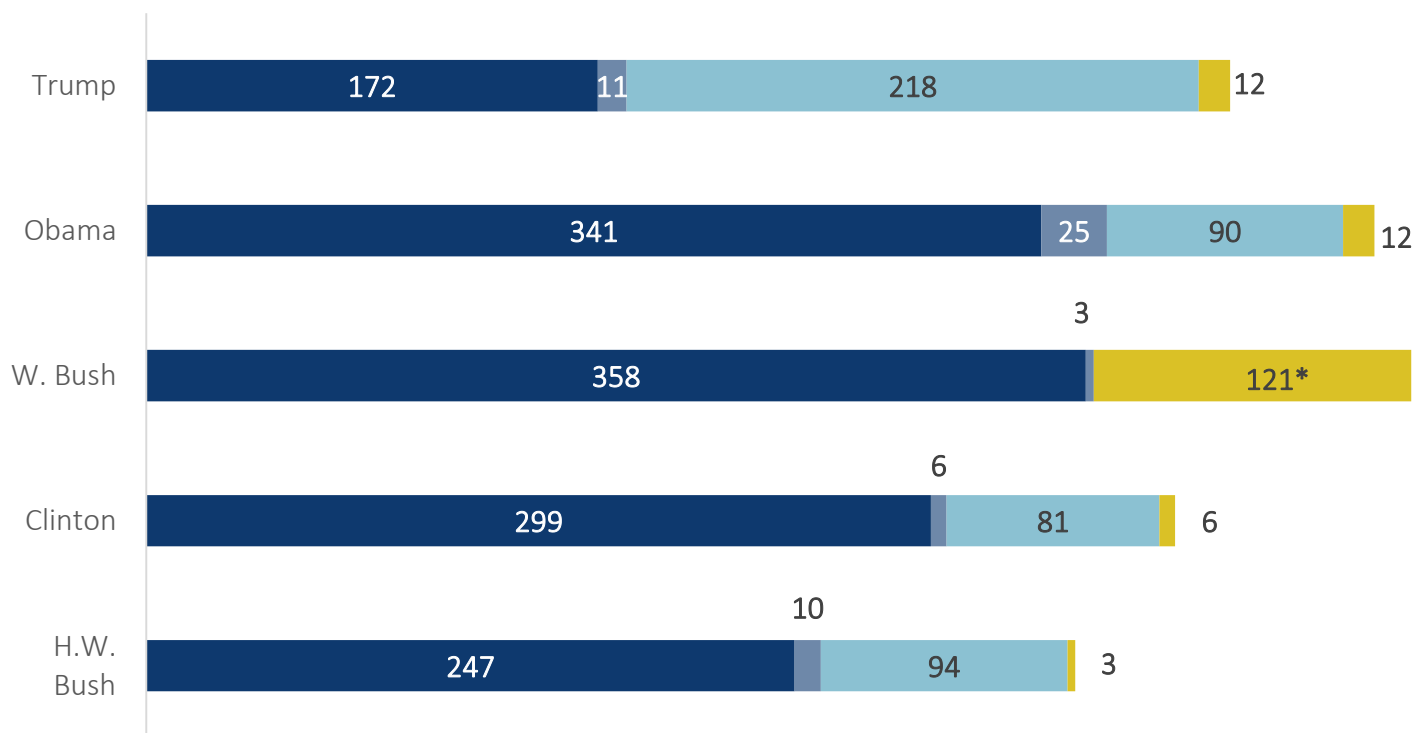
Sources: National Journal research.

Appointments compared to other presidents

Number of administration officials nominated and confirmed

All figures based on each administrations' progress as of October 6th of the first year of the administration

■ Confirmed ■ Nominated (on executive calendar) ■ Nominated (in committee) ■ Failed



Sources: National Journal Research, 2017.

Upcoming legislative deadlines

2017 Congressional calendar, October

■ Both chambers in session ■ Major legislative deadline
 ■ Senate in session only ■ House in session only

October

1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Recently expired legislation

Sept 30 – FAA authorization expires

Legislators have coalesced around a short-term extension for FAA funding to give themselves more time to debate full reauthorization. Congress passed a six month extension.

Sept 30 – CHIP funding expires

The Children's Health Insurance Program (CHIP) expands health care coverage to uninsured children ineligible for Medicaid. Congress has reached a deal but the legislation has not yet received a vote.

Legislative deadlines addressed



Hurricane relief



Debt ceiling agreement



National Flood Insurance Program extension
(New deadline: Dec. 8)



Budget/approps. extension
(New deadline: Dec. 8)

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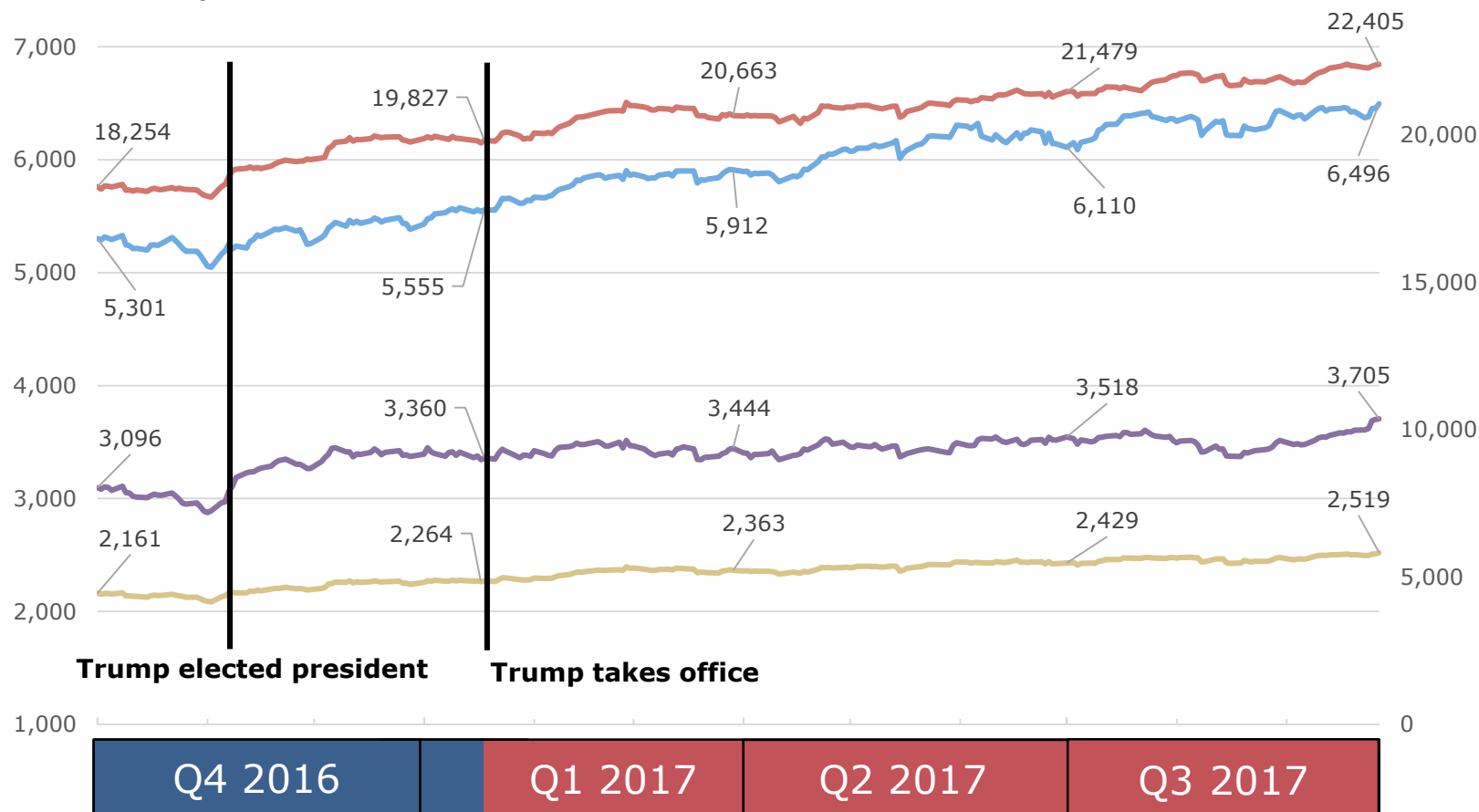
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Major stock indices rose an average 5% in Q3 2017 and 12.8% since Trump took office

Stock indices (Q4 2016 to Q3 2017)

■ DJIA ■ NASDAQ ■ S&P 500 ■ Russell 2000

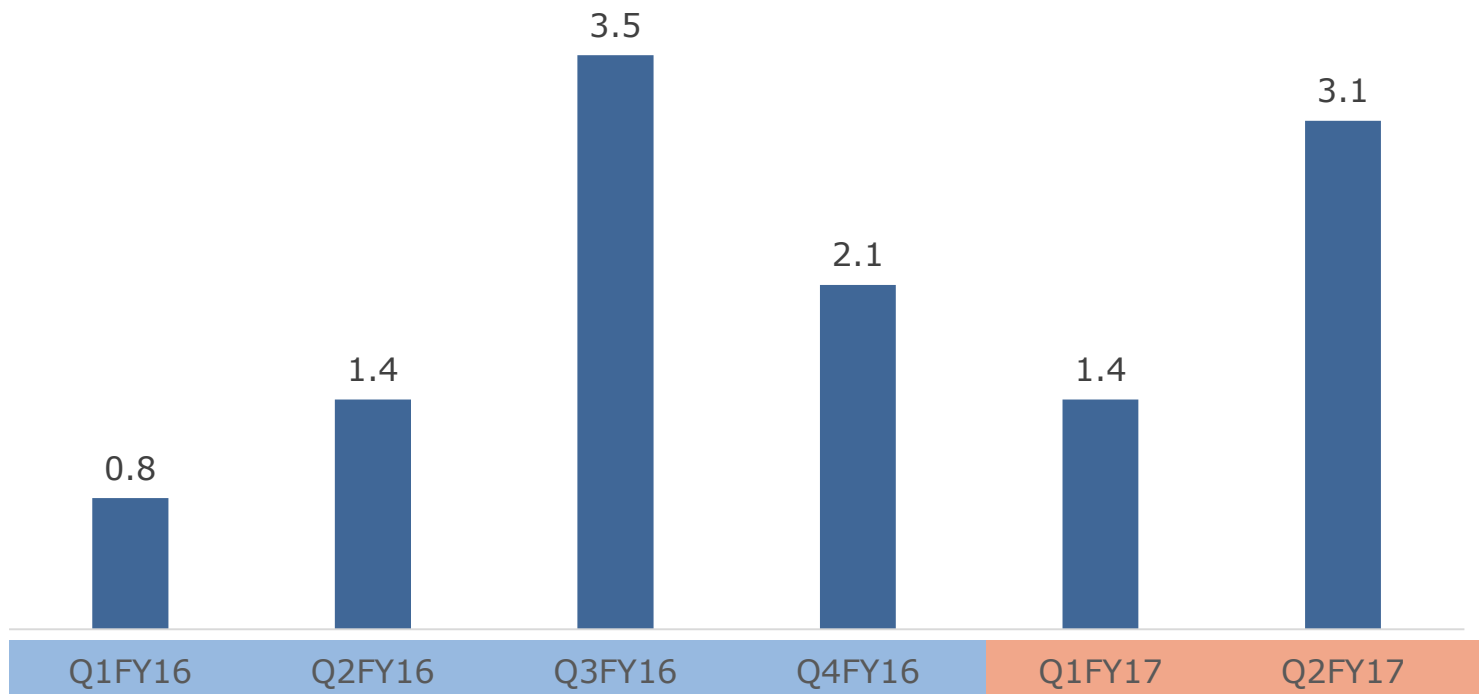


Sources: St. Louis Fed, "Dow Jones," "S&P 500," "NASDAQ," "Russell 2000," October 2, 2017.

GDP growth slowed to 1.4% in Trump's first quarter, but rose to 3.1% in his second quarter

Real GDP growth (Q2FY16 to Q2FY17)

PERCENT CHANGE FROM PRECEDING PERIOD, SEASONALLY ADJUSTED ANNUAL RATE

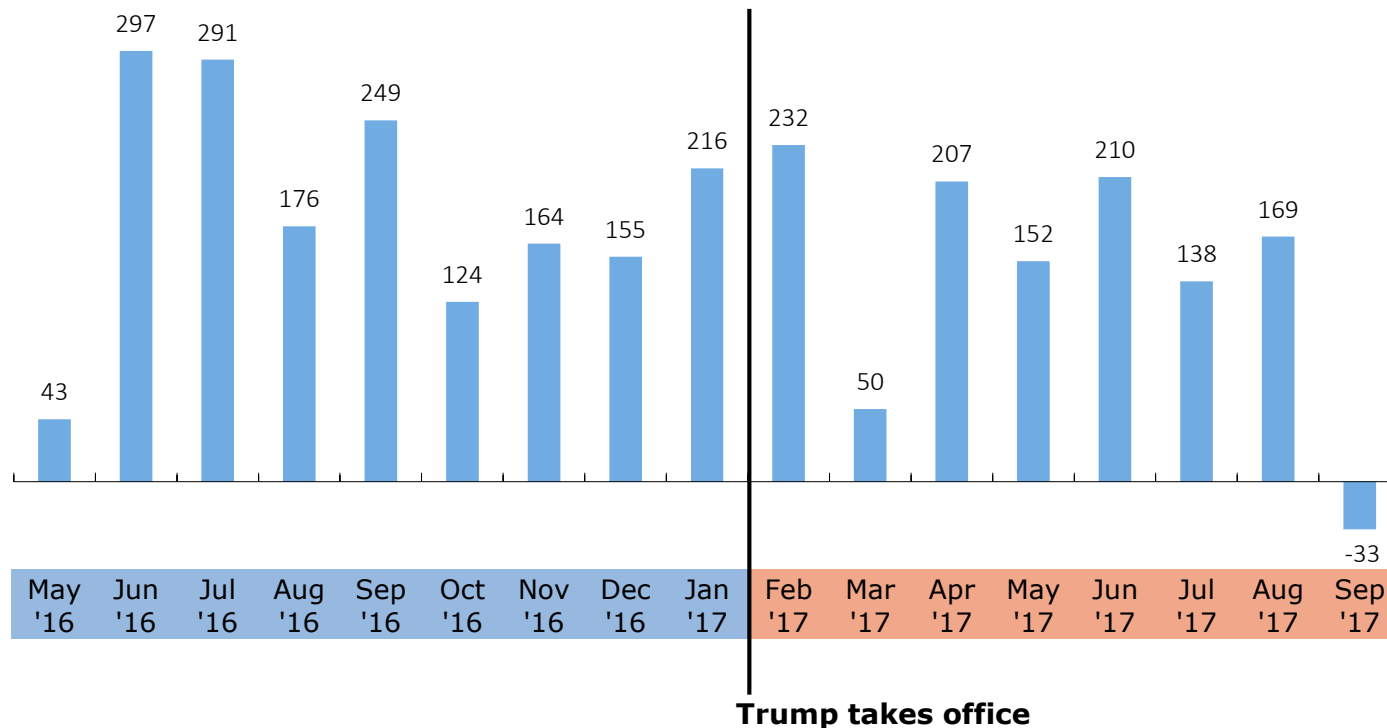


Sources: St. Louis Fed, "GDP Growth Rate" June 30, 2017. Federal Reserve Bank of Atlanta, September 28, 2017.

The private sector added 274,000 jobs over the last quarter, according to the Bureau of Labor Statistics

Change in US nonfarm private sector employment

THOUSANDS OF JOBS

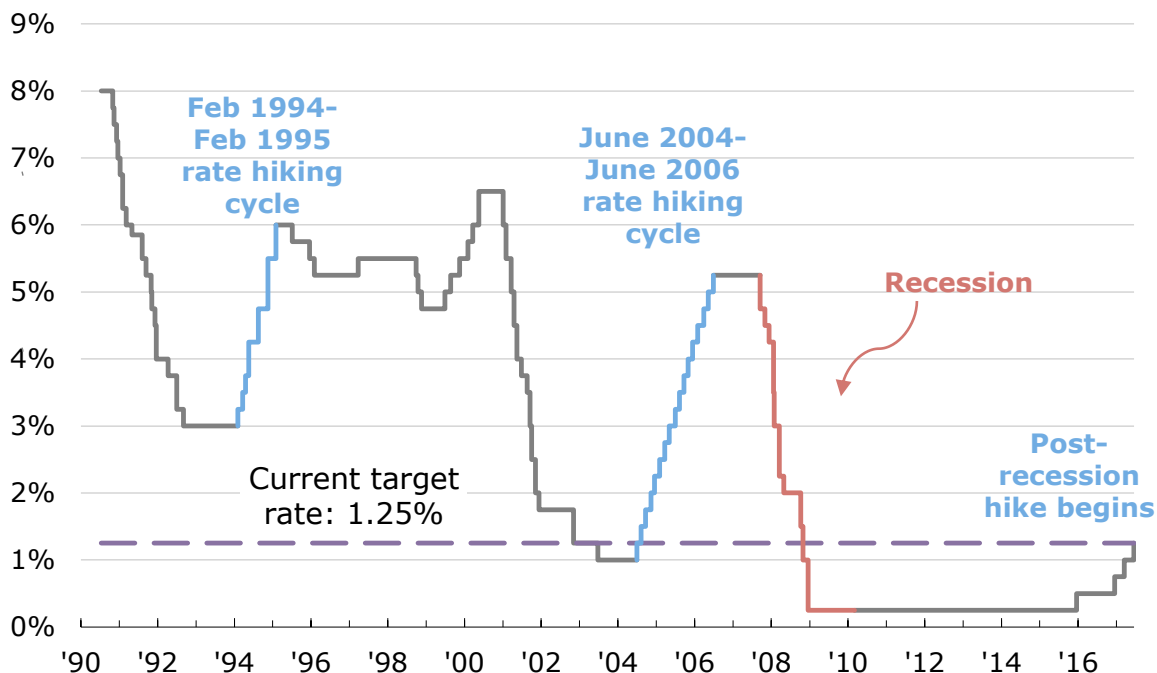


Sources: Bureau of Labor Statistics, 2017.

The Federal Reserve raised the target interest rate for the second time in 2017

Federal funds target rate, 1990-2017

PERCENTAGE



Analysis

- The Federal Reserve raised the Federal Funds target rate from 0.75-1% to 1-1.25% on June 14, 2017
- The hike is the second in 2017, following an increase in December 2016 and March 2017, marking the first time the target crossed the 1% mark since 2008
- The Fed is expected to raise interest rates one more time this year, and will begin tapering its \$4.5 trillion balance sheet in October 2017
- Starting in October, the Fed will begin unloading \$10 billion of debt from its balance sheet, including \$6 billion in Treasury securities and \$4 billion in agency debt each month through December

Sources: Federal Reserve Bank of New York, "Federal Funds Data," 2017; Bob Bryan, "Here's the Fed's plan to unwind its massive \$4.5 trillion balance sheet," Business Insider, September 20, 2017.

Fed plans to raise rates by the end of the year and will start shrinking their portfolio in October

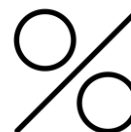
Takeaways from the FOMC meeting



The Fed will begin unloading some of its \$4.5 trillion in investments



Short-term interest rates were not raised due to low inflation



The Fed plans to hike interest rates by year end, affirming their confidence in the economy

The plan to unwind holdings

- The Committee intends to gradually reduce the Federal Reserve's securities holdings by reducing its reinvestment of the principal payments it receives from securities held in the System Open Market Account
- The plan is for the Fed to stop buying bonds so gradually that it will take years for its holdings to shrink to \$3 trillion, around which point it is expected to settle
- Starting in October, the Fed will begin unloading \$10 billion of debt from its balance sheet, including \$6 billion in Treasury securities and \$4 billion in agency debt each month through December
- While the unwinding is expected to progress smoothly, if a material deterioration in the economic outlook were to warrant a sizable reduction in the Committee's target for the federal funds rate, the Fed would take action to reinvest



“Like watching paint dry.”

—Fed Chair Janet Yellen,
on what the balance sheet reduction will be like

Sources: Nick Timiraos, “Fed to Start Paring Holdings, Keeps December Rate Rise on the Table,” WSJ, September 20, 2017; Donna Borak, “Fed will finally wind down historic rescue program,” CNN Money, September 20, 2017; Bob Bryan, “Here’s the Fed’s plan to unwind its massive \$4.5 trillion balance sheet,” Business Insider, September 20, 2017; Reuters Staff, “In Shedding Bonds, Fed Aims for Boring End to Crisis-Era Measures,” NYT, September 18, 2017.

Potential nominees for chair of the Federal Reserve



Janet Yellen

Yellen's term as chair ends on February 3, 2018. Though he attacked her on the campaign trail, Trump has stopped criticizing the Fed since his inauguration and has even mentioned that he likes and respects Yellen, indicating he has not ruled out her nomination. Nonetheless, many Republicans are opposed to her returning as chair



Jerome Powell

Powell is a current member of the Fed's Board of Governors, having first been sworn in in 2012. Prior to joining the Fed, Powell was a visiting scholar at the Bipartisan Policy Center focusing on fiscal issues. He also served as the undersecretary of the Treasury to President George H. W. Bush



Kevin Warsh

Kevin is a former Fed governor serving from 2006 to 2011 under President Bush and President Obama. Currently, he is an economics fellow at the Hoover Institution and a lecturer at Stanford's graduate business school



Gary Cohn

Gary is the chief economic advisor for President Trump. Previously, he spent 25 years at Goldman Sachs and 10 as their president. While he was originally a leading candidate, his criticism of Trump's response to the violence in Charlottesville hurt his chances to be nominated

The decision

Later in October, Trump will meet with renowned Stanford economist and creator of the Taylor rule, John Taylor, who may join his shortlist. Trump is expected to announce his candidate to lead the Fed by the end of October

Sources: Bloomberg, "Fed chair sweepstakes shows Yellen in neck and neck race," June 15, 2017; Hoover Institution, "Kevin Warsh," June 15, 2017; Hoover Institution, "John B. Taylor," June 15, 2017; Glenn Hubbard, "Biography," June 15, 2017; The Federal Reserve, "Jerome H. Powell," June 15, 2017; Federal Reserve history, "Thomas M. Hoenig," June 15, 2017; Nancy Cook, "Mnuchin pushing Trump to pick Jerome Powell for Fed," Politico, October 11, 2017.

Policy stances of Trump's candidates for Fed chair

The leading candidates are currently Jerome Powell and Kevin Warsh

	Policy relative to current Fed	Interest rate policy		Balance sheet normalization		Deregulation		Long-run growth prospects	
		Rule based	Discretion	Pre-crisis policy	Larger than pre-crisis	Major	Pragmatic	Potential policy lift	Structurally lower
Jerome Powell	Similar		✓		✓		✓		✓
Kevin Warsh	More hawkish	✓		✓		✓		✓	
Gary Cohn	More dovish		✓	?	?	✓		✓	
Janet Yellen	Similar		✓		✓		✓		✓

Sources: Jeff Cox, "The definitive guide to the next Fed chief," CNBC, October 5, 2017; Bank of America Merrill Lynch Global Research, October 2017.

Washington Quarterly Report: FY 2017 Q3

President Trump

- Heat-map of promises and successes
- White House shakeup
- International trade agreements
- Travel ban
- North Korea
- Hurricanes Harvey, Irma, and Maria
- DACA/immigration reform
- Social issues – Charlottesville, NFL

Governance

- Laws signed by the president
- Repeal and Replace failure
- Budget process
- New executive orders
- Filling the federal workforce
- Upcoming legislative deadlines

The economy

- Stock indices
- GDP growth rate
- Employment: all private sector
- Federal Reserve actions – QE program fading out
- Potential future Fed chairmen

Polling

- Trump
- Trump by state
- Congress

Election results and predictions

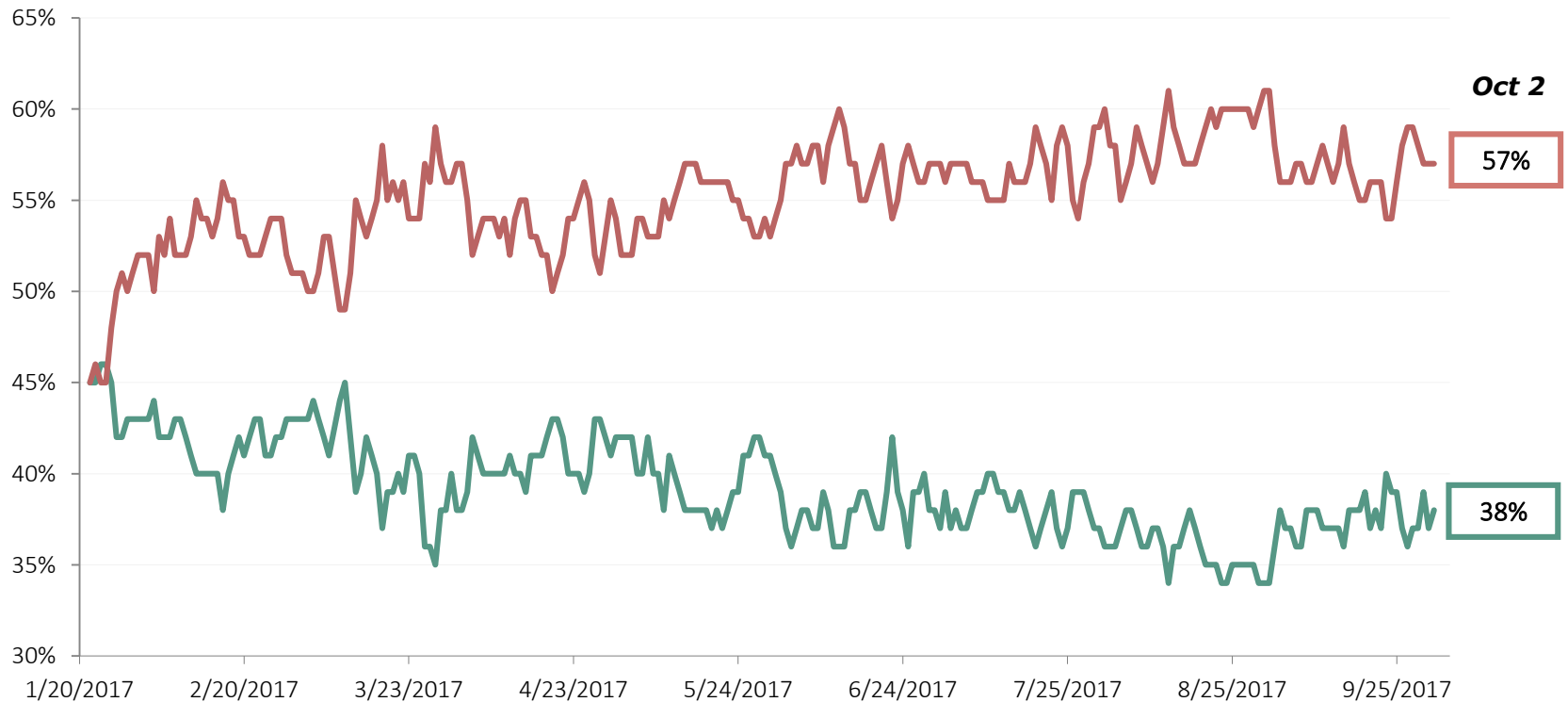
- Results of 2017 special elections
- 2018 prospects: control of the House and Senate
- Retirements

Trump's disapproval rating has hovered around 60%

Donald Trump approval ratings since inauguration

GALLUP

■ Approve ■ Disapprove



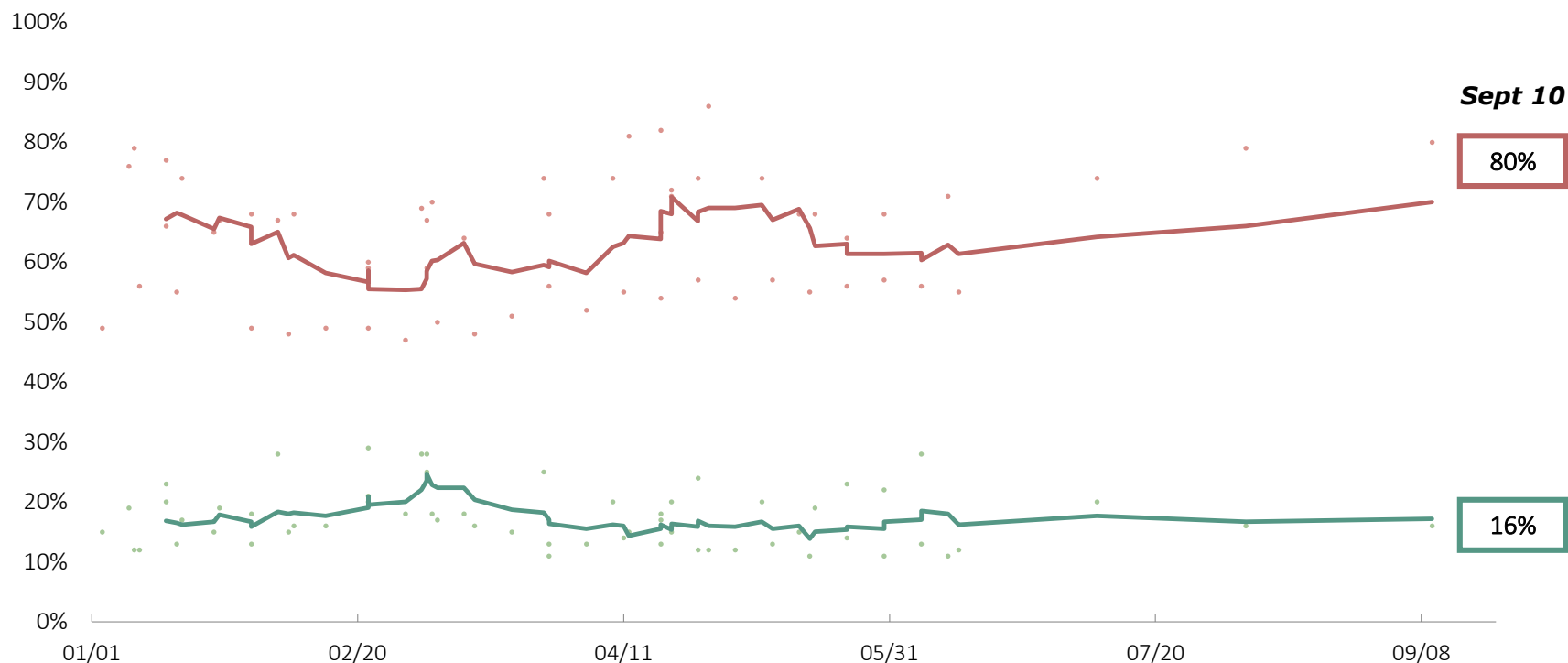
Source: Gallup, 2017.

Polls show congressional job approval remains low

Congressional job approval ratings of the 115th Congress

HuffPost Pollster and Gallup

■ Approve ■ Disapprove



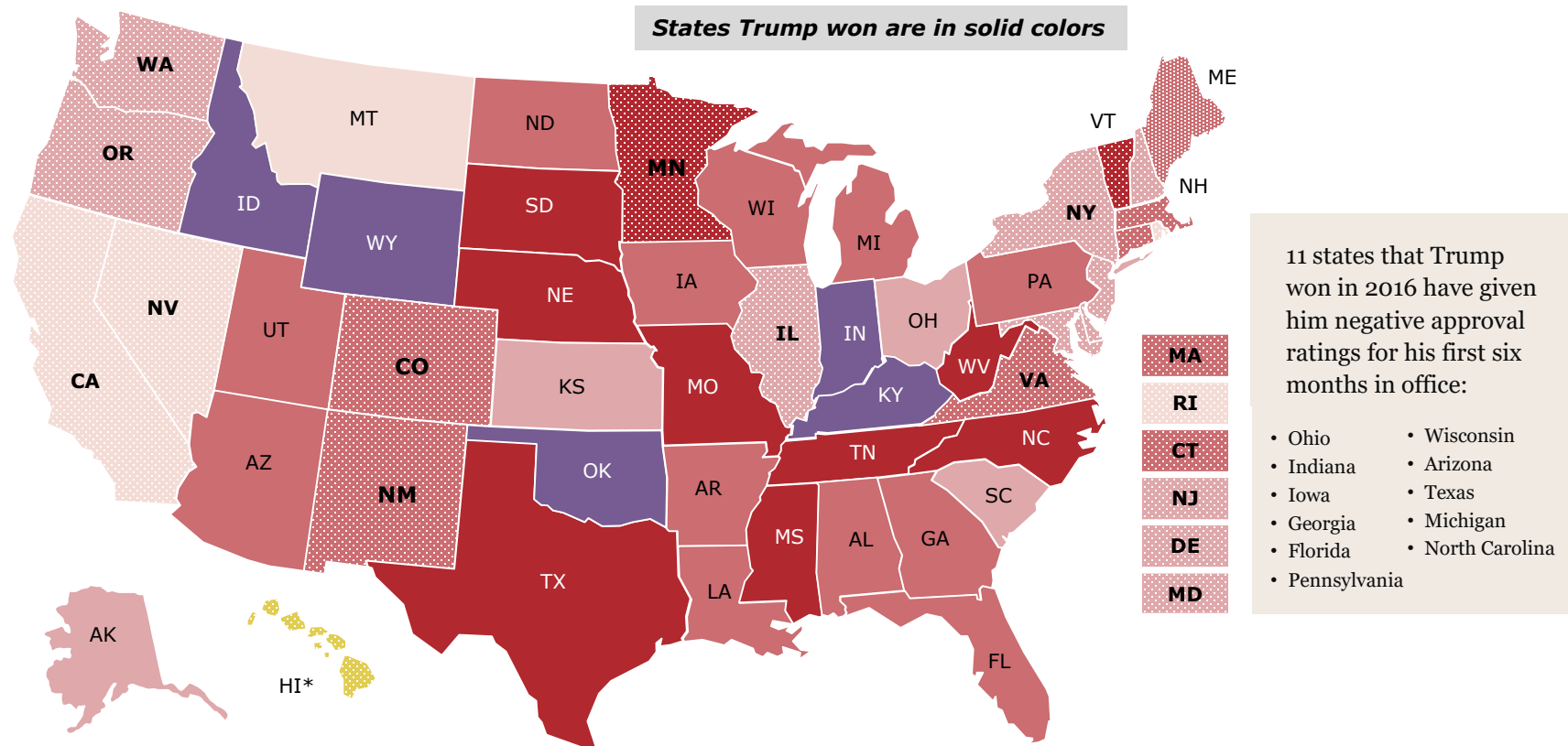
Sources: HuffPost Pollster, 2017; Gallup, 2017.

Since the election, Trump's support has fallen in every state except Hawaii

Percentage of support lost when comparing election margins and approval ratings, by state

0 to 5% 5% to 10% 10 to 15% 15 to 20% 20% or more

States Trump won are in solid colors



*Hawaii was the only state where Trump saw an improvement in support. (13 points)

Sources: Gallup, 2017; Dave Leip's Election Atlas, 2017; FiveThirtyEight, 2017.

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Republicans have lost ground in all 2017 special elections

Results in the 2017 House special elections compared to the 2016 House results

District	Held by	2016 results	Special election results	Special election winner	Change in % Republican	Change in % Democrat
KS-04	Mike Pompeo (R) (CIA Director)	61-30	53-46	Ron Estes (R)	-8%	+16%
MT-AL	Ryan Zinke (R) (Secretary of the Interior)	58-42	49-43	Greg Gianforte (R)	-9%	+1%
SC-05	Mick Mulvaney (R) (OMB Director)	59-39	51-48	Ralph Norman (R)	-8%	+9%
GA-06	Tom Price (R) (HHS Secretary)	62-38	52-48	Karen Handel (R)	-10%	+10%
CA-34	Xavier Becerra (R) (CA Attorney General)	100-0	59-*	Jimmy Gomez (D)	N/A	N/A

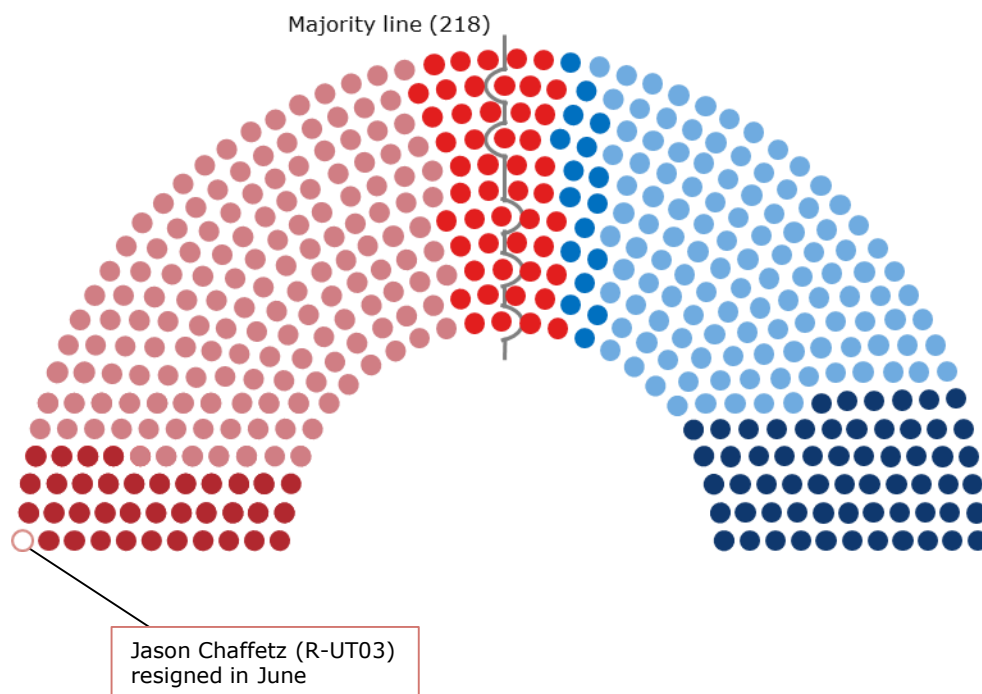
*California's special election is an open general election in which two highest scorers advance; the two highest scorers were both Democrats

Sources: National Journal Research, 2017.

Republican primaries could exacerbate that party's opposing factions that have impeded major legislative victories

Currently, if Dems maintain unity, GOP can only lose 22 votes

● Freedom Caucus ● Median Republicans ● Tuesday Group
● Progressive Caucus ● Median Democrats ● Blue Dog Coalition



Whip stats (one vacancy)

- A majority requires 218 votes (if all members cast a ballot)
- Republicans can only lose 22 votes and maintain a majority
- Democrats must gain 24 seats to retake the majority in 2018

Total Republicans*	240
Tuesday Group**	~52
Freedom Caucus**	~36
Total Democrats*	194
Blue Dog Coalition	18
New Democrat Coalition	61
Progressive Caucus	75
Vacancies	1

*The individual caucuses do not add up to the total number as some House members are in multiple caucuses or no ideological caucus.

**The House Republican caucuses do not publicly release lists of members. Estimates come from news reports.

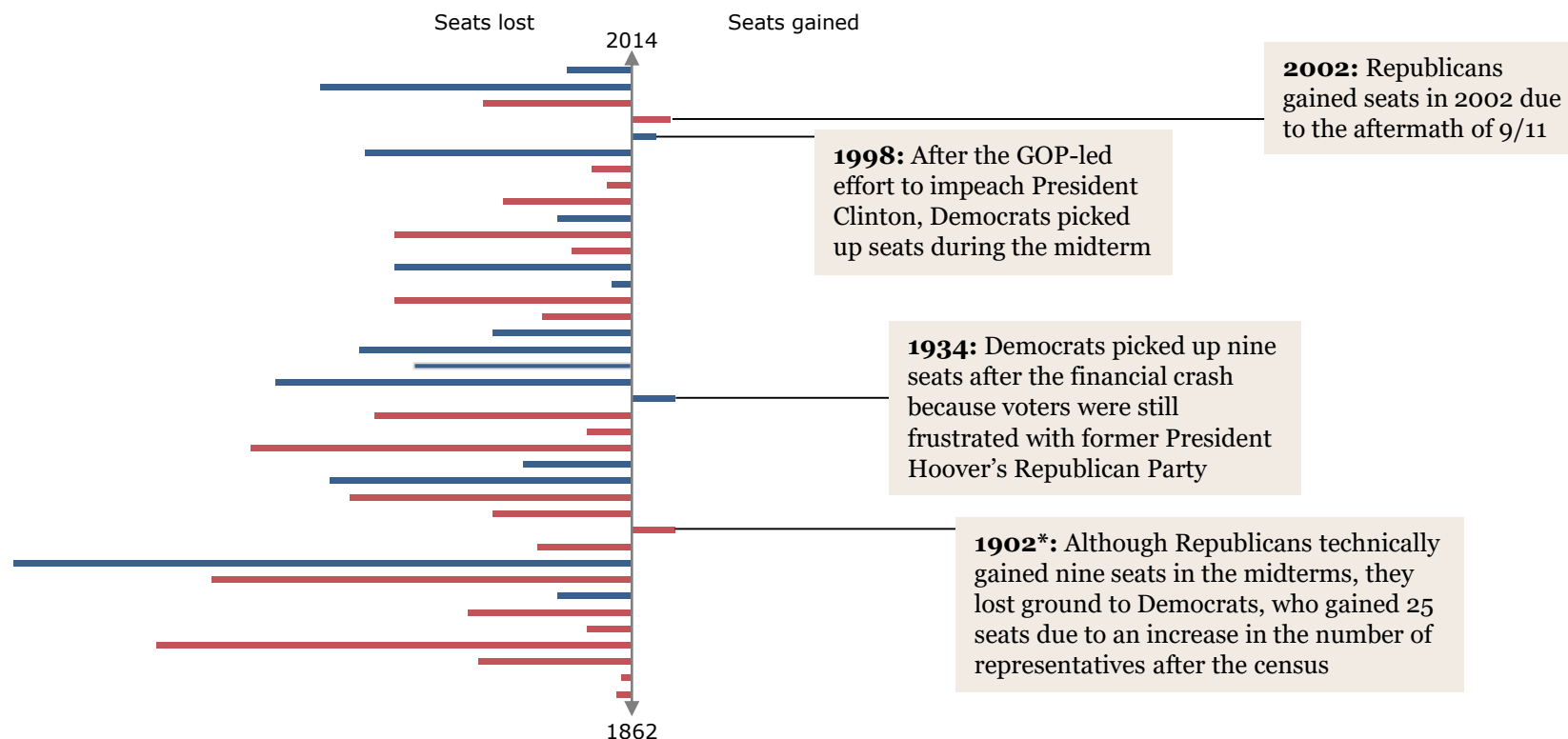
Sources: Office of the Clerk, US House of Representatives; Caucus webpages

Since 1862, the president's party has lost ground in the House in 92 percent of midterm elections

President's party gain/loss of seats in House

VITAL STATISTICS ON CONGRESS

■ Democratic president ■ Republican president



Sources: Charlie Cook, "Will History Hold in 2018 Midterms?" The Cook Political Report, January 9, 2017.

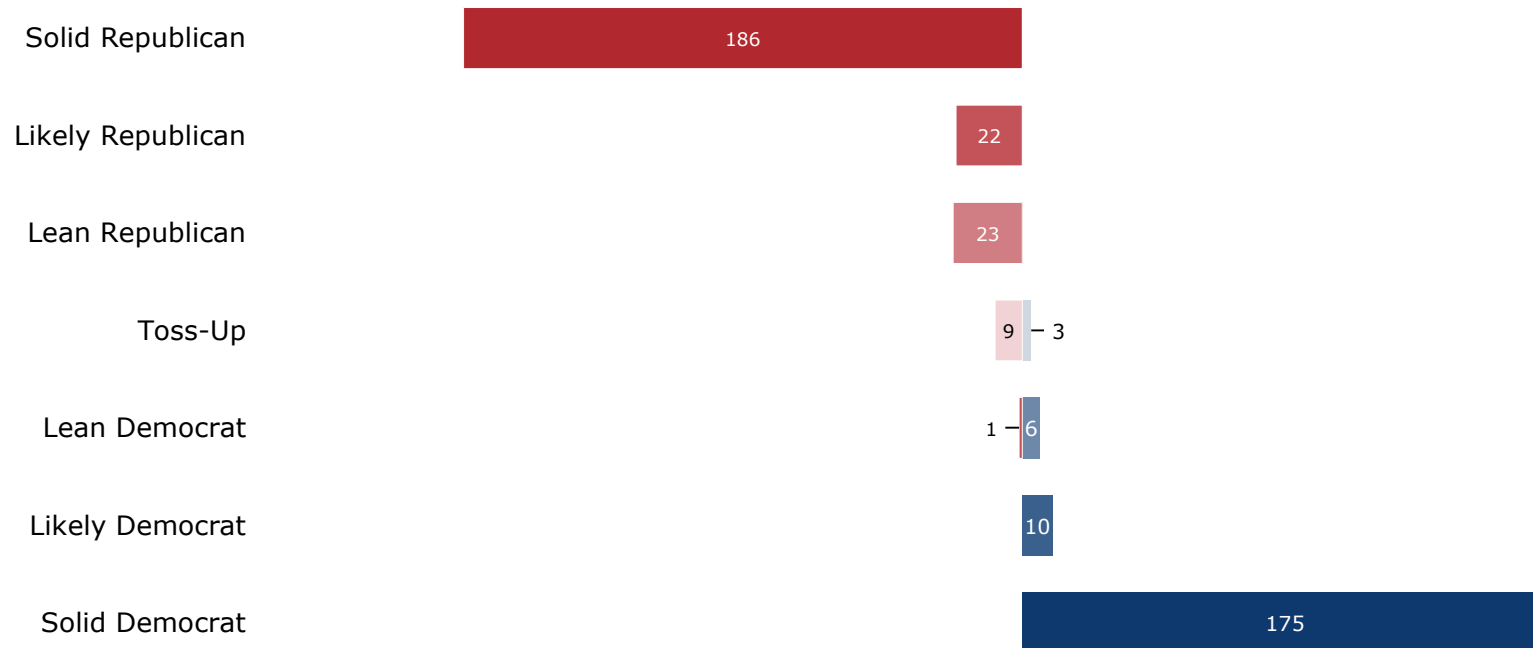
Democrats need to pick up over 20 seats to take back the House in 2018, but only 10 are considered contentious

Cook Political Report ratings

2018 HOUSE RACES

■ Republican held seats (240)

■ Democrat held seats (194)



Sources: Cook Political Report, 2017.

So far, 8 representatives have announced they will not seek re-election

Representatives retiring and not seeking reelection in 2018



John Duncan Jr.
(R-TN)



Lynn Jenkins
(R-KS)



Dave Reichert
(R-WA)



Niki Tsongas
(D-MA)



Charlie Dent
(R-PA)



Sam Johnson
(R-TX)



David Trott
(R-MI)



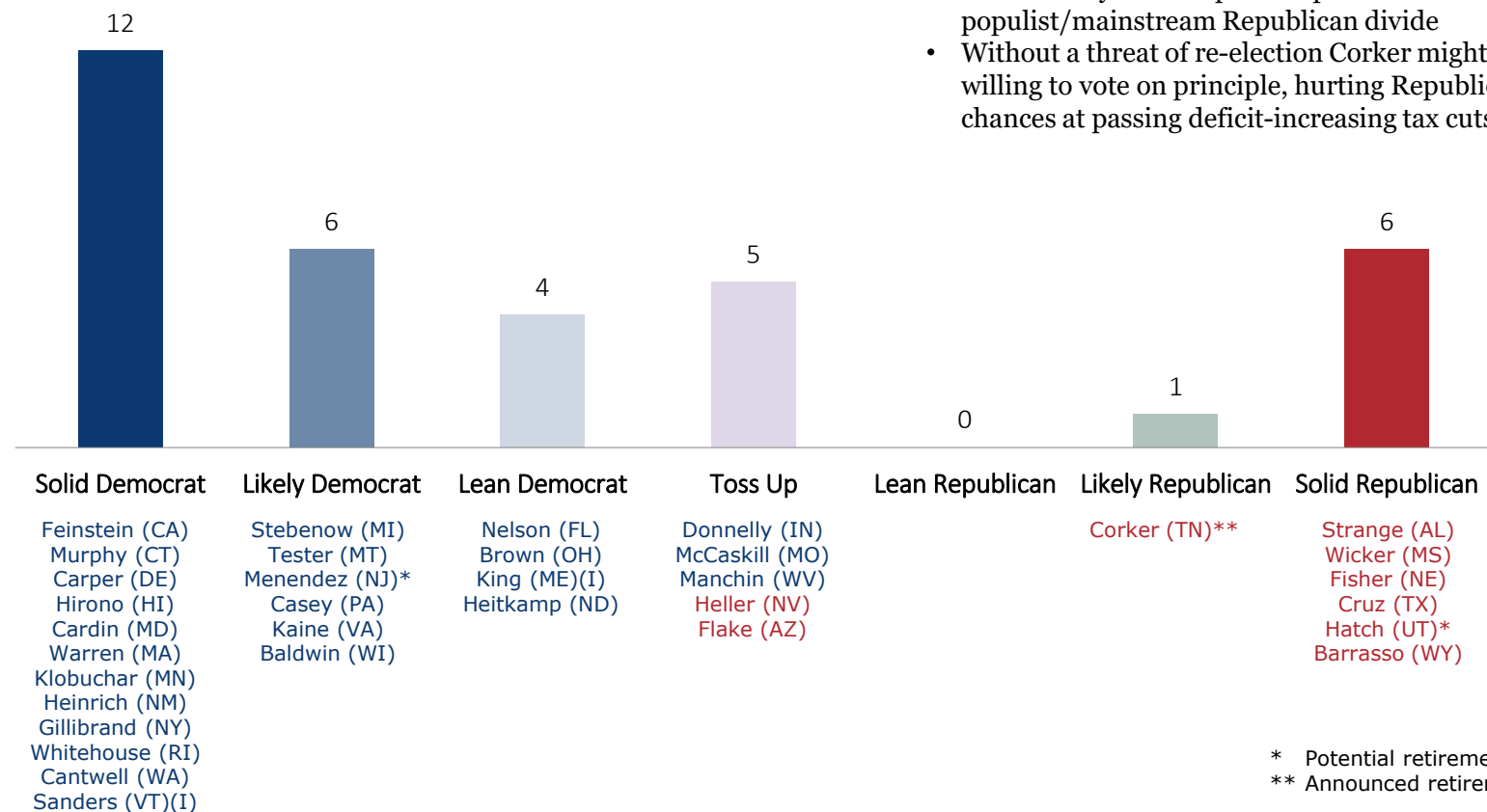
Ileana Ros-Lehtinen
(R-FL)

Sources: National Journal Research, 2017.

Senate Dems are defending 25 seats in 2018, three toss-ups

Breakdown of 2018 Senate races

THE COOK POLITICAL REPORT



What does Corker's retirement mean?

- More money will be spent on primaries that test the populist/mainstream Republican divide
- Without a threat of re-election Corker might be more willing to vote on principle, hurting Republican's chances at passing deficit-increasing tax cuts

NB: Corker and Strange refer to their seats rather than the candidates who announced retirement and lost a special election primary challenge, respectively.

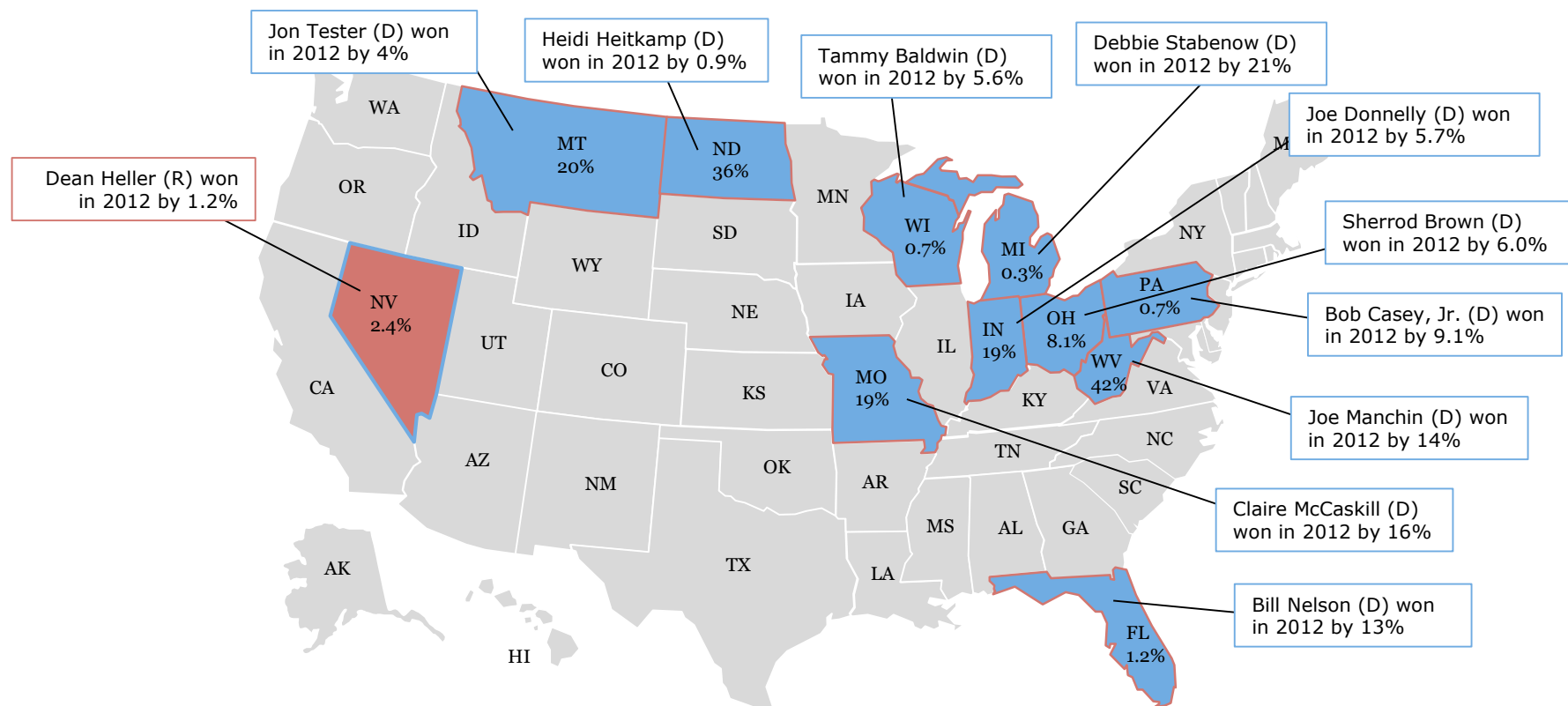
Source: The Cook Political Report, September 29, 2017.

Of the 23 Democratic senators up for reelection, Trump won 10 of their states – and five by double digits

Senators up for reelection in states won by the opposing party's 2016 presidential candidate

PERCENTS INSIDE THE STATE REPRESENT BY HOW MUCH THE OTHER PARTY'S PRESIDENTIAL CANDIDATE WON IN 2016

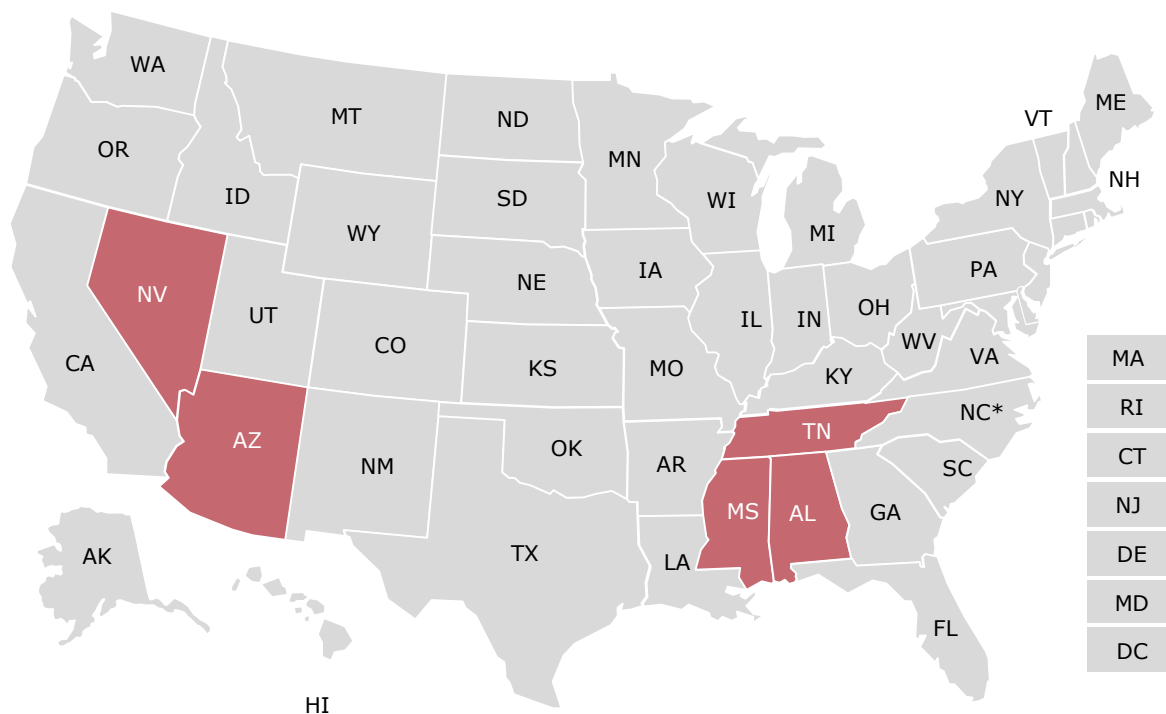
■ Clinton victory
 ■ Trump victory
 ■ Democratic senator up for reelection
 ■ Republican senator up for reelection



Sources: National Journal Research, 2017.

Bannon plans 2018 primary challenges against incumbent Republican senators to fight the GOP establishment

Map of GOP incumbents on Bannon's radar



Analysis

- Since leaving the White House, Bannon has returned to Breitbart News as executive chairman and is using his position to influence the upcoming midterm elections
- Bannon met with Rep. Dean Heller's (R-NV) rival Danny Tarkanian and vowed to fully endorse him as Heller refused to back Trump during the 2016 election
- David Bossie, Trump's former deputy campaign manager, is helping scout out possible primary challenger recruits to take on Rep. Jeff Flake (R-AZ)

Sources: Olivia Beavers, "Bannon pushing for primary challenges against GOP incumbents: report," The Hill, September 10, 2017; Alex Isenstadt, "Bannon plotting primaries against slate of GOP incumbents," Politico, September 10, 2017.