

February 6, 2023

WASHINGTON POLICY STRATEGY

Potomac Perspective

Brian Gardner
Chief Washington Policy Strategist
bgardner@stifel.com



President Joe Biden's State of the Union could be seen as a soft opening for his 2024 reelection campaign. He is likely to take a victory lap on his 2022 legislative wins (the Inflation Reduction Act and the CHIPS Act), promote climate initiatives, and highlight consumer-related sectors (tech and banking) to argue that his administration is helping consumers. The speech will likely include some mention of the debt ceiling debate, but the president will probably avoid going into detail about his position ahead of negotiations with Congress.

State of the Union (SOTU) addresses tend to include laundry lists of proposals that will never see the light of day, and Tuesday's speech will probably be similar to past speeches, but President Joe Biden's speech could be notable and potentially market moving for a few reasons.

President Biden's SOTU speech will probably serve as an **unofficial launch of his 2024 reelection campaign**. As such, the speech could include several themes that might reappear during the campaign. President Biden will likely try to position himself as a champion of the middle class and as part of this effort, he could use various sectors as foils to show he is on the side of average Americans and against Big Business. **The technology and the banking industries could be mentioned in the speech.** A focus on tech regulation in the president's address could include mentions of the administration's antitrust initiatives, privacy protection, and possibly revisions to liability protections under Section 230 of the Communications Decency Act. Regarding banks, the president could reiterate calls on banking regulators to review merger rules. He could also highlight the Consumer Financial Protection Bureau's (CFPB) recent proposal to cap credit card late fees and push for a similar cap on overdraft fees.

The president is likely to take a victory lap on his legislative victories in 2022, including the Inflation Reduction Act (IRA) and the CHIPS Act. In addition to highlighting the two new laws, President Biden **might also push for an expansion of some of the IRA's climate provisions, including expanding electric vehicle (EV) tax credits.** However, in the current political environment, any expansion of EV credits seems unlikely.

The IRA capped insulin prices under Medicare, but procedural rules in the Senate prevented capping prices under private health insurance plans. **The speech could include a proposal to expand the insulin price cap to private plans.**

The president will likely mention the debt ceiling debate, but investors should not expect new proposals or concessions to Republicans. Instead, the speech will try to position the president as representing a "reasonable" alternative to the "extreme" demands of the Republicans (a theme likely to play out in the 2024 campaign). He could also try to calm investors by assuring them that the debt ceiling will be raised and that the government will not default on its bond payments. This poses a conundrum since as long as investors expect a debt ceiling deal, the markets will remain calm and price in a deal. However, this removes a pressure point on Washington to reach a deal. Panic in financial markets helps move lawmakers to reach an agreement, so calm markets are actually counterproductive to reaching a debt ceiling deal. It is likely that markets will continue to price in a debt ceiling agreement until and unless we approach the X-date (the day, probably in the early summer, when Treasury exhausts its extraordinary measures to manage the debt limit) and headlines hit suggesting that Congress and the administration might fail to reach a deal.

Subscribe To Our Podcast!

We recently created a Potomac Perspective podcast. To access a broader discussion of these and other topics, listen and download the latest episode of our [Potomac Perspective podcast](#).

DISCLAIMER

This material is for informational purposes only and is not an offer or solicitation to purchase or sell any security or instrument or to participate in any trading strategy discussed herein. The information contained is taken from sources believed to be reliable, but is not guaranteed by Stifel as to accuracy or completeness. The opinions expressed are those of the Washington Policy Strategy Group and may differ from those of other departments that produce similar material and are current as of the date of this publication and are subject to change without notice. Past performance is not necessarily a guide to future performance. Stifel does not provide accounting, tax or legal advice and clients are advised to consult with their accounting, tax or legal advisors prior to making any investment decision. Additional Information Available Upon Request. Stifel, Nicolaus & Company, Incorporated is a broker-dealer registered with the United States Securities and Exchange Commission and is a member FINRA, NYSE & SIPC. © 2022

Stifel, Nicolaus & Company, Incorporated | Member SIPC & NYSE | www.stifel.com

0223.5451294.1