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WASHINGTON POLICY STRATEGY

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Following up on our recent notes that discussed the possible impeachment of President Joe Biden, the announcement that House Speaker Kevin McCarthy is directing certain House committees to begin impeachment proceedings affirms our view that impeachment is not a market moving event. The tactic used by Speaker McCarthy underscores the lack of unanimous Republican support which validates the view that it is highly unlikely that President Biden will be removed from office. Investors will ignore the political noise.

House Speaker Kevin McCarthy announced that he is directing three House committees to begin formal impeachment proceedings into President Joe Biden for conduct related to the business affairs of the President's son, Hunter. We had previously written that impeachment was possible and that investors would likely ignore the political drama. The manner in which the House will proceed validates the view that impeachment is unlikely to be a market event.

Rather than hold a floor vote to start impeachment proceedings, which has been the norm in past impeachments, Speaker McCarthy directed three House committees to begin their inquiries without a formal floor vote. McCarthy likely skipped holding a vote because he lacked the votes. All House Democrats would have voted against the resolution to start impeachment proceedings and they would have likely been joined by several Republicans who represent congressional districts carried by Mr. Biden in 2020. McCarthy could not afford an embarrassing loss.

The group of likely Republican "no's" might eventually change their minds and vote later to impeach President Biden following the committees' work, but their current reluctance underscores the point that there is almost zero chance a Democratic Senate would vote to remove the President from office.

Today's market reaction (none) to Speaker McCarthy's announcement conforms to our view that impeachment is a political event and will have virtually no market impact.

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