

March 4, 2025

WASHINGTON POLICY STRATEGY

Potomac Perspective

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On Tuesday night, President Donald Trump will deliver a speech to a joint session of Congress. Investors should not expect many details regarding the President's agenda, but the speech could reaffirm what are the administration's top goals. Overall, the speech will likely lean into an "American First" agenda.

TRUMP ADDRESS TO CONGRESS

President Trump will deliver an address to a joint session of Congress in which we expect he will reiterate the goals of his administration, which are in line with his campaign slogan, "Make America Great Again." These types of speeches tend to be thematic and short on details of specific policies. We expect tonight's speech will be no different. We list a few items that could be mentioned:

- **Economy** – An overarching theme of the speech is likely to be the need to grow the economy. We think the economy and inflation were the leading issues that led to Mr. Trump's election. Recent signs of economic weakness are not necessarily attributable to his policies since he has been in office for just six weeks, but we don't know how long voters will give him the benefit of the doubt. We expect he will tout actions that he intends to take to strengthen the economy, including securing agreements from companies to locate (or relocate) manufacturing plants in the United States.
- **Tax** – Congress has begun preliminary work to extend the Tax Cuts and Jobs Act of 2017. Mr. Trump will likely push for swift action from Capitol Hill. We expect he will reiterate his calls to lower the corporate tax rate and exempt income from tips, overtime, and Social Security from federal taxation. Fiscal constraints and political realities, however, make attaining these goals a long shot.
- **Tariffs** – The President could take a victory lap of sorts. He will likely portray recent tariffs on China, Mexico, and Canada as wins for America. He is also likely to reiterate his plan to impose reciprocal tariffs on other countries without providing new details. Structuring reciprocal tariffs could be a complicated exercise, and details will matter, but this speech is probably not the forum in which investors will learn about them.
- **DOGE** – We doubt that he will provide new details about the goals and strategy of the Department of Government Efficiency (DOGE), but given that DOGE's goals to shrink the federal government are popular among voters, we expect he will lean into the group's work.
- **Border** – Mr. Trump will ask for additional funds for border security and reiterate calls for mass deportations.
- **Foreign policy** – Mr. Trump is clearly establishing a new foreign policy framework for the U.S. We don't expect he will provide specific details about his foreign policy vision, but we think the overall message could be that

the post-World War II order is over. We might imply a new order will be dominated by the U.S., China, and Russia.

- **Crypto** – Mr. Trump could reiterate his recent comments on the establishment of a cryptocurrency strategic reserve. We have questions about the Treasury’s legal authority to establish such a facility, and there could be budgetary constraints as well. These questions probably will not be answered in the speech, but we will be looking for additional information about his plans for a government-run cryptocurrency fund.
- **Possible government shutdown** – Government funding expires on March 14, at which point Congress will need to pass another funding bill in order to avert a shutdown. Mr. Trump will likely urge Congress to act, but we think the odds of a brief shutdown are relatively high. Republicans, who have a narrow majority in the House, will probably be unable to pass a continuing resolution (CR) without Democratic support as some conservative Republicans are unlikely to support any spending bill. Democrats, however, want concessions on DOGE and might be reluctant to vote for a CR, at least initially. This could lead to a short-term shutdown. Alternatively, Congress could pass a temporary CR while it continues to negotiate a longer-term spending bill. Regardless of the outcome, we reiterate what we have previously written, which is government shutdowns might have a small impact on the economy, but history suggests that they do not have a material impact the equity markets.

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