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## WASHINGTON POLICY STRATEGY

# Potomac Perspective

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The tariff drumbeat continues as President Trump said on Tuesday night that he intends to impose new tariffs on pharmaceuticals. This has been previously signaled but may have been overshadowed by headlines on global tariffs.

Wednesday could be a key day for legislation to extend the Trump tax cuts. A morning meeting could determine whether the House will finish the budget resolution before the Easter holiday or if the process will drag out longer than Republican leaders have indicated and longer than some investors might expect. A delay could be a slight, but temporary, negative for the markets.

Regarding the Trump deregulatory agenda, the Senate is scheduled to vote on the administration's SEC nominee. The Senate Banking Committee will also hold a hearing on the Federal Reserve (Fed)'s point-person on bank regulation. We see both of these as affirming the administration's deregulatory agenda and a positive for the capital markets and banks.

- **Pharmaceutical Tariffs Coming Soon** – President Trump, addressing a Republican fundraiser last night, said he will soon announce a “major tariff on pharmaceuticals.” This should not be surprising, because several weeks ago he said the administration would impose tariffs on various sectors, including pharmaceuticals. He has imposed tariffs on steel, aluminum, and autos since then. The newest tariff may, however, have been overlooked by the market as it focused on last week's Liberation Day announcement.
  - At a Senate Finance Committee hearing with the U.S. Trade Representative, Republican angst over the administration's trade agenda was quite apparent. The political will, however, to either block the administration's new tariffs or claw back the power from the presidency to impose tariffs, was also clearly lacking. Ambassador Jameison Greer will testify again on Wednesday before the House Ways and Means Committee. We expect to hear the same message he delivered on Tuesday – negotiations over the tariffs are possible but, for now, it is full steam ahead.
- **Reconciliation Delay** – The House Rules Committee is scheduled to vote early this morning on the budget resolution that passed the Senate last weekend. Budget hawks have, for now, resisted pressure from the White House to support the blueprint because they doubt the Senate will ultimately support the level of spending cuts the conservatives want. It is possible the Republican leadership could persuade enough of the current holdouts to back the outline and fight over the details later. They can, however, lose only three votes and appear to be several votes short of passage. The leadership's goal seems to be to try and flip enough of the current “no” votes by the weekend and pass the budget resolution before the House leaves town for the Easter and Passover holidays.

- A delay was a possibility we mentioned in a note on Monday. Failure to pass the budget resolution this week would delay Congress’s work to extend the Tax Cuts and Jobs Act. This could be a negative for the markets, but the headline risk pales in comparison to the risk generated by the current tariff news flow.
- **SEC Confirmation** – The Senate is scheduled to confirm Paul Atkins to be the Chairman of the Securities and Exchange Commission (SEC). Mr. Atkins will likely implement the Trump administration’s deregulatory agenda for the capital markets and cryptocurrencies. We do not anticipate a market reaction since his confirmation will not be a surprise. The SEC has already begun to implement part of the Trump agenda, especially on digital assets, under the leadership of Acting Chairman Mark Uyeda.
- **Bowman Confirmation Hearing** – On Thursday, the Senate Banking Committee will hold a confirmation hearing for Federal Reserve Board Governor Michelle Bowman to become the Fed’s Vice Chair for Supervision and Regulation. Governor Bowman’s nomination is one of six nominations being vetted at the hearing. Although her nomination is the highest profile of the group, the other nominees will deflect at least some attention away from banking regulation. We expect her testimony will be generally positive for banks. Governor Bowman will likely be supportive of bank M&A as well as a broader deregulatory agenda we think will be beneficial for banks of all sizes.

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