

Trump 2.0 Underway

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January 2025

Trump Administration 2.0: Key Policy Initiatives

- The Trump administration has largely been defined by the principle of “America First”, with an emphasis on reducing trade deficits, deregulation, protecting American jobs, and reshaping trade agreements to benefit the U.S. economy.

| ✓ Border Security | ✓ Energy Agenda | ✓ Tariffs |
|---|--|--|
| <ul style="list-style-type: none">• Close the border and finish a border wall• Outline deportation schedule: use Title 42 enacted during the Covid crisis to allow quicker deportations• Reinstall the ‘Remain in Mexico’ policy• Address Sanctuary Cities | <ul style="list-style-type: none">• Undo anti fossil fuel policies including lifting LNG restrictions• Open Federal Land to drilling• Expedite permits for drilling and fracking through deregulation• Eliminate 10 regulations for every new regulation introduced | <ul style="list-style-type: none">• Further details on tariffs forthcoming• <u>Largest market movers in play</u>: China, Canada, Mexico, and the EU• Question of whether tariffs will start aggressively or start small and expand over time |
| ✓ Healthcare | ✓ Eliminate Green Policy | ✓ Cryptocurrency |
| <ul style="list-style-type: none">• Eliminate vaccine mandates• Re-hire anyone discharged for previous vaccine noncompliance• Remove free transportation for those in the military seeking to obtain abortions | <ul style="list-style-type: none">• Eliminate EV mandates• Halt offshore wind projects• Promote alternatives, specifically nuclear energy | <ul style="list-style-type: none">• Designate cryptocurrency as a national priority, with the goal of the U.S. being the world leader• Possibility of an allocation of reserves dedicated to Bitcoin/Crypto |

Trump Administration 2.0: Areas to Watch

Budget Policy



House Speaker
Mike Johnson



Senate Leader
John Thune

- Speaker of the House Mike Johnson wants one large reconciliation bill that contains money for border security, defense, and the extension of the 2017 Tax Cuts and Jobs Act.
- Senate Majority Leader Thune favors two bills with passage of TJCA occurring later in the year.
- The interplay between Johnson and Thune is worth tracking: **failure to pass the latter would result in a record large tax increase in 2026.**
- President Trump stated he prefers one bill but is open to splitting it into two. Jason Smith who chairs the House Ways and Means Committee which is responsible for drafting and scoring the tax bill, also supports one bill.

Tariff Policy

Key Caucus Members



Chip Roy



Jim Jordan

- President Trump's path on tariffs could be impacted by the budget process.
- The administration will need to get the House Freedom Caucus, a traditionally fiscally conservative body, on board to raise money to pay for the tax cuts.
- The GOP only has a three-seat majority: Chip Roy (TX), Jim Jordan (OH) and Andy Harris (MD) are key members of the caucus.
- **If tariffs are used to raise revenues, then they could be broad and deep**, meaning at least 10% across the board with China paying upwards of 60%.

Treasury vs. Commerce Department



Treasury
Scott Bessent



Commerce
Howard Lutnick

- Treasury Secretary Bessent has advocated for “an escalate to deescalate” approach to tariff negotiations, which would be less disruptive to financial markets all else being equal.
- Mr. Bessent said **tariffs would be used for three purposes: addressing unfair trade practices, raising revenues, and pressuring countries like Canada and Mexico to secure their borders.**
- Commerce Department could advocate for an aggressive approach under nominee Howard Lutnick because the US Trade Rep, Jamieson Greer, is a protégé of noted trade hawk Bob Lighthizer.
- **President Trump** has yet to decide on the full course of tariff implementation.

Policy vs. Rhetoric



President
Donald Trump

- **President Trump is highly transactional.** His bestselling book titled “The Art of the Deal” suggests that everything **be analyzed in terms of the net benefit to the United States.**
- It is prudent for market participants to take his commentary and tweets seriously but not literally. While investors have become more comfortable with this approach, he will still be predictably unpredictable in order to keep interested parties off balance ahead of negotiations and an inevitable deal.

Key Appointments and Policy Goals of Incoming Administration

More Likely Achieved
Less Likely Achieved

Notable Policy Targets of Incoming Government & Key Cabinet Appointments

Economic & Trade Policy



Treasury
Scott Bessent



Commerce
Howard Lutnick



Labor
Lori Chavez-Dereemer



Trade
Jamieson Greer



CEA
Stephen Miran

Elevated, pointed tariffs on adversarial nations

Reduced taxation of individuals and corporations

Renegotiation of existing bi-/multi-lateral trade agreements

Incentivization of foreign profit repatriation

Increased political oversight on the Federal Reserve

Foreign Policy & National Security



State
Marco Rubio



Defense
Pete Hegseth



Intelligence
Tulsi Gabbard

Reduced commitments to existing security agreements

Withdrawal and/or settlement of ongoing conflicts

Withdrawal from major security agreements (e.g., NATO)

Regulatory Environment



FTC
Andrew Ferguson



SEC
Paul Atkins



CFPB
TBD¹



Interior
Doug Burgum



EPA
Lee Zeldin



Energy
Chris Wright



DoGE
Elon Musk

Relaxing of anti-trust enforcement

Reduction of regulatory burdens and support of crypto

Reduction of regulatory burdens and promote business friendly policies

Heightened availability of federal land for commercial use

Broad deregulation of energy, financial, tech, and health spaces

Reducing general scope/influence of federal agencies

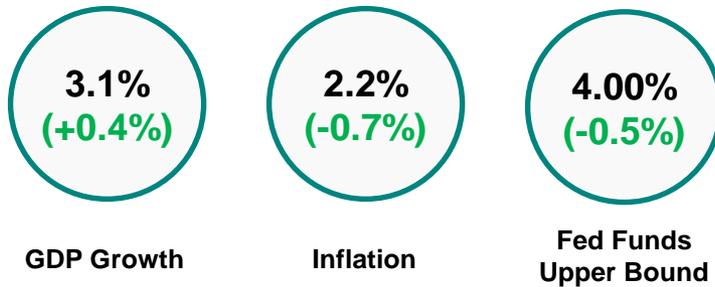
Repeal of major regulatory legislation and admin offices (ie. CFPB)

Source: Various News Publications. Current as of 12/31/24
Note: (1) Rohit Chopra (Current Director) has indicated that he will not resign and intends to continue his duties until officially replaced.

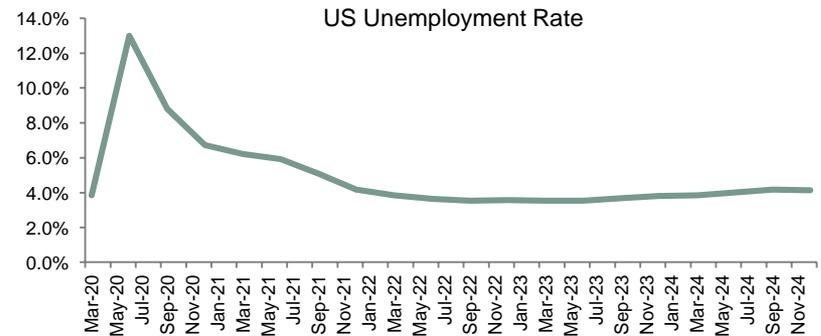
Macroeconomic Landscape

- Resilient economic growth has reinforced optimism around lasting post-pandemic normalization
- Expected tax cuts and regulatory easing should provide an additional push to the economy, while dynamics in housing and land prices continue to provide disinflationary tailwinds

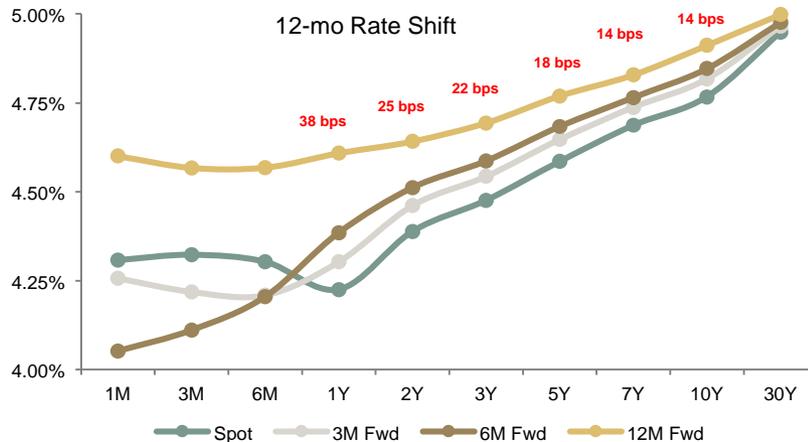
SMBC 2025 Year-End Economic Forecast (vs. 2024 Close):



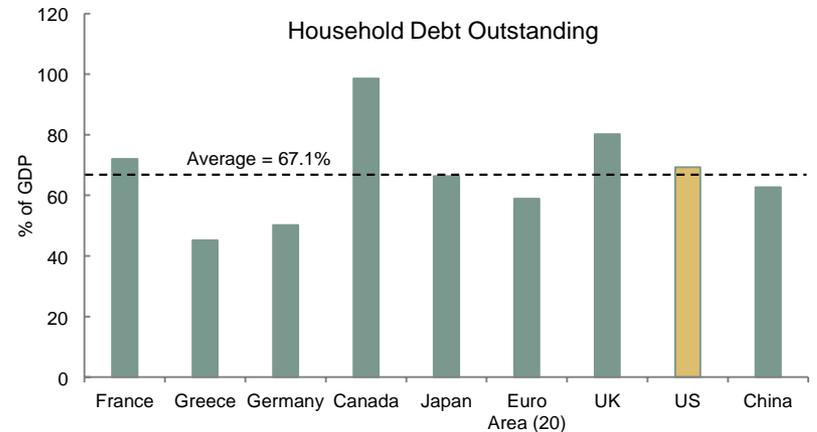
Labor Market Remains Resilient While Inflation Cools



Market Anticipates Rates to Trend Higher



US Debt Still Average Relative to Developed Peers



Note: As of January 2025
Source: SMBC, Bloomberg, CreditFlow

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Joseph (Joe) Lavorgna is a Managing Director and Chief Economist for SMBC Nikko Securities America, Inc. Joe joined the firm in September 2022 and is based in New York. Joe has spent more than 25 years in the financial services industry.

He was previously the Chief Economist for the Americas at Natixis. While there, Joe took a one-year leave of absence to serve at the White House, where he was Special Assistant to the President, and Chief Economist of the National Economic Council.

Prior to Natixis, Joe spent 20 years with Deutsche Bank Securities in the Global Markets Division, where he was considered one of the leading Wall Street economists. His team was perennially ranked in the prestigious *Institutional Investor All-Star Fixed Income Survey*.

Joe is also a Senior Fellow at the America First Policy Institute, a Washington, D.C.-based think tank. He holds a Bachelor of Arts degree in economics from Vassar College and did graduate work at New York University.

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