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## Capitol Policy Weekly: Jan. 20-24—Inauguration Special

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We expect some potential market moving action this week in relation to: 1) President-elect Trump's inauguration, 2) his potential executive orders (EOs) and 3) his public comments.

Trump has promised 100 EOs in the first 100 days to kick off his administration. By contrast, Trump signed 33 EOs in his first year in office and only one on Inauguration Day back in 2017, which was related to the Affordable Care Act (ACA), and four his first week in office, and President Biden signed nine on his Inauguration Day and 22 in his first week. Expect Trump to easily surpass his efforts during his first term.

Trump's first inaugural speech was just over 15 minutes long and while it focused on much of his campaign rhetoric, it generally discussed themes, instead of relying on specifics. For example, Trump mentioned his trade ideas in his first speech but didn't even mention China specifically.

Below are some of the main topics on which we expect Trump to address on Inauguration Day.

### Immigration Tops the List

Atop the list are immigration-related EOs. We expect Trump on day one or shortly thereafter to:

- Reinstate Title 42, which allows the U.S. to turn away immigrants, including asylum seekers, at the border to help stop the spread of disease. Recall before President Biden ended Title 42, there were millions of migrants turned away.
- Reinstate the Remain in Mexico program, which requires immigrants and asylum seekers to stay in Mexico while their immigration cases are pending.
- Use the Border Patrol, National Guard, and local officials to begin mass deportations.

However, Trump will likely be constrained by funding on what he can accomplish on immigration. We expect that his plans will eventually be fully funded, but that isn't likely to happen until Congress passes a reconciliation bill, which, along with funding for the border wall and additional agents, will very likely include money for detention beds that should benefit **Geo Group** and **CoreCivic** (CXW). For example, Trump wants to increase the number of beds from 41,500 to 80,000-100,000. So, while Trump's deportation actions will likely begin on day one, it will take some time to come into full force.

## Trade

While it is unlikely that Trump will actually implement tariffs on January 20, we fully expect that trade will be a major component of his inaugural speech.

We see Trump pushing tariffs to accomplish two goals:

1. **Non-trade related issues.** We see Trump's recent announcement to impose 25% tariffs on Mexico and Canada for border / immigration matters as a prime example of tariffs being the means to effectuate non-trade related goals. Trump used this tactic sparingly in his first term, but we would expect him employ it much more this time.
2. **Trade Related Issues.** Trump will also, of course, likely use tariffs to rectify trade imbalances that the U.S. has with other countries. This is where the ~60% Chinese tariffs come into play and the 10%-20% worldwide tariffs.

We could see Trump move with additional tariffs on China vs. the worldwide ones since the Chinese have failed to live up to the Phase One agreement previously reached between Trump and Xi. That agreement was to open the Chinese economy to more products and service from the U.S.

We doubt that Trump imposes tariffs as high as 60% on China, like he has threatened, or on all goods and services from other countries. Instead, we continue to believe that any additional Chinese and worldwide tariffs will be targeted and largely avoid tariffs on consumer goods.

Finally, while not conventional wisdom, we believe Trump might delay major or slowly implement tariffs in order for other parts of his economic agenda (deregulation, tax cuts) to positively impact on the economy, given that his trade policy is likely to be at least partially market negative.

## Tax Cuts and Jobs Act (TCJA)

Trump will surely also focus on extending the TCJA in his speech on Monday. We expect Republicans to pass a massive tax bill this year but believe it will occur in late Q3 or Q4 and not by the spring, which some Republican leaders are pushing.

Not only do we anticipate most of the TCJA to be extended, but we expect Congress to "fix" the **R&D tax credit, bonus depreciation** and **interest deductibility** (see [here](#) for more details).

## Energy

As Trump tries to further tame inflation, we expect him to mention his energy plan on Monday as well. Trump is likely to highlight opening federal lands for oil & gas development, which we think can – and will be – done within the confines of a reconciliation bill.

We believe Trump will find it much harder to effectuate permitting reform under reconciliation, as such a move would likely violate the Byrd Rule. Recall this rule limits inclusion of items in a reconciliation bill to those that primarily have a budgetary impact, compared to one that is intended to change policy.

## Beyond the Inauguration

The Senate will continue work on S. 5, the Laken Riley Act, which requires the Department of Homeland Security (DHS) to detain illegal immigrants arrested for burglary, theft, larceny or shoplifting and allows states to sue DHS for alleged immigration enforcement failures by the federal government.

We anticipate passage in the upper chamber this week after sailing through the House two weeks ago by a vote of 264-159. Trump will obviously sign this measure into law.

The Laken Riley Act is probably the only major bipartisan immigration measure that will pass this Congress. The other immigration provisions, as we mentioned, will very likely be done on a partisan basis and through the reconciliation process.

Hearings will continue to cabinet nominees, though the most consequential remaining nominee who has not had a hearing —RFK Jr for HHS Secretary —isn't likely to occur until the last week of January.

Finally, the House has a list of legislative items they are scheduled to consider but none are material to the financial markets.

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