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We could see progress on a few fronts this week as Congress works on:

- The massive reconciliation / tax bill legislation at a retreat starting today in Florida.
- Top—line spending levels for **defense** and non-defense discretionary spending.
- President Trump’s cabinet nominees where we focus on RFK Jr.’s hearings this week on Wednesday, January 29 and Thursday, January 30.

Both Houses of Congress are in session this week with the Senate likely confirming Scott Bessent today as Treasury Secretary. Tomorrow, it is expected that Sean Duffy will be confirmed as Transportation Secretary. While the House is in session, the most newsworthy action is likely to occur at their retreat.

Finally, President Trump’s activity on the trade front to date—and with regard to Columbia over the weekend—reinforces our view that he will use tariffs more readily this term to accomplish non-trade goals.

We reiterate that we generally see these types of tariffs as either not going into effect or being short-lived but instead being used to brow beat other countries into negotiations. However, should such countries refuse to negotiate or even retaliate, we would expect the respective tariffs to remain in place indefinitely.

Reconciliation Bill

We would expect a lot of news flow regarding reconciliation to emanate from this conference as Republican needs to make progress if they hope to meet their February 24 deadline to pass a budget resolution, which will include the important reconciliation instructions.

According to reports, House Republicans are set to begin their offsite conference today at 12:30 pm with a lunch at President Trump’s Doral resort in Florida. Trump will meet with the group at 5:00 pm so any market-moving commentary about the discussion or from the President himself, would likely come after the close.

Tuesday, the conference will focus on reconciliation with a breakout session among House committee chairmen to discuss the massive bill scheduled from 2:45 pm to 5:00 pm.

On Wednesday morning at 9:00 am, Majority Leader Steve Scalise (R-LA) is scheduled to lead a panel with those GOP chairs to discuss their plans for reconciliation, which is expected to include their spending cut plans. The offsite is scheduled to end at 11:00 am on Wednesday.

Top Line Spending Levels: Defense and Non-Defense

Congressional leaders began negotiations on top-line spending levels late last week with the hope that an agreement can be reached by the end of this week. We expect FY25 spending levels for **defense** to come in at ~\$920 billion, which is probably at the higher end of Street expectations.

However, we continue to believe that defense spending is likely to get another boost in the reconciliation bill, in which we could see another \$10-\$30 billion added. This would be a welcome surprise to the sector.

While leaders are aiming to reach an agreement this week, it wouldn't surprise us if it took a couple more weeks to hash out the numbers. However, Congress has only until March 14 until the current continuing resolution runs out.

RFK Jr Hearings on Tap

RFK Jr is set to go before the Senate Finance Committee on Wednesday, January 29 at 10:00 am as the upper chamber conducts its hearings on his nomination to be Secretary of Health and Human Services. He is then scheduled to appear before the Senate HELP Committee the next day, also at 10:00 am.

We expect the savvy nominee to do well at both hearings where we expect him to continue to soften his views on vaccines and other controversial stances he has taken.

We believe RFK Jr is well on his way to being confirmed. In particular, we are watching Sen. Bill Cassidy (R-LA), who chairs the HELP Committee, is a doctor, and is also a member of the Senate Finance Committee. Cassidy has been non-committal in his support for RFK Jr, though we expect he will vote to confirm him.

Cassidy voted to convict President Trump when he was impeached during his first term. Kennedy is up for re-election and is already facing a primary. We don't think he wants to risk further upsetting President Trump and will therefore vote to confirm. However, in the unlikely event that Cassidy voted against his confirmation, the nomination would be in trouble.

Other Notable Hearings

Finally, another notable nominee, Kashyap Patel, to be FBI Director, is scheduled to testify before the Senate Judiciary Committee at 9:30 am on Thursday.

Also on Thursday, Tulsi Gabbard, who is nominated to be Director of National Intelligence, goes before the Senate Intelligence Committee at 10:00 am. We see her confirmation as a toss-up at this point, partially due to Sen. Mitch McConnell's (R-KY) vote against newly confirmed Defense Secretary Pete Hegseth last week.

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