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DC Quick Takes: Lame Duck, House Elections Update and Beyond

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Congress is back next week for the lame duck session and there is a laundry list of items that various constituencies would like to see enacted. Meanwhile, it still looks like the Republicans will maintain control of the House but just barely. Finally, next week kicks off some interparty leadership elections that could impact the markets. The interesting races are on the GOP side, with no changes expected on the Democratic side.

Lame Duck Session

Two weeks ago, we published a long list of items that Congress might consider, which could impact the financial markets, and you can find that note [here](#). The items range from **business tax cuts** to **healthcare provisions** to subsidies for **broadband** as well as various **tech/AI** issues. Even **cannabis** is on our list.

However, we note that lame duck sessions of Congress are usually, well, lame. We expect some of the items on that list to be enacted, but most will likely have to wait until the next Congress.

One change from that note is our view *now* that government funding is *unlikely* to be completed by December 20, which is when the current continuing resolution (CR) expires. **Defense spending**, too, would then not be finalized either, though we still believe funding levels will come in at ~\$912 billion.

We believe the timing of the final government funding bill will very likely be Trump's decision. If Trump—maybe at House conservatives nudging—wants to have a role in the FY25 spending levels, another short-term CR into Q1 is likely. If Trump chooses to begin with a clean deck, he will likely push for Congress to pass an omnibus by the December 20 deadline, funding the government through September 30.

We think Trump will want to be engaged in FY25 funding levels, even though this was the option he took in 2016. So, this makes it more likely that the FY25 spending bill is enacted during Q1. If so, this could slow down when Congress starts to debate and take up other priorities, like what occurred in 2016 since the focus on the spending bill at the time delayed Republicans' attempts to repeal and replace the ACA and the tax cuts that were eventually enacted.

House Update

It looks like Republicans will control anywhere from 218 to 221 seats in the House next year. Keep in mind, a count of 218 gives the GOP a 218-217 majority. One resignation or one death of a Republican member and control flips to the Democrats. One thing is almost assured—no House Republicans are going to be picked for coveted White House jobs.

While a narrow margin for the GOP makes it more difficult to pass legislation, we still assign very high odds that a massive **tax bill** is enacted next year. The narrow majority might mean that the more draconian cuts/tax hikes Republicans may seek won't occur, or will be watered down, and it likely means that getting a tax bill passed in the House occurs well beyond the first 100 days promised by House GOP leaders. But we are confident that Trump and the Republicans will find a way to ensure his signature accomplishment in his first term is extended and expanded.

Leadership Elections

Beyond the legislative items, Congressional Republicans will elect their leadership next week. Both the House and Senate Republicans are scheduled to hold their leadership elections on Wednesday, November 13. House Democrats are slated for their elections on November 19 and 20, though serious challenges at the top are not expected. Senate Democrats will hold their leadership elections the week of December 5, but likely their counterparts in the House, major changes aren't expected.

Noteworthy:

- **Speaker's race.** We expect a relatively easy re-election of Mike Johnson (R-LA) as Speaker, given that Trump supports him. Even assuming a small GOP majority, we do *not* see a prolonged, multi-ballot process to elect the Speaker. We believe a chaotic Speaker's fight would make the Street nervous about whether the GOP agenda, importantly, a tax bill, can be passed next year.
- **House Rules/Motion to Vacate.** We think Johnson will face an uphill battle to change the rules to make it harder to oust the Speaker. Recall that now one member of Congress can make a privileged motion to vacate the chair, and a simple House majority is all that is required to remove him. Failure to change the rules in a closely divided House will force Johnson to compromise more with the Freedom Caucus wing of the GOP, likely slowing the legislative process, including the tax bill. However, we believe that as long as Trump supports Johnson, he is unlikely to be removed from his position.
- **Senate Majority Leader.** We expect Senator John Thune (R-SD) to beat Senator John Cornyn (R-TX) to become the next Senate Majority Leader. But it should be fairly close. Senator Rick Scott (R-FL) is a long shot in our view, unless Trump throws his full public support behind him, which we don't see happening. See our previous note [here](#) for a list of companies who are among the largest contributors to Thune and Cornyn's campaigns.

Debt Limit. Under a GOP sweep, we expect the debt limit to be easily raised, however, we do not see that happening in a lame duck session but closer to the "X" date around June.

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