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Government Shutdown Unlikely; CR Likely to Pass

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Despite all the criticism, especially from President-elect Trump, Vice President-elect JD Vance and Elon Musk, we do *not* believe there will be a government shutdown this week and expect Congress to pass a continuing resolution (CR). However, the CR is almost certain to be watered down from what was released last night. And a short-term CR into next week as negotiations continue might be necessary.

At a minimum, we suspect that Speaker Mike Johnson (R-LA) will have to remove the cost-of-living adjustment for members of Congress, the ~\$100 billion in disaster relief funding and \$20 billion in aid for farmers.

We expect the **healthcare** extender package to be ultimately included and even if we are wrong, we believe it gets resurrected and added to a longer-term CR in Q1.

In our view, Johnson is going to have to modify the bill due to Trump's opposition, his concerns about how conservatives view the measure and how their opposition might derail his attempt to be re-elected Speaker. He can only afford to lose three votes for Speaker, if all Democrats vote against him, which is likely.

We expect the problems Republicans are having passing a CR to continue into next year, which will likely delay consideration of other priorities like extending the Trump tax bill.

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