

RJO Previews and Perspectives for Wednesday, Jan 13

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House expected to impeach Trump today with trial date in Senate uncertain -- The House today is expected to vote to impeach President Trump for his actions related to last week's storming of the Capitol, with virtually all Democrats voting in favor and some Republicans as well. The third highest Republican leader Liz Cheney said yesterday that she would vote in favor of impeachment. Republican House leaders are reportedly allowing their caucus members to vote their conscience and are not whipping their members to vote against impeachment.

Assuming the House today votes to impeach President Trump, then the question will be the status of a trial in the Senate. The Senate is required by the Constitution to hold a trial, but only if the House refers the articles of impeachment. Speaker Pelosi has not said when she might refer the articles of impeachment to the Senate. Some Democratic leaders are arguing that the referral should be made immediately while the issue is hot. However, other Democratic leaders would rather delay the referral to give President Elect Biden his first 100 days to get his cabinet approved and get more pandemic aid passed.

The Senate under current circumstances could not begin a trial until next Tuesday at the earliest because there is a McConnell-Schumer agreement for a recess until next Tuesday. It would take unanimous consent for the Senate to break its recess and come back into session, which is not likely to happen because of strong support for Mr. Trump from some Republican Senators. However, there is an exception whereby McConnell-Schumer could jointly agree there is an emergency and force the Senate back in session as soon as this week. That means that a Senate trial before next Wednesday's Inauguration Day is not impossible.

The common assumption is that there would not be enough Republicans in the Senate to get the required two-thirds vote in favor of conviction. However, sentiment is moving quickly, and it is within the realm of possibility that there could be a conviction. In that case, there would undoubtedly be a second vote that would disqualify Mr. Trump from ever holding federal public office again.

In fact, Leader McConnell seems to be backing away from Mr. Trump, raising the outside possibility of a conviction, either before or after next Wednesday's Inauguration Day. The New York Times yesterday afternoon ran a story beginning with the sentence, "Senator Mitch McConnell of Kentucky, the Republican leader, has told associates that he believes President Trump committed impeachable offenses and that he is pleased that Democrats are moving to impeach him, believing that it will make it easier to purge him from the party, according to people familiar with his thinking."

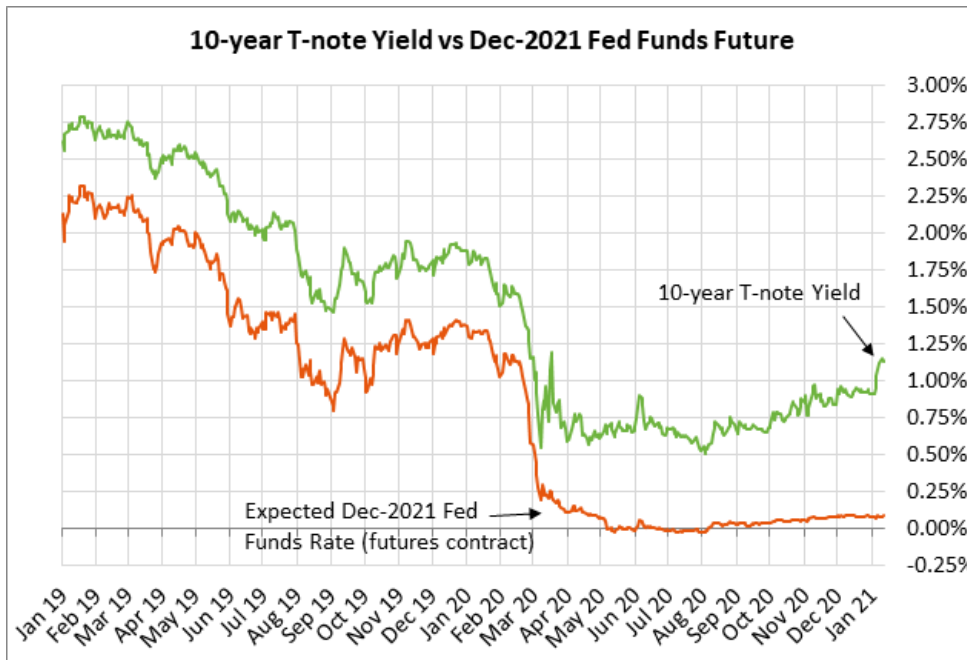
SIUXX - Nasdaq 100 Index - Daily OHLC Chart



V2Y00 - 10-Year T-Note Yield - Daily OHLC Chart



10-year T-note Yield vs Dec-2021 Fed Funds Future



Biden is reportedly looking for smaller pandemic aid bill with Republican support -- Bloomberg reported yesterday afternoon that President-Elect Biden is seeking a deal with Republicans on a new pandemic aid bill through the regular legislative process, as opposed to ramming a bill through the Senate with the budget reconciliation process.

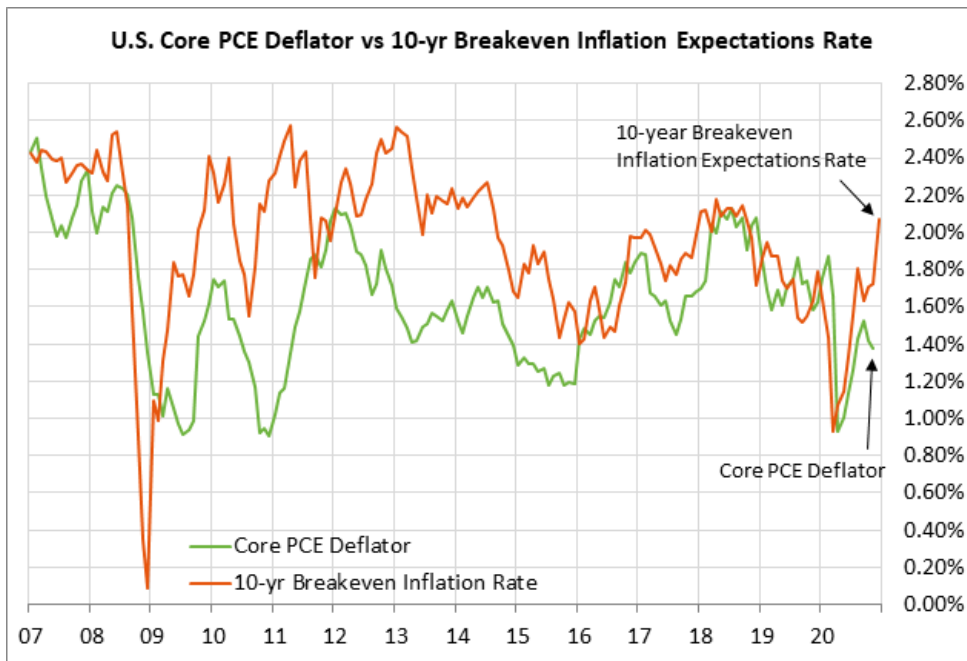
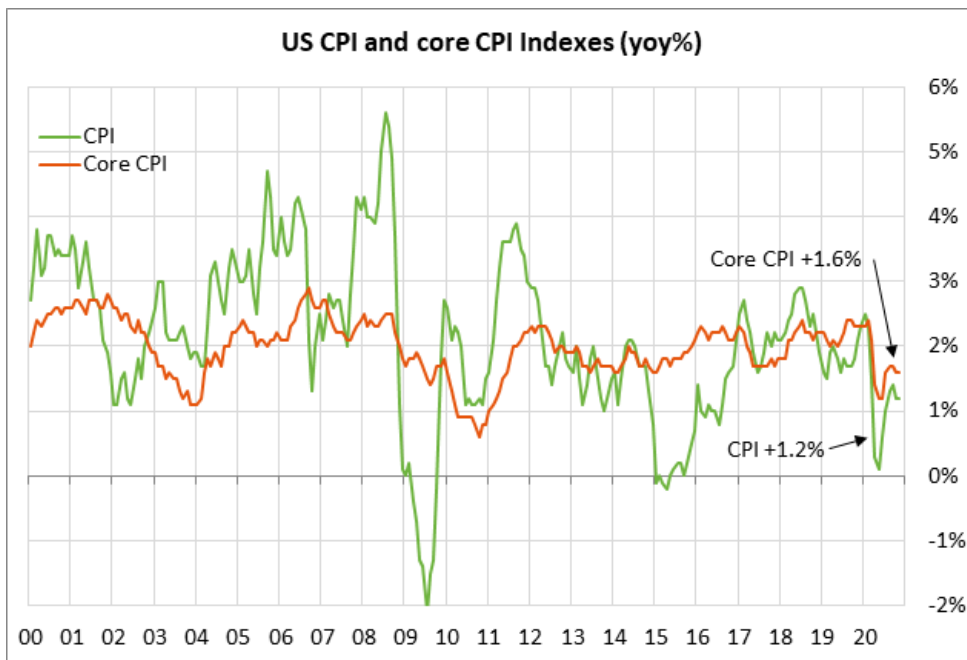
One major problem with the budget reconciliation process is that certain types of aid cannot be approved with that process, including aid to state and local governments. Mr. Biden apparently wants to test the waters to see whether he can get at least some Republicans to agree on a new aid package, before Democrats are forced to jam a limited pandemic bill through the Senate with budget reconciliation. A bipartisan deal would seem to be an uphill battle considering how hard Leader McConnell fought against the last round of aid, but a limited-sized bill might be possible.

Budget reconciliation bills can be passed with only a majority vote in the Senate, whereas all other bills require a two-thirds vote to end debate and send the bill to the floor for a final up-or-down vote. Democrats apparently don't have enough votes to end the filibuster, meaning Republicans still hold some important cards.

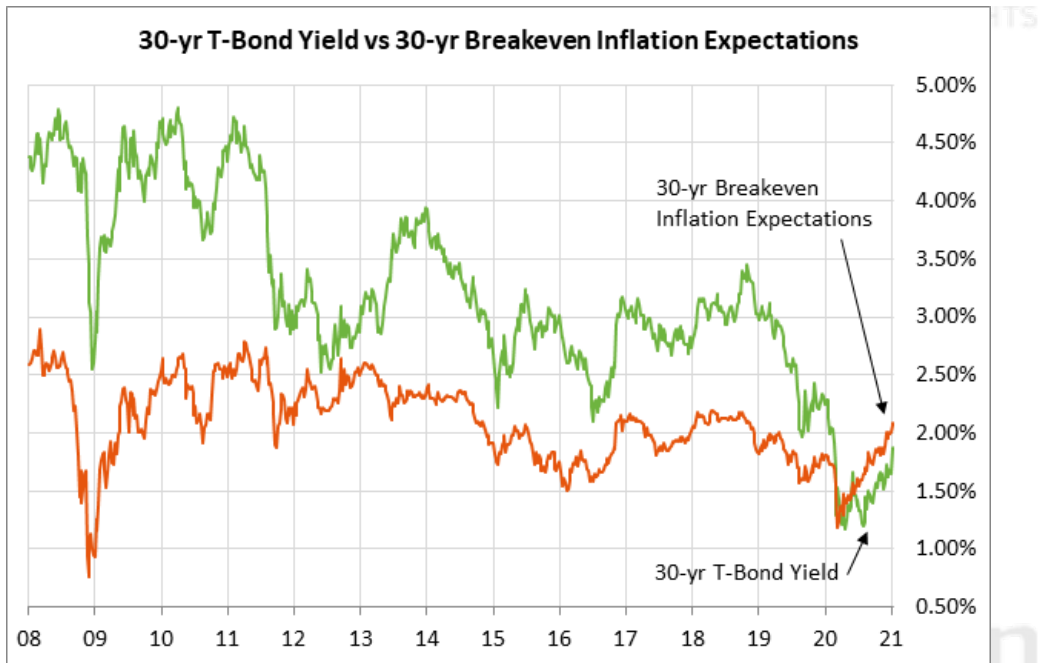
Mr. Biden said that he plans to announce his stimulus plan this Thursday. Mr. Biden originally said his stimulus proposal will involve "trillions" of dollars, but according to yesterday's reporting by Bloomberg, Mr. Biden may be willing to tone down the overall size of the package if he can get a bipartisan vote on a broader package.

CPI expected to remain tame despite inflation expectations being above 2% -- The consensus is for today's Dec CPI to rise slightly to +1.3% y/y from Nov's +1.2%. The core CPI is expected to be unchanged at +1.6% y/y.

The inflation statistics have so far refused to cooperate with the surge in inflation expectations. The 10-year breakeven inflation expectations rate since last November has surged by +40 bp to the current level of 2.07%, which is slightly above the Fed's +2.0% inflation target. Inflation expectations have surged mainly because the availability of vaccines has led to improved expectations for the economy.



30-year T-bond auction to yield near 1.85% -- The Treasury today will sell \$24 billion of reopened 30-year T-bonds, concluding this week's coupon auction package. Today's 30-year T-bond issue was trading at 1.85% in when-issued trading late yesterday afternoon. The 10-year T-note yield fell back yesterday after demand was stronger than expected for the 10-year T-note auction. Demand emerged after St. Louis Fed President Bullard and Boston Fed President Rosengren both said now is not the time to be talking about QE tapering. T-note prices also saw support on ideas that Mr. Biden might push for a smaller bipartisan stimulus package. Also, there should be good foreign demand for U.S. Treasury securities considering that there is still \$16 trillion of global debt that is trading with negative yields.



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