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**JOE MATHIEU, BLOOMBERG:**

This is Balance of Power on Bloomberg TV. A potential third indictment for former President Donald Trump, and now a downgrade for U.S. credit. Let's continue the conversation with none other than Libby Cantrill. She is with us in Washington today, Managing Director and Head of Public Policy at PIMCO. Libby, it's wonderful to see you. Thanks for joining us here at the table. We thought we'd be talking about a lot of different things today, not necessarily a downgrade by Fitch. We do have a statement from the Treasury Secretary, who, as you might imagine, strongly disagrees with Fitch ratings decision, but just in your most recent note to clients, you were talking about a looming shutdown and coming off a debt ceiling deal that appears to not mean a lot to a lot of people here in Washington. Did you see this coming?

**LIBBY CANTRILL, PIMCO:**

This is a little bit surprising, probably more on the timing than the actual downgrade. Of course, we were on watch by Fitch up until the debt ceiling resolution. S&P, of course, as you pointed out earlier, downgraded the U.S. in 2011. So in terms of the timing, it's a little bit suspect. I don't think we got anything new today that would have resulted or precipitated this. But in terms of all the things that they talk about in the statement, in terms of waiting until the last minute to raise the debt ceiling, just the fiscal trajectory, the governance, the wallet of the country, probably not too surprising. Now, from a market's perspective, this probably doesn't really move the needle. The main question is, does this compromise the reserve currency status of the U.S. dollar? And it's very unlikely. We've been talking to our clients about this idea of the U.S. being the cleanest dirty shirt. And maybe we’re not necessarily clean from a fiscal perspective, but in terms of just the dollar and its importance to the global market, still, it's pretty unimpeachable, Fitch’s downgrade notwithstanding.

**ANNMARIE HORDERN, BLOOMBERG:**

Well, Janet Yellen, Treasury Secretary, says it's outdated, it's arbitrary, but does it put an impetus on Washington lawmakers to get their act together?

**CANTRILL:**

Yes, and I do think this will be used as a political cudgel against the Democrats, and particularly against the President going into this election cycle. Absolutely. We are already seeing the politics of austerity, if you will, kind of creep back into the zeitgeist where if you just look at the recent Gallup poll, more voters are worried about the fiscal trajectory than they were just three years ago. And so, will Republicans use this as the latest example of this being under Biden's watch and what have you? Absolutely. But again, does this all really matter in the market landscape? Probably not so much.

**MATHIEU:**

All right, Kailey, thank you so much. Kailey Leinz with us live at the Department of Justice with breaking news that the former President has now been indicted for a third time. Libby Cantrill is back with us, Managing Director and Head of Public Policy at PIMCO, having started the conversation about a downgrade from Fitch, our other big breaker that's happening this hour, Libby, remarkable here, even though many saw it coming, the former President predicted it, it just feels different when it actually happens.

**CANTRILL:**

Yeah, I think it remains to be seen if this matters in terms of the Republican primary. I think some of this will depend as we learn more about the details of the indictment. Also, some of this will depend on how other Republican candidates react to this. Of course, they've defended the former President. They've talked about the two-tiered justice system. And if that continues, then the President may continue to be unscathed. He's fundraised off these other two other indictments. His polling has actually improved on the heels of those other indictments. I think it's just an open question of what the reaction will be here. And as we talked about, the August 23rd debate will be important. Does this decrease the chances of him appearing? Probably. Those already seemed pretty low. But on the heels of this, they may even be lower.

**HORDERN:**

Well, there's also the fact that a lot of these campaign donations are actually going to pay his legal fees. So even if potentially all of this became so overwhelming for the former President, this is how he's also funding his fight against these indictments.

**CANTRILL:**

That's right. And it was revealing that he's actually spent more than he's taken in. Now, he is a prolific fundraiser, and any candidate would be very happy to post the fundraising numbers that were made public. But of course, he is spending a lot on his defense here. What we've talked about with our clients is not only where the polling is and what have you, but we've talked about this invisible primary, the delegate allocation state game that the Trump campaign has been very smart about navigating. Recently, over the weekend, in terms of California, they actually changed the rules to allow for it to make it easier for a winner-take-all in terms of the delegates. That would actually benefit President Trump. So while in the foreground, he's dealing with all of this, in terms of the background, I think his campaign is being very smart in terms of winning that invisible primary. But again, an open question, how this all shakes out and whether it matters to voters or not.

**MATHIEU:**

As I read directly from the indictment here, “each of these conspiracies outlined in the charges targeted a bedrock function of the United States federal government, the nation's process of collecting, counting, and certifying the results of the presidential election.” As this sinks in a little bit here, and knowing how closely tied you are to the Wall Street community, does this impact anyone's appetite to donate to the campaign? Annmarie asked you about the way he's using a lot of these smaller donations. $34 was the average in the last checkup from the campaign. But if you're sitting on money and you're trying to pick between a candidate, what just happened to change your mind today?

**CANTRILL:**

I would say that's a little bit out of our lane. I think most folks in Wall Street want stability. They want certainty. They want predictability. And I think they'll probably wait until there's more clarity in order to make that decision. But yeah, I think that you could see withdrawal of some of the bigger donors. You've already seen that.

**MATHIEU:**

Well, that's right.

**CANTRILL:**

But again, he still very much gets traction with a lot of these individual voters. I think this is where it's hard. It's too early to predict how all this will change that.

**MATHIEU:**

And he remains the king of free media, Annmarie. He doesn't use money the way other candidates do.

**HORDERN:**

No, he doesn't. Although there recently was an ad, just this week, attacking President Biden. But most of his funds are not actually going to campaigning.

**CANTRILL:**

Yeah, I know. But it's interesting. I was just in Asia to meet with some of our clients. All they could ask about was President Trump.

**MATHIEU:**

How about that?

**CANTRILL:**

They didn't want to talk about the debt ceiling or government shutdown or the U.S.-China relations. They wanted to ask about President Trump.

**HORDERN:**

Well, there’s a reason why they call him Teflon Don. Libby, thank you so much for joining us. Our thanks to Libby Cantrill, Managing Director and Head of Public Policy at PIMCO. What a day to have you. A downgrade as well as a third indictment of the former President.