**MEDIA: Television**

**STATION: Bloomberg**

**MARKET: National**

**DATE: 2023-10-13**

**TIME: 05:13 PM ET**

**PROGRAM: Balance of Power**

**SUBJECT: Libby Cantrill - US Public Policy**

**PAGE COUNT: 5**

**KAILEY LEINZ, BLOOMBERG:**

We want to add another voice to the conversation. Joining us now is Libby CantrIll, Head of US Public Policy and Managing Director at PIMCO. Libby, we always come to you for the view on how financial markets are or should be viewing what is happening here in Washington. We could be looking at two full weeks or more of a not functioning House of Representatives. When do the markets need to start to care in a more material way?

**LIBBY CANTRILL, PIMCO:**

Yeah, Kailey, well, good afternoon. I mean, clearly the markets have been distracted by the other events happening, including, of course, the war in the Middle East, as well as rising treasury rates and and and lots of focus on government deficits as well. So, as of right now, folks are sort of seeing through the noise a bit, not really paying attention to what's happening in Washington. However, and you bring up a very good point in the conversation before, we have not actually seen the House of Representatives without a speaker for this long since 1971 and and you're right to call it into question. This is a pretty acute time right now. There's, of course, three billion dollars in the coffers to Israel every year that was legislated several years ago. That's an annual appropriation, but that will run out and likely quite quickly. And so that will probably, we would expect that would bring some urgency to this situation. I think a lot of us thought that the invasion last week, the events of last weekend, would have sort of created some sort of sense of urgency among House Republicans, but that clearly is not the case. I think the bottom line here is there is likely going to be kind of more iterations, more twists and turns. I would agree, I think representative Jordan is going to be hard pressed to find those votes among those moderate Republicans. So we might see this for several more days. But again, I think that when push comes to shove, there will be a Speaker of the House and they will likely be forced to get some sort of Israeli aid and likely some Ukrainian aid added to that as well.

**JOE MATHIEU, BLOOMBERG:**

Well, let's talk about some of these twists and turns, Libby. we always curl up with your note to clients when it arrives. And you mentioned a name in there that I just keep coming back to. He spoke in the room today to tell everybody to go home and do their homework. That was Kevin McCarthy. He's still the only person who's ever gotten to 217 or in his case last January, 218. You write in your note, though, that, “take with a grain of salt, this idea, recent polling bears out 75% of Americans find McCarthy ineffective. 60% supported his removal.” Those were CBS numbers making your point come back even more improbable. But everything's improbable in this conversation right now. Could we get to the end of next week, and Kevin McCarthy sitting in the back of the chamber saying, “Miss me yet?”

**CANTRILL:**

I think that is very unlikely. Now, never say never. And you're right that this has all been relatively unpredictable. But those eight folks, those eight Republicans who voted against McCarthy, who of course brought up the motion to vacate to begin with, they have been steadfast in their resolve that their opposition to former Speaker McCarthy still stands. Honestly, I think maybe even a more likely scenario than sort of a “Comeback Kid”, as I as I characterize my note, could be, and again, I think this is also unlikely, but could be more of a coalition candidate. There is, of course- there are Democrats that Republican speakers could get. There would probably have to be some compromises and that likely would not kind of pass the smell test among most Republicans. But I almost think that's more likely still remote, but more likely than a comeback for Speaker McCarthy.

**LEINZ:**

Libby, it's like you're reading our minds, because Democrats right now are having a press conference outside the Capitol. Hakeem Jeffries was just speaking and he was outlining, you're seeing Katherine Clark now, but he said, “there's really two paths forward on the one hand House Republicans can triple down on extremism. Or on the other hand, traditional Republicans can break away and partner with Dems on a bipartisan path forward.” Libby, do you have a timeframe in mind on when that actually might become more likely? How much pain Republicans may be willing to tolerate before some of them might actually consider jumping?

**CANTRILL:**

Yeah, again, I think this, I think the possibility of this is very remote, just maybe a little bit less remote than Speaker McCarthy coming back. And I really, the vast majority of the Republican caucus is going to find this sort of anathema to them to elect- to sort of work with Democrats and elect a coalition speaker. And so I think they are going to try to exhaust all alternatives before they really get to that point. I just think that, again, just in terms of sort of scenario analysis, that is slightly more likely than a return of Speaker McCarthy. And I think, Kailey, the reason why I'm reluctant to sort of put even, more than say 10% odds on this is because really the Democrats are going to exact a price. They are not going to do this for free. They are going to really require some sort of quid pro quo. And I did that, likely to be sort of a bridge too far for the majority of Republicans. So I think that is very unlikely, but you're right. I mean, maybe they do exhaust every alternative. And then at some point they come together and work with the Democrats. It just seems unlikely at this point, just given all of the water that's been under the bridge so far.

**MATHIEU:**

I want to bring everybody back, Libby, to a conversation we had in the throws of the debt ceiling debate. When you said, the real deadline on a potential shutdown was the end of the year. This is as they were crafting at that time, what appeared to be a budget deal that's since been relitigated, and helped us get to this point now. But of course, November 17 is the next stop in the road here for a potential government shutdown. If we get back to that point, you were saying months ago that the end of the year is really the deadline that we should be looking at when a 1% across the board cut would be put in place following the elements of that debt ceiling deal. Is that where you are now? We somehow get through November 17th, and we're going to be talking about a shutdown around the holidays?

**CANTRILL:**

And I think actually to Kailey’s first question, just about when markets are going to take notice, markets will start getting more jittery as we get closer to that November 17th deadline. You'll remember that this government funding deal that Speaker McCarthy fastened that then of course cost him to lose his speakership really in some ways was just a reprieve not a resolution, right? This sort of kicked the can down the road and in sort of traditional, congressional form. So November 17th is really the big day. So I do think markets will start getting jittery as we get closer to that date without a speaker. Again, I think our view is probably they will come together and elect somebody in advance of that. But you're right. Really, it's December 31st. It's the end of the year. And the reason why is because, going back to that debt ceiling deal, there was this sort of 1% sequester across the board, including on defense, which of course, many Republicans are going to want to defend if they're operating under what's called a continuing resolution. So really, that is the deadline to pass through these appropriations bills. But at this point, I mean, it's going to be really, a heavy lift to get these 12 appropriations bills through both the House and the Senate. Probably we'll have to conferenced at this point, just given the differences before they get to sign into law. So I think the bottom line is we're looking at that deadline. But from a market’s perspective to kind of Kailey's question in the beginning, it's really that November 17th. And I do anticipate that markets will start getting more nervous in addition to all the other things that they're jittery about as we get closer to that date, if we are still without a speaker.

**MATHIEU:**

A whole new version of “Schoolhouse Rock" with Libby Cantrill. It's great to see you, Libby. And thank you for the insights as always helping talk us through this. She's the Head of U.S. Public Policy, Managing Director at PIMCO.