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**KELLY EVANS, CNBC:**

Let's turn to PIMCO’s Head of Public Policy, Libby Cantrill, who joins us here for more. Exciting times, Libby, to say the least. So I like what Emily (Wilkins) said at the end there that in some ways, if this vote was, let's just say, expected to fail, the real question is, does he lose by a single-digit margin or something bigger than that? What are you watching?

**LIBBY CANTRILL, PIMCO:**

Yeah, well, we're only on F and he's already lost five votes. So this is obviously going to go to a second round. He's already indicated that he's willing to continue voting until he either gets the votes, that magic 217 number, Kelly, as you mentioned, or he capitulates like Steve Scalise had done even before it got to the floor. I think what we're really looking for is when all the roll call votes are finished, does he get to 210, 211? That probably would show that he could do a little bit more arm twisting and get to that 217. However, if it's around 200 or even 205, that's going to be much more difficult. And then, Kelly, interestingly, we may be in the position that McCarthy was in, of course, when he was trying to get the speakership where he made a lot of promises to different constituencies, which, of course, ended up dooming him in the end because they allege that he made promises that he wasn't able to honor. So this is not going to be clear-cut. It will not be straightforward. I think the real question, though, again, is in that total vote count, is he five members short or is he 20 members short? And that's a big difference. And one is reconcilable; one is probably not.

**EVANS:**

What's it all mean for investors, Libby?

**CANTRILL:**

Clearly, if Jim Jordan is able to win the speakership, he is an unknown leader. He has been much more comfortable in the provocateur seat, if you will. He's actually not really been a real legislator, if you will. He hasn't passed a lot of legislation that he's sponsored, actually, nothing. But he really has been, again, more of that agitator, more of the person who's provided oversight to the Republican conference. So in terms of his leadership style, we don't really know. We can only adhere to what he's saying and what he is saying, I think, actually should give the market some confidence. He's saying that he wants to fund the government, he wants to avoid a shutdown. There's some speculation that he has committed to bring up at least Israeli aid, if not also Ukrainian aid. And so again, these are two big questions, I think, that may weigh on investors. However, again, we don't really know how he will lead once he gets into that speakership. And of course, it's an open question at this point whether he will even get the needed votes to get the speakership altogether.

**EVANS:**

And another angle I saw this morning, maybe you can confirm this, is that we could potentially be headed for automatic 1% spending cuts come Jan 1. Is that right? How would that work?

**CANTRILL:**

Yes, there's a lot of moving parts here, Kelly. So it's, I think, very natural that folks are not necessarily keeping track here. But if you remember that debt limit bill, that actually was an agreement, both to avoid, of course, the breach of the debt ceiling, but also to fund the government for FY24 and FY25 at specific spending levels. However, in order to incentivize Congress to reach appropriations levels and what have you, there was this 1% sequester that would happen if there was a continuing resolution come January. Now, it looks like we will probably be operating under a continued resolution in January, so that may not be able to be avoided. But something that Jim Jordan has put out there is that he would move that trigger date to April. So if Congress were still operating under a continuing resolution come April, then it would be a 4% sequester that would be both going forward, but then also retroactive. That may be a bridge too far and that may be able to pass the House, but not pass the Senate. So we get a lot of moving parts here. I think the ultimate kind of takeaway, though, for markets is one, does the government shut down? And two, what are the funding levels? I think on the latter, the funding levels are probably going to look very much like the agreement that was hashed out in the debt agreement. So I don't think we should really view whoever wins the speakership as really a big inflection point for spending.

**EVANS:**

Although ironically, that might continue to put the bond market in a bad mood when it realizes there's not much change. 12, I think, Libby is now the count of no’s. And I'm not sure if we're halfway through the alphabet yet, but it does appear to be a quite large margin that he'll have to really figure out how to overcome here.

**CANTRILL:**

Yeah, Kelly, I think the real question here, just in terms of the speaker fight, is whether he, again, sort of capitulates and takes his name out of the race. And then what happens? I think an open question is, do folks actually sort of coalesce around this idea of giving the speaker Pro Tem more authority right now? The Pro Tem Patrick McHenry really can't do anything. He can't bring up legislation, for instance, but Congress could actually authorize him to do that. So I think that's the open question. If we can't get a speaker in place, do they actually just embolden him and give him more authority?

**EVANS:**

Alright, changing by the moment here, Libby. For now, thanks. We really appreciate it. Libby Cantrill from PIMCO.