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**JOE MATHIEU, BLOOMBERG RADIO:**

What a moment to have Libby Cantrill, the Head of U.S. Public Policy at PIMCO. We've been talking about this for 22 days and she's with us now. Your timing as usual is impeccable, Libby. We have a 56th Speaker of the House. I don't even know what to ask you first. Is the market sighing a bit of relief here?

**LIBBY CANTRILL, PIMCO:**

At long last, right, Joe? The markets haven't really been so focused on this, obviously, and this collided with a lot of other geopolitical and other issues happening, particularly in the U.S. Treasury market. So I don't think the markets have really been paying all that much attention to it. However, as we all know, not to kind of nerd out here a little bit, but we all know that the term premium in the U.S. yield curve treasury has backed up and that sort of elusive term premium can include a lot of things, including concerns about the governance of the United States.And so you could argue that some of the backup in Treasury yields that we've seen is at least in part due to the concerns about just the ability of Washington to function. So I guess in that respect, you would think that yes, the markets would likely breathe a sigh of relief. We can get into it, but there's also maybe some clarity around how we move forward on the government funding question as well.

**MATHIEU:**

Okay. Well, what do you think about that? Because Mike Johnson says he's willing to grab that third rail called a continuing resolution, and it doesn't seem to be a problem for the conference the way it was for Kevin McCarthy. Can he actually do this?

**CANTRILL:**

And this is the great irony, of course. What got former Speaker McCarthy ousted was working with Democrats to pass that short-term stopgap funding bill. And yet, now, I guess, Speaker-elect Johnson has indicated that's exactly what he will do, as well, in order to buy more time. Ironically, or maybe interestingly, Representative Johnson did not vote for that stopgap bill back in late September. But to your point, he has indicated that he does plan on passing a stopgap just again to buy more time for the House to pass those single subject appropriations bills, which I think is sort of a distinction without a difference for many people, for most people and the markets. But for many members of Congress, particularly among the House Freedom Caucus, that has been really a decisive issue for them. They have wanted to tackle appropriations, spending bills, one at a time, versus what is usual, these omnibus where bills are all sort of stuck together and passed at the 11th hour. So we'll see. Again, his fiscal record is more of austerity. He has advocated for spending cuts in many different respects, and again, he voted against that funding bill. He's voted against Ukraine funding several times as well. So this may not be a totally smooth glide path, but at least as of now, he is indicating that he will move forward in a way that certainly the markets will appreciate.

**MATHIEU:**

The President of the United States is speaking right now along with the Prime Minister of Australia on the other end of Pennsylvania Avenue. They're holding a bilateral news conference that was set to start almost an hour ago at this point, Libby. Do you want to hear him address any of these issues? What does the market want to hear him say about a continuing resolution and about the supplemental budget request?

**CANTRILL:**

Of course I think what the market is going to be more in tune to in terms of this meeting with one of our closest allies is probably around the question of China and how we move forward together with Australia on that issue. I think that the President has been very clear that he wants to avoid a government shutdown and that he will work with anybody who is in leadership to that end. Now, of course, this is a bit of an interesting dynamic because Speaker-elect Johnson did not vote to certify the 2020 election, so that maybe puts things out a bit of an awkward foot, but Biden is a constant legislator at heart, and I can see he’ll work with whomever he needs to work with to get things done. At least that’s what he will say most likely.

**MATHIEU:**

Mm-hmm. Spending time with Libby Cantrill, Head of Public Policy at PIMCO. With a Speaker of the House. It is actually official now, Mike Johnson voted to be the 56th Speaker a short time ago in the House of Representatives.

**PATRICK MCHENRY, CONGRESSMAN:**

And their tally is that the total number of votes cast is 429, above which the honorable Mike Johnson of the state of Louisiana has received 220 votes. And the honorable Hakeem Jeffries at the state of New York has received 209 votes. Therefore, the honorable Mike Johnson of the state of Louisiana, having received a majority of the votes cast, is duly elected Speaker of the House of Representatives for the 118th Congress.

**MATHIEU:**

Yes, indeed, Patrick McHenry, don't be confused by what you're seeing on YouTube. That took place a short time ago, making it all official. Hakeem Jeffries, the minority leader, and obviously, Speaker Johnson, now official, Libby. How important will it be for these two, Jeffries and Johnson, to show a united front, or are we beyond that in Washington?

**CANTRILL:**

Well, I will just say that the Republicans seemed happy that they finally got to that threshold. I’m just commenting on that latest clip that you played. I think that folks were exhausted and they were frustrated and they just wanted to move forward. And that's one of the reasons why Representative Johnson — who most people don't know. I mean, many people on the Hill don't know him very well, but certainly, nationally, he doesn't have the same profile that former Speaker McCarthy or Pelosi had. Joe, in terms of your question about how important it is for the two of them to work together, clearly it's important to have a working, constructive relationship with folks across the aisle. Johnson just hasn't been in the leadership mix, so it's difficult to assess at this point what his approach will be working with Democrats, but as we have seen, kind of painfully over the last few weeks, for many things, Republicans and Speaker-elect Johnson will need Democrats to pass things to advance the entire nation's agenda. So it is important. I do think there is poisoning of the well here, however. But I think that they will both decide to try to move forward. I do think there is a sense a urgency among Republicans to move forward, focus on legislating, focus on the business of the day and try to put this as far in the rearview mirror as possible. And of course, we won't know what the political implications of all of this is until next November.

**MATHIEU:**

Do you have a sense that this is a speaker who can finish the job or would suffer potentially the same fate as Kevin McCarthy?

**CANTRILL:**

I do not want to even imagine that we would be back here again.

**MATHIEU:**

I don't, either.

**CANTRILL:**

I'm sure you don't. There are other things happening in the world, and this is something that we've all been consumed with regrettably, but I think folks will be incredibly reticent to use the motion to vacate again in this session of Congress. Now, Joe, as you will know though, there's just not that much time left in this Congress because practically in an election year, both sides usually try to send their members home by mid-summer to start campaigning and then only bring them back in the fall for must-pass issues. So the idea that this might be a really productive Congress of legislating, which I don't think we really had any way, but certainly we don't have that now just because we haven't even passed funding bills. There's the farm bill, there's the NDAA, then of course there's Ukraine and Israel funding as well. So they have a lot on their plate, and I would assume that not much more than the bare minimum gets done this Congress. The last thing I will say, which I think has been important to markets that I'm not sure folks should feel hopeful about, is energy permitting reform. There's sort of a down payment if you remember. In the debt ceiling deal was a promise to address that later in this Congress. I think that with all of this, nobody should be hopeful that there is a big grand bargain on energy permitting reform. Never say never, but at least at this point, it doesn't look likely.

**MATHIEU:**

Well, you point out in your notes of clients, winning is easy, governing is harder. And I'm sure he's about to get a sense of that, if he doesn't already here with just the daunting amount of work that lies ahead. Libby, what do you make of it, if anything? I don't know if this is an issue for the markets or one for you on a personal level, the comments around his attempts to overturn the 2020 election. Is that something that will follow him throughout his speakership, or is that an issue that's being excised as we speak?

**CANTRILL:**

So I think the read through for the markets or the economy is just if it has political implications come 2024, and it's really too early to say, As you know, Joe, a lot of times in Washington, folks are so breathless about something, how this is just going to be sort of existential, and then they just move on and no one even talks about it again. So I’m a little bit reticent about trying to draw too many political conclusions, but the market would care if there were political consequences, particularly if it made the 18 Republicans who are defending House districts in those districts where President Biden won, so basically purplish districts, if you will, if it makes them even more vulnerable going into 2024. And of course, as we now all painfully know, Republicans only have a five seat majority, and so they only need to lose five seats in order to lose the House. And of course, again, there's the 18 districts. I think that's kind of the tie-in. If having a more, by their own admission, conservative speaker who didn't vote to certify the 2020 election, does that make moderate Republicans from the places like New York and California even more vulnerable going into 2024, and does that make the House vulnerable to flip to Democratic control? That will be an issue for the market, because of course, the Trump tax cuts, among other fiscal issues will be up in 2025.

**MATHIEU:**

Boy, just imagine the fun that we're going to have here. At least we know who we're going to be talking about for the next little bit here, Libby Cantrill. Many thanks for being with us on this historic day. We have a speaker, and of course, the voice from PIMCO to back it up. It’s great to see you, Libby, and thank you, as always, for joining us here on the fastest show in politics.