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**TOM KEENE, BLOOMBERG:**

Libby Cantrill joins now; Managing Director Head of Public Policy at PIMCO. Libby, you're the only one I can do this with. Can you take the election results, and you can fold them into a government shutdown, which happens in about three cups of coffee; can you make that exercise happen?

**LIBBY CANTRILL, PIMCO:**

Yeah, well, good morning. And thank you for not asking me a question ORGO. I did not take organic chemistry at school. So thanks for not testing me on that. And yeah, so I do think that the read through actually from last night, Tom, so thanks for a layup here, is actually Democrats won a special election in Rhode Island. This was a blue race, a blue seat. This is a house seat. That means that they have 213 seats in the house. Republicans, however, only have 221. They have a special election in Utah in a few weeks. The reason why this actually means- it is important from a government shutdown perspective, is that means practically, that Republicans now can only lose three seats- excuse me, three votes in order to pass a funding bill that they need to pass to avoid a shutdown by next Friday. So it just means that the margin of error is much more narrow for Republicans. Speaker Johnson was already needing to thread a needle, if you will, and that needle point has just gotten even more narrow for the results from last night.

**KEENE:**

In threading the needle, what will moderate Republicans do? I don't have it in front of me, but I'm going to suggest that on Long Island, East of New York City, the Republicans had a good night. What are the moderate, I guess, the Former President would say “Republicans In Name Only”, how do they adapt and adjust, off this election?

**CANTRILL:**

Yeah, I think what we learned last night is that abortion rights still very much resonate. That was obviously a takeaway from the 2022 midterms, where abortion really emboldened turnout. It shows last night that this really is very much an issue, especially when it is on the ballot. Now I think for 2024, many of these folks, particularly in those districts, Tom, that you mentioned, where there are Republicans who are defending Biden districts, the Democrats will make this an issue. You're going to hear a lot about abortion rights over the next year because of the results of last night, just under my underscoring that this clearly is a resonant voting issue for voters. Now, in terms of the government shutdown, what does that make those moderate Republicans do? They are voting in lockstep here. They really are trying to give Speaker Johnson the benefit of the doubt. I think that will continue. I think the big question for markets is, though, is that enough? Can they actually avoid a shutdown? If they pass a partisan bill, Tom, we will see a shutdown next Friday. So again, an open question of how this all resolves. But as of now, it looks like they are voting in a partisan way, which means that a shutdown risk is, you know, I think has increased over the last week or so.

**LISA ABRAMOWICZ, BLOOMBERG:**

Do markets care, though? I mean, is a shutdown basically, “okay, they're going to do it for 24 hours for effect, and then we'll move on?”

**CANTRILL:**

Yeah, Lisa, I think that's the real issue. If it is a temporary shutdown, no, this will just be more DC noise. If it's a longer, more prolonged shutdown, it does become, I mean, the economic impacts of lots of federal workers being furloughed, not actually collecting a paycheck, could matter. And also, you know, the data matters, right? If we don't get data from the Department of Labor, for instance, that makes the Fed's job, you know, a little bit, a little bit harder. And we can also see, you know, that this term premium that you all have been talking about, we could see, you know, some of the yields back up again, as well, on account of this. So, I think you're right. If it's a short term shutdown, no, the markets probably don't care. If it's longer term, however, you know, it may weigh on, you know, again, I'm just sort of the confidence around sort of the political apparatus in Washington, DC.

**ABRAMOWICZ:**

Just shifting from last night's elections to what we're expecting next year, in the Presidential Election, how much of a certainty do you think that it is that we're going to see President Biden versus former President Trump? How much will tonight's debate really color that discussion about potential other running candidates for the Republican Party, in particular?

**CANTRILL:**

Yes, I think- what we've been messaging to clients, Lisa, is with high conviction, President Biden will be the nominee for the Democratic Party. This idea that he is going to drop out, that Governor Newsom, for instance, may jump into the race, it just is not, it's just not realistic at this point. Nor is there any indication from the Biden camp that he has any interest in dropping out or any intention of dropping out. So he will be the Democratic nominee again, excluding or assuming there's no sort of exigent health issue or would have you. On the Republican side, President Trump obviously has an incredibly formidable lead in the polls, but this is actually a really important point. He- his campaign, is much more organized, I think, by his own admission, than it was in 2016, and they have been systematically changing the delegate rules in the states in terms of how the state primaries allocate delegates to his benefit. So not only does he have this formidable lead in the polls, but he's also sort of changed the kind of the machinations behind the scenes in terms of how these delegates are allocated. And of course, getting the nominations is just a delegate game. So the fact that he's been changing these rules is to his benefit as well. So I mean, a lot would have to happen, I think, tonight, and over the next two months. Now, I think what we can show from even last night, that voting behavior is the most important thing to look at and polls are not always right. And so particularly in Iowa and New Hampshire, Nevada and South Carolina, those are the four first contests, Lisa, and how we're guiding our clients is, if Trump wins all of those, then he very likely is going to be the nominee. However, if there's somebody contesting one of those, then it could easily become a two-person race. But again, sort of remains to be seen. In terms of tonight, it's really a race for number two, DeSantis and Haley. I think we'll see it be pretty nasty and pretty ugly tonight.

**JONATHAN FERRO, BLOOMBERG:**

I'm looking forward to that debate, a little bit later. Libby, thank you. Good to catch up, you're one of the best. Libby Cantrill there with PIMCO.