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**JOE MATHIEU, BLOOMBERG:**

I'm joined now by Libby Cantrill, Managing Director at PIMCO and Head of U.S. Public Policy on this day after the primary. Libby, I was looking back at your notes from just before the primary and after. Great to see you, by the way. You said going into this, if Trump wins New Hampshire he will be the nominee. You then wrote today after the fact that Nikki Haley's performance was not strong enough to dethrone Trump. So is this over?

**LIBBY CANTRILL, PIMCO:**

Hi Joe, nice to be with you. Yes, effectively for all intents and purposes this is over. I think that there have been folks who have not wanted this to be a coronation of Donald Trump as a Republican nominee. But I think for all intents and purposes that is what we are getting now as Nikki Haley has indicated she plans on staying in until South Carolina. We know that's February 24th. That's in about a month. So we do have about four weeks of this potential dynamic to continue. But I also, Joe, will not necessarily be surprised if she didn't pull out before then. So I think a lot of this will be predicated on what her donors have indicated to her privately. She has a few fundraisers up here in New York, so how successful those are. But I think for all intents and purposes and I think it's what you're already seeing certainly with the messaging from President Biden. But even from former President Trump that this is effectively now segueing into a general election contest from a primary contest.

**MATHIEU:**

Well, it sure seems like Joe Biden and Donald Trump want that to be the case and they're acting like it. But tell us more about the Wall Street angle here because you're right. There's an important meeting on January 30th with some big name donors. I think Druckenmiller, Langone and others who are going to prop up this campaign to get Nikki Haley apparently through the next four weeks. She's already dropping $4 million on ads in South Carolina. If the money keeps coming in, Libby, does the candidate stay in the race?

**CANTRILL:**

I think she does. Unlike Florida Governor DeSantis, she is not a current serving public official. And again, I think that this is obviously her home state. She was a popular governor. Now, she is lagging President Trump by about 30 points. But we all know that polls can be fickle. It doesn’t necessarily indicate who actually turns out to vote. Now as you know, Joe, from our policy nerd perspective, South Carolina not only has a different demographic, certainly, from New Hampshire and then from Iowa, but also their primary is quite different. And they do actually theoretically have an open primary meaning unaffiliated voters can vote in the Republican primary on February 24th. However, those folks need to register in order to be able to vote and they need to register next week. So it's not as easy and not as flexible as the New Hampshire primary. And certainly, if you just look at the exit polls, the independents really did disproportionately break for Nikki Haley. They very much supported Nikki Haley. So the fact that that demographic in South Carolina is quite different from New Hampshire, that will likely be a headwind for her.

**MATHIEU:**

Yeah, it's like a different universe politically, certainly with the number of evangelicals who are probably planning to vote for Donald Trump. But we'll have more time to talk about South Carolina as we get closer, Libby Cantrill. I want to ask you about what's happening here in Washington, because the last time we spoke, we were questioning whether there would be a government shutdown. They've extended this with a short-term funding deal that gets us into March. I wonder if you're concerned about a shutdown actually taking place or if a border deal could possibly emerge from this Congress and get the gears turning?

**CANTRILL:**

Yeah, I would say we've been talking to our clients about a possible government shutdown now since September. And their eyes simply just glaze over. I think that's sort of the market’s view as well that we've seen this movie now several times before. We know how that ends. Joe, of course, there is a possibility that we do see a shutdown. However, Speaker Johnson is navigating such a small house majority, actually one of the smallest in all of history. And as a result, he most likely will have to bring things to the floor, circumventing what's called the rules committee and using a tool called the suspension vote, which requires two-thirds of the house. And the only reason I bring that up, that means most likely he is going to have to bring up things that can get both the bulk of Republicans and Democrats support. And as a result, either we can see another staff gap measure, or we see some of these appropriation bills that don't have any sort of policy riders. And I think the punchline here is that they're funded at the levels that were agreed to back in June as part of the debt ceiling deal. All of this noise, and I think it is just noise from a market's perspective that everyone sort of learned to shake it off and ignore it, is actually has not necessarily resulted I think in what a lot of Republicans had wanted to see, which were lower funding levels from that debt ceiling deal, but alas, what is most likely is that we see the funding levels that were codified back in June just continue forward for this year.

**MATHIEU:**

It's incredible. To think a speaker lost his job in the middle of that. It's the definition of dysfunction, I guess. But Libby, I've got to ask you, though, in the middle of all this chaos, there's this ray of light, apparently, called a tax deal. And I can't even imagine how this is going to come together, but it looks like it just might, and it's a bipartisan deal that would extend the child tax credit in favor or in exchange, rather, for more favorable business taxes. This has enough support for it. So could we be in a world in which we have no budget, but we somehow codify a tax deal?

**CANTRILL:**

Yeah, it's certainly possible. I would say, though, Speaker Johnson has indicated that the House may vote on it next week, again, going through circumventing that rules committee, putting it right on the House floor with the assumption that you get two thirds of the House. It likely could garner a pass out of the committee by 40 to three. So for all of the talk about partisanship and polarization, we actually are seeing members of Congress work together. However, Joe, and this is a big however, even if it worked out, it is not necessarily a fait accompli at all. And actually, if you see the Senator Mike Crapo, who is the ranking member of Senate Finance, he has definitely poured cold water, not buckets of cold water, but teaspoons of cold water on this. I would say let’s not count it out yet, but let's also not count it in either.

**MATHIEU:**

I feel the optimism, I'm sticking with it while I can. PIMCO’s Libby Cantrill, thank you so much for the insights as always and for being with us on Balance of Power.