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**ROMAINE BOSTICK, BLOOMBERG:**

We continue our political coverage here right on the close. Libby Cantrill is joining us, Head of US Public Policy at PIMCO. And Libby, I guess now that maybe this whole ballot issue was settled, we can start to look a little bit deeper here into what might actually shape this race over the next few months and more importantly some of the policies that these two candidates are going to try to convince the American people are going to be best for them. Let's start off here with what could shape this race and I want to talk about the economy and whether economic issues are as much of a determinant in presidential elections now as maybe they were over the last few decades

**LIBBY CANTRILL, PIMCO:**

Yeah, good to be with you. Yes, historically, It's the economy, stupid. The economy has mattered. It has weighed and has informed how voters vote and we would still argue that yes, of course the economy still matters. There's an axiom in politics: gas and groceries. The price of gas, the price of groceries, these things still matter. And we would argue they matter even more given what we've seen in terms of inflation. We've seen a runup of food prices: 20 plus percent since Joe Biden has gotten inaugurated. We know that is a big issue. But Romaine, in addition to the economy, one thing to point out is that of course on paper the economy looks great, but because of those gas and groceries factors for voters, they don't really feel like it's great and other things that do matter for them, the southern border, Immigration, it's something that we all hear from New York to California to the Midwest. It's really top of mind for voters And then other issues as well, foreign policy and what have you. So the economy is definitely not a singular issue, but it will continue to be front in mind for voters

**BOSTICK:**

Certainly not a singular issue, but I think it's interesting how you phrase that. On paper, everything looks great, but for a lot of us, when we're going about our day, we kind of still feel the effects of that inflation And that really has raised a lot of questions here about the path for the Fed and not only whether they'll cut rates, but the idea of whether it's even appropriate for them to be doing any meaningful change in rates in an election cycle like this.

**CANTRILL:**

Yeah, Romaine, this is probably the top question that we've been receiving from clients as it relates to this election year. How could the election and politics inform the Fed in terms of their behavior? Would they be in particular more reluctant to cut as we get closer to the election? And actually if you look back at the data, if you look back at every election cycle since 1980, the Fed has either moved rates, they’ve either cut rates or hiked rates in some cases, or they've adjusted their balance sheet in every election cycle since 1980. So the data would suggest that actually politics and the election cycle should not inform the Fed here. We do take them at their word here at PIMCO that they are going to be really singularly focused more on the inflation, not on their dual mandate, and making sure that they really do eradicate inflation. So we think again, they are not going to be influenced by the election cycle. If the data suggests that they need to cut as we get closer to the election, they will likely do that.

**SCARLET FU, BLOOMBERG:**

Yeah, although I'm sure both sides will be making a lot out of it anyway, regardless of what the historical data show. One thing of course that we're going to look ahead to this week is the theater around Jay Powell testifying before Congress starting on Wednesday and Thursday Obviously Democrats want interest rate cuts to keep the economy going in an election year while Republicans are pushing for him to scrap a plan to boost paying capital. How do you see him threading this needle aside from just being really boring and not saying very much?

**CANTRILL:**

Scarlet, I think his focus will be to be very boring, to not generate headlines. Jay Powell is an expert at this. This is of course not his first rodeo, so to speak. So we think that he will be able to thread the needle here. I do think there will be some pushback by some progressive Democrats on the Senate Banking Committee in particular about his rates policy and encouraging him to get in front of potentially a slowing economy going into the election. I think he will have a very magnanimous answer like he always does, and then as you said, Republicans at both the Senate and in the House will push back on what's called Basel III Endgame. It's this new very sweeping proposal by the Fed in terms of capital requirements. I think we'll hear a lot from that but again, boring is good in his case And so I think he will try to be as boring and as magnanimous as possible.

**BOSTICK:**

Alright Libby, always great to talk to you. Libby Canrill, never boring, PIMCO Head of Public Policy.