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**DOMINIC CHU, CNBC:**

Let's turn now to Libby Cantrill for a deeper dive into the policy impacts of Biden's economic agenda as laid out last night by the State of the Union. Libby, as you were watching it, what stood out to you as the key focal point or key message that the president was trying to get across, not just Congress, but of course, to the American people?

**LIBBY CANTRILL, PIMCO:**

Good afternoon, Dom. In some ways from a policy perspective, this was a rehashing of many of the policies that President Biden ran on in 2020 and that he's repeated in other State of the Unions. So I'm not sure there was that much that's new. He did reinforce a few things, though, that are, I think, important or potentially important to the market. He leaned into this idea of increasing the corporate tax rate from 21% to 28%. He also supported this idea of quadrupling the buyback tax, the surcharge from 1% to 4% among some other tax changes, including a 25% wealth tax for those who have $100 million more of assets. Dom, however, and this is a big however, and something that we are reinforcing to our clients, is that so much of his ability to get this done in 2025, should he win reelection, will really depend on whether he has a cooperative Congress. Does he have a Democratic Senate and a Democratic House? I think that's a real open question just given the pretty difficult map for Democrats. It looks like it may be difficult for them to keep the Senate. So as a result, I think we are just guiding our clients to take this with a big grain of salt. This is sort of more populist from an economic perspective, but probably is going to be difficult to actually translate into policy, even if he were to win reelection.

**CHU:**

So that's down ballot stuff, right? That's this idea that you need to see other elections besides just the one at the top of the chain go the way that you need it to go, whether you're a Republican or a Democrat. What is the handicapping process that you're going through right now from a policy perspective on how you're telling people how these down ballot elections could play out and what effects it will have on the economic agenda that any president would want to lay out?

**CANTRILL:**

Yeah, it thinks that actually as much focus is on the election around the White House, around the presidential election, that might be a little sexier, more interesting. We would argue that actually for this election cycle in particular, just given the dynamics in both the Senate, which the Democrats control by a very slim margin right now, and the dynamics in the House, which Republicans control by a very slim margin, they're both basically both up for grabs this election cycle, Dom. So again, just given the challenging map of seats in states that are up for reelection in the Senate, it looks like the odds favor Democrats losing the Senate, but they may actually have a higher chance of taking back the House. In which case, and this is sort of the important punch line here, is that for all of either candidates, President Biden or former President Trump, whatever they talk about fiscal policy and what they want to do in 2025, just remember that if they have a split Congress, they're going to be able to do much, much less than what they may be suggesting on the campaign trail.

**CHU:**

Libby, it sounds like we've talked about these issues in past election cycles, this idea that gridlock is good for Wall Street in some ways. Are you forecasting more of a gridlock type situation, no matter who wins the White House?

**CANTRILL:**

Well, actually, the data would corroborate that, Dom. If you look at just the S&P and its performance since the 1950s, the stock market actually performs better, typically under divided government or split Congress. So that has actually been again verified by data. I think it's just too early to tell at this point. Of course, we're just in March. It's sort of unbelievable. I know it feels like the general election campaigns have already been going on for several months. Usually in a typical presidential election cycle, we would just be getting the beginning of the primary process, but because we basically, for all intents and purposes, know the presidential nominees for each of the parties, we're already pivoting to policy prognostications. But what we're telling clients is it's still early, don't extrapolate too much from the head to head polls and even on the down ballot races, it's just too difficult to guess and handicap at this point, whether we'll see a split Congress or a red wave or, even though it seems less likely, a democratic wave.

**CHU:**

All right, Libby Cantrill with PIMCO with the latest state of play. Thank you very much. We'll see you soon.

**CANTRILL:**

Thanks, Dom.