Trump’s high wire act

By BEN WHITE and AUBREE ELIZA WEAVER | 06/07/2019 08:00 AM EDT

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Quick Fix

Trump’s high wire act — I write here this morning about President Trump’s enormous economic gamble with threats of trade wars with both Mexico and China even as the economy slows and markets flash recession signals.

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shock from tariffs or the stock market shock. The risk here would clearly be recession if we are talking about these blanket tariffs.”

**Yield curve flashing red** — I also spoke with Campbell Harvey, a professor at Duke University’s business school who has tracked yield curve inversions for three decades:

“This is not normal and it tells us something is wrong. What we’ve observed in the data is that if you’ve got an inversion of the 10-year bond against the 3-month bill for one full quarter, that has predicted each of the last seven recessions and provided no false signals.”

**Welcome to jobs day** — The official May jobs number is not expected to be anywhere near as bad as the 27K ADP private sector report. But the big ADP miss has people worried. Pantheon’s Ian Shepherdson: “If the headline number is much stronger than ADP, don’t celebrate until you’ve checked whether private payrolls also rose strongly; it’s possible that hiring for the 2020 Census will boost the headline.”

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A message from Wells Fargo:
More than 171,000 African American and Hispanic families have become homeowners since 2015 through Wells Fargo’s $185 billion in commitments to grow homeownership in diverse communities.

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**GOOD FRIDAY MORNING** — Happy weekend! Email me on bwhite@politico.com and follow me on Twitter @morningmoneyben. Email Aubree Eliza Weaver on aweaver@politico.com and follow her on Twitter @AubreeEWeaver.

**DRIVING THE DAY**

President Trump is due back at the White House at 4:45 p.m. ... May jobs report at 8:30 a.m. expected to show a gain of 180K, unemployment unchanged at 3.6 percent and wages up 0.3 percent ... Consumer Credit at 3:00 p.m. expected to expand by $13B ... 

**NO DEAL YET WITH MEXICO** — Our Doug Palmer and Ted Hesson: “The White House pledged on Thursday to barrel ahead with tariffs on Mexico, saying the U.S. position ‘has not changed’ after officials met for a second day to address the steady flow of Central
One U.S. official said more meetings [were] planned [for Thursday evening] at State Department.”

OUTLINES OF A DEAL? — WP’s Nick Miroff, David J. Lynch and Kevin Sieff: “U.S. and Mexican officials are discussing the outlines of a deal that would dramatically increase Mexico’s immigration enforcement efforts and give the United States far more latitude to deport Central Americans seeking asylum, according to a U.S. official and a Mexican official who cautioned that the accord is not finalized and that ... Trump might not accept it.

“Mexican officials have pledged to deploy up to 6,000 National Guard troops to the country’s border region with Guatemala, a show of force they say will make immediate reductions in the number of Central Americans heading north toward the U.S. border. The Mexican official and the U.S. official said the countries are negotiating a sweeping plan to overhaul asylum rules across the region”

BREAKTHROUGH ON FLOOD INSURANCE — Our Zachary Warmbrodt: “House Financial Services Chairwoman Maxine Waters and ranking member Patrick McHenry have reached agreement on a five-year reauthorization of the National Flood Insurance Program — a game-changing development on an issue that has stymied Congress for more than two years.”

NOW LIVE – “GLOBAL TRANSLATIONS” PODCAST: The globe is threatened by profound challenges that know no political bounds. Trade. Technology. The environment. Are leaders around the world up to the task of solving them? The first episode of POLITICO’s new podcast, "Global Translations" presented by Citi, is now available. Tune in to understand the stakes when it comes to the most pressing issues, navigate the political roadblocks standing in the way of solutions, and learn the ideas that might propel us forward. Listen now.

MARKETS

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reports that the United States is considering a delay in imposing tariffs on Mexican imports.

“The market added to gains after a Bloomberg report cited unidentified sources saying that U.S. President Donald Trump could delay the tariffs he had threatened to put on Mexican goods as soon as Monday. ... It was the first time since mid-May that the three major indexes gained ground for three sessions in a row."

**STOCK ANALYSTS UNSURE WHAT THEY WANT IN JOBS DATA** — Bloomberg's Vildana Hajric and Elena Popina: “While forecasting cause and effect is always hard in financial markets, Wall Street’s best minds are having a particularly brutal time deciding if they want Friday’s payroll data to come in high or low. Anticipation is running hot. Anticipation of what, is a separate question.

“Will a weak report boost rate-cut odds? Or maybe the cuts are priced in and the sight of a tanking economy will sow terror. Maybe solid data will douse recession fears. Or maybe just stiffen resolve against easing. Good may be good, or good may be bad. Wall Street is decidedly undecided.”

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heightened trade tensions, making a rate cut possible — if not at their meeting on June 18-19, then in July or later.”

**SENATE DEMS PUSH FOR DEUTSCHE BANK, TRUMP PROBE** — Reuters’ Pete Schroeder: “A group of U.S. Senate Democrats is urging the Federal Reserve to investigate Deutsche Bank AG’s relationship with President Donald Trump and his son-in-law and adviser Jared Kushner. The lawmakers, led by Senators Chris Van Hollen and Sherrod Brown, the senior Democrat on the Senate Banking Committee, said news reports of potentially suspicious transactions at the bank involving Trump business entities merit further examination.”

**WHAT TO WATCH AT G-20 FINANCE MEETINGS** — Bloomberg’s Michelle Jamrisko: "Risks from the U.S.-China trade war and an expected turn in global monetary policy will feature high on the agenda as finance and central banking chiefs from the Group of 20 gather this weekend in Fukuoka, Japan.”

**TRUMP ALLIES INVITED TO BAHRAIN** — CNBC’s Brian Schwartz: “The White House has invited some of ... Trump’s key allies in the business world to an event later this month in Bahrain intended to kick-start the administration’s long-awaited Middle East peace plan. The meeting is part of Trump’s effort to strike the ‘deal of the century’ for Israeli-Palestinian peace.

“Tom Barrack, a loyal supporter of the president and the CEO of real estate investment firm Colony Capital, will be heading to the event slated to start on June 25 at the Four Seasons in Bahrain’s capital, Manama ... Blackstone CEO Steve Schwarzman, BlackRock CEO Larry Fink and Goldman Sachs’ Dina Powell are among the heavy hitters who have been invited to the gathering dubbed ‘Peace to Prosperity’”

**MOORE WANTS LAFFER FOR CEA** — Via FOX Business: “Steve Moore told FOX Business on Thursday that he has not been asked to replace Trump’s top economic adviser Kevin Hassett. However he believes one former Reagan economist, who President Trump is very fond of, is more than qualified to fill the role

“‘He’s a regular on your show and he’s going to win the Presidential Medal of Freedom,’ Moore told FOX Business’ Stuart Varney. ‘But how about Arthur Laffer?’ ‘I know from various sources he is interested, he’s been interested and he is interested in having the opportunity to serve. But I think the President has got to vet the list, but he’s got a bunch of good people on it.”
TRADE DEFICIT SMALLER IN APRIL, BUT CHINA GAP GREW — AP's Paul Wiseman: "The U.S. trade deficit shrunk in April, but the politically sensitive deficit with China moved higher.

A message from Wells Fargo: Helping more low- and moderate-income DC residents become homeowners is an important step toward strengthening local communities. Wells Fargo's NeighborhoodLIFT program will assist more than 600 DC-area residents with down payment assistance grants and homebuyer education to prepare them for successful homeownership. June is National Homeownership Month, and Wells Fargo is proud to have committed $7.1 million in 2019 to further this cause in the greater Washington, DC region.

FOR YOUR RADAR

NEW ON THE PODS — Via Patrick Temple-West: At about 4am, FSVector is posting a podcast interview with Rep. Tom Emmer. Emmer is a co-chair of the Congressional Blockchain Caucus. Apparently, he doesn't hold back on his feelings regarding the SEC and others on cryptocurrencies.

Sick and tired of traffic? Relief may not be as far off as you think. POLITICO Magazine's "What Works" series looks at innovative ways that cities are trying to reduce traffic, from density-focused light rail to congestion pricing to an outright car ban on the busiest streets. If you could change anything to reduce congestion or improve transportation in your city, what would it be? Tell us here and we’ll publish the most thoughtful responses.

TRANSITIONS — Via Molly Meiners: “I wanted to let you know that I am leaving the Treasury Department. It has been wonderful being back at Hamilton Place these past two

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Per Daniel Lippman: **Barrett Karr** is now head of government affairs for Silver Lake Private Equity. She previously was chief of staff for House Minority Leader Kevin McCarthy.

Per Wells release: “Please join me in welcoming Jeff Stoltzfoos to Wells Fargo’s Public Policy team. Jeff has been named Head of Wholesale Public Policy and has joined the Government Relations and Public Policy (GRPP) team in Washington, DC.”

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