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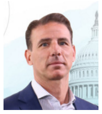
Policy, Politics, and Pressure Points in Washington This Summer

A crowded policy agenda and challenging political backdrop are shaping what may—and may not—get done in the months ahead.



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What You Should Know

- A packed policy agenda is running up against tighter constraints, with limited time and narrow margins making it harder to translate priorities into action.
- Trade policy is shifting back into focus as tariffs return and the US-Mexico-Canada Agreement (USMCA) framework grows more complex.
- Several major policy efforts are moving forward, including changes to corporate reporting, defense funding, and crypto regulation, though each faces meaningful resistance.
- Evolving midterm dynamics are shaping the policy landscape, influencing both legislative priorities and how far proposals are likely to go.

Washington is heading into the summer with several major policy debates colliding at once, creating a challenging backdrop for the months ahead. Trade decisions, fiscal negotiations, and election-year dynamics are all overlapping, making it harder to isolate any single driver of the agenda.

At the center is a broader push by the Trump administration and Congressional Republicans to use timing and policy to their advantage, while Democrats remain more constrained in shaping near-term outcomes. The result is a policy environment that may be defined as much by strategic pressure as by legislative progress.

A Crowded Agenda, Limited Room for Error

The summer legislative calendar is shaping up to be a stress test for Republicans' razor-thin majority. Before the August recess, Speaker Mike Johnson (R-LA) and Sen. Majority Leader John Thune (R-SD) are aiming to push through all 12 government funding bills, a party-line reconciliation package, and a handful of bipartisan measures nearing the finish line. With only a few votes to spare, though, internal GOP divisions could derail that effort quickly, while Democrats are positioned to slow progress wherever they can.

The first major hurdle is the National Defense Authorization Act (NDAA). Despite early bipartisan support, the bill has drawn more than 1,300 amendments, many focused on politically sensitive issues, complicating what is typically a must-pass piece of legislation.

Several bipartisan bills are also close to passage, but clearing one chamber is only part of the challenge. Reconciling differences between the House and Senate is likely to prove more difficult, making the path to a presidential signature far less certain.

Trade Policy Reenters a More Uncertain Phase

On the trade front, the US is set to miss the July 1, 2026, milestone for the formal review of the USMCA, ending hopes for a routine extension. Instead, the agreement moves into a more contentious phase of annual reviews alongside a 10-year countdown clock, giving Washington sustained leverage over Canada and Mexico.

Negotiations have already turned tense, with disputes centered on stricter automotive rules of origin, efforts to limit China's role in supply chains, and Mexico's energy policies. Friction is building further after the quiet collapse of a separate US-Canada interim deal over auto tariffs, setting up what could be a prolonged stretch of bilateral pressure campaigns as all three countries try to steady the $2 trillion trading bloc.

Global tariff uncertainty is resurfacing, though through a more procedural channel. The Trump administration is using Section 301 investigations to revisit tariffs previously struck down by the Supreme Court, signaling a more deliberate approach to reinstating trade measures.

US Trade Representative Jamieson Greer has proposed new duties on roughly 60 economies tied to forced-labor concerns, with major partners such as China and Japan facing rates around 12.5%, while Canada and the EU would see closer to 10%. These proposals are expected to replace the temporary 10% global baseline tariff as it phases out, marking a shift back toward more targeted measures.

At the same time, the Department of Justice continues to appeal a ruling related to importer refunds, adding another layer of uncertainty around the policy outlook. Additional measures—including a separate 25% tariff on Brazil and modest adjustments to agricultural equipment tariffs—further complicate the landscape.

> "Trade policy is entering a more uncertain phase, with tariffs and negotiations adding new complexity to the global landscape.

Challenging the Quarterly Reporting Model

The SEC's proposal to allow semiannual reporting instead of quarterly filings is gaining attention, but the path forward remains uncertain. Introduced in May with a public comment period, the framework would be optional: Companies could elect to file a single semiannual Form 10-S in place of three quarterly 10-Qs, while quarterly reporting would remain the default.

The idea aligns with broader efforts within the SEC to reduce compliance burdens and address concerns around short-termism. Still, opposition has emerged from key market participants, including large institutional investors, market-structure stakeholders, and the SEC's Investor Advisory Committee. Critics argue that less frequent reporting could reduce transparency and widen information gaps.

More fundamentally, quarterly reporting functions as a core component of market infrastructure, informing analyst models, trading behavior, and corporate disclosure practices. While the proposal appears likely to remain under consideration, significant changes to the current framework face meaningful hurdles. Even if adopted, many large issuers may choose to continue quarterly reporting to maintain consistency with investor expectations.

Competing Paths Complicate Defense Spending Plans

With the $70 billion reconciliation package focused on immigration now behind them, Republicans are beginning to outline a follow-up measure. The next proposal is expected to focus on defense spending, though identifying sufficient offsets remains a key challenge.

Some potential ways to pay for the package have already been floated. Centers for Medicare and Medicaid Services Administrator Mehmet Oz has discussed generating savings by targeting fraud in Medicaid and hospice programs, as well as tightening eligibility around Affordable Care Act enrollment. Still, proposals tied to healthcare are likely to face resistance from more moderate Republicans, particularly in the lead-up to midterm elections.

Other funding ideas are also emerging. House Natural Resources Committee Chairman Bruce Westerman has proposed expanding oil and gas leasing on federal lands, pointing to energy revenues as a potential source of offsets. While Republican leaders initially aimed to advance legislation before the August recess, the timeline appears fluid as they work through competing priorities within the conference.

At the same time, divisions are becoming more apparent in how to fund a broader defense buildup. The House is moving forward with its fiscal year 2027 National Defense Authorization Act at approximately $1.15 trillion, maintaining the traditional authorization process. The Trump administration, however, is also seeking an additional $350 billion to support munitions, shipbuilding, missile defense, and related priorities.

That approach is encountering resistance in the Senate, where appropriators have raised concerns about relying on a party-line measure that may not ultimately pass. Those concerns are heightened by near-term demands, including costs associated with the conflict in Iran, which are adding to longer-term modernization wish list.

In practice, this leaves multiple tracks in motion. Authorizing committees are continuing their work, while the Trump administration pursues additional funding through reconciliation. Senate appropriators, however, may prove to be a key constraint. If those concerns persist, Congress could again fall back on more familiar paths, with near-term defense needs taking priority and other spending deferred to the annual appropriations process or future negotiations.

> Big spending plans are moving forward, but running into political and procedural limits.

Crypto Legislation Gains Ground, but Faces Hurdles

The CLARITY Act, which seeks to clarify oversight of cryptocurrencies between the SEC and Commodity Futures Trading Commission (CFTC), is gaining traction but remains short of the finish line. After passing the House with bipartisan support last summer, the bill advanced out of the Senate Banking Committee in May and is now positioned for floor consideration—marking meaningful progress in an area where legislative efforts have often stalled.

Still, the transition from committee to the full Senate introduces new challenges. Supporters will need to maintain a broad coalition through debates over ethics provisions, anti-money laundering requirements, stablecoin treatment, and the ongoing jurisdictional divide between the SEC and CFTC. At the same time, opposition from the banking industry remains a key hurdle, particularly around provisions that could make stablecoins more competitive with traditional deposits.

The pace of legislation has allowed regulators to take a more active role. As Congress deliberates, agencies such as the SEC, CFTC, and Treasury continue to shape the regulatory framework through existing authorities and rulemaking. The result is a policy landscape that is evolving on multiple fronts, with legislative action still uncertain.

Housing Efforts Face Structural Constraints

Congress is also advancing a bipartisan effort aimed at limiting institutional ownership in the single-family housing market, an issue that has gained attention in an election-year environment. While the proposal has a clearer path politically, its practical impact on affordability may be more limited.

Institutional investors account for a relatively small share of the overall housing stock, and in many cases focus on distressed properties that would not otherwise attract individual buyers. Restricting future purchases could modestly increase inventory at the margin, but may also tighten rental supply, leaving the net effect on affordability less pronounced.

That dynamic suggests a gap between the policy's political appeal and its potential economic impact. While the measure may resonate with voters amid ongoing housing challenges, broader supply constraints and rising ownership costs are likely to remain the primary drivers of affordability trends.

The Midterm Map Comes into Focus

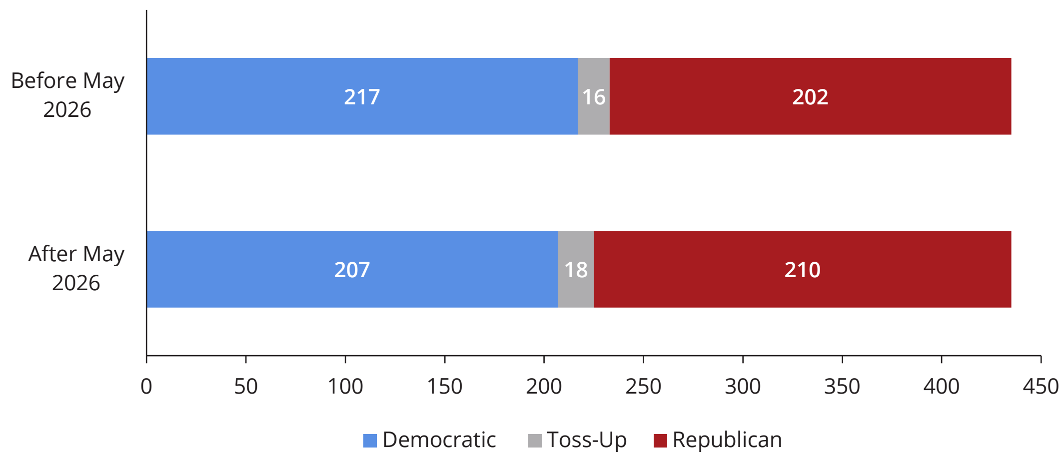
With most redistricting decisions now in place, the contours of the 2026 midterm elections are coming into clearer focus. The House remains competitive in a typical midterm sense, particularly given Republicans' narrow majority, but the map itself has shifted. Mid-decade redistricting across several states has modestly improved Republicans' positioning, particularly across the South, meaning Democrats may need a stronger national backdrop to regain ground.

The result is a more complex electoral dynamic. Beyond serving as a referendum on policy and economic conditions, the outcome will also reflect how candidates perform within a reshaped map that is no longer evenly balanced. In the Senate, the landscape remains more candidate-driven, with factors such as retirements and state-level dynamics likely to play a larger role than redistricting.

FIGURE 1

Redistricting Is Shaping the House Battleground

Toss-Up House Seats Before and After Redistricting; 218 Needed for Control



Source: Cook Political Report, 6/26.

At this stage, the overall framework is largely set. Republicans appear to have strengthened their position in the House, while Democrats retain a viable path to competitiveness depending on broader political conditions. From here, attention is likely to shift toward candidate recruitment, messaging, and voter sentiment as the cycle develops.

In the months ahead, greater clarity may emerge across trade, spending, and regulatory priorities, though a compressed calendar, narrow margins, and a more polarized backdrop—along with competing priorities across chambers—could limit how much progress is made.

That combination often leads to a familiar late-summer pattern: incremental movement on higher-priority items, with more complex or contested issues pushed into the fall or beyond.

Talk to your financial professional to help make sure your portfolio is prepared for whatever happens in Washington, D.C.

About the Author:

James R. (JT) Taylor serves as Chief Political Strategist and Macro Policy Sector Head at Hedgeye Potomac Research. JT has extensive experience in both government and business in Washington, D.C., with a career spanning the legislative and executive branches as well as the financial-services industry. Prior to joining Potomac Research Group, he ran Pelorus Research, the US public-markets division of the Holdingham Group based in the United Kingdom. He previously led a policy research team as Managing Director at DeMatteo Monness. From 2002-2009, he was Managing Partner of Kemp Partners, a Washington, D.C.-based strategic consulting, business development, and marketing firm he founded with former Housing and Urban Development Secretary Jack Kemp in 2002. At Kemp Partners, he oversaw day-to-day operations and business development while managing client relationships in both the corporate arena and financial-service industries.