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On September 24, Speaker Pelosi announced a formal impeachment inquiry into President Trump. Specifically, Speaker Pelosi directed the six House committees already investigating the Trump administration to continue doing so “under that umbrella of impeachment inquiry.” Speaker Pelosi’s announcement is significant because it is only the fourth time in American history that a sitting president is facing a formal impeachment inquiry, but we believe this announcement carries more political significance than practical consequence given the composition of the Senate. Please see below for our thoughts on this announcement’s impact.

**Thoughts on Market Reaction.** After a handful of client conversations, we were left with the following takeaways: (1) market participants are cognizant of impeachment mechanics and procedural realities given conversation around the Mueller report, so the process itself is not daunting for investors; (2) our client conversations focused more on the inquiry’s impact on China trade talks and the USMCA than the inquiry itself; and (3) our sense is that investors will view the impeachment inquiry as just another unknown that fits squarely within the broader medley of uncertainty encompassing China, Brexit, USMCA, monetary policy, economic growth, and the forthcoming election.

**What Has Actually Changed? Thoughts on Practical and Political Implications.** The simple truth is that Speaker Pelosi’s announcement does not represent a seismic shift from a practical perspective. The House was already investigating the Trump administration and the committees of jurisdiction will continue with that work. We believe the odds slightly favor the Judiciary Committee advancing articles of impeachment, which will then lead to a vote on the House floor. Given that a two-thirds majority is necessary for conviction in the Senate, the composition of the upper chamber still effectively guarantees that removal from office is not on the table. To that end, we believe the practical impact from the Trump impeachment inquiry should be categorized into in three buckets: legislative, trade, and political.

- **Legislation.** On the legislative front, the impeachment inquiry is likely to either delay, complicate, or sink the remainder of the legislative agenda. Notably, however, the odds of this Congress securing numerous legislative victories in advance of the election were already laughably low. We believe that the impeachment inquiry meaningfully narrows the path to passage for drug pricing legislation and the USMCA, but our sense is that the latter is relatively better positioned as we believe bipartisan centrist pressure will grow more meaningful in the weeks ahead. Other legislative efforts – gun legislation, GSE reform, and infrastructure – were already effectively dead and this development will not change that fact.

- **Trade.** Forecasting the impeachment inquiry’s impact on the trade landscape is difficult given the realities of President Trump’s negotiating style. On the one hand, the inquiry could fortify President Trump’s trade stance as he tends to retrench and redirect when attacked. On the other hand, the inquiry could cause the president to look for victories beyond the water’s edge to bolster his case for reelection. We tend to believe that the president’s posture will reflect the former in the near-term, but expect him to pivot toward the latter strategy as the election draws near. On the China front, we continue to believe that a de facto détente will materialize by the end of the year as we view the December tranche of tariffs on Chinese consumer goods as a motivator. On the auto tariffs, we continue to believe that the risk remains elevated and highlight the mid-November deadline as a notable mile marker. On the USMCA, the impeachment inquiry undoubtedly complicates the calculus, but we remain cautiously optimistic as we expect moderate Democrats in red states to push for a bipartisan victory in the hopes of countering any political pressure stemming from the impeachment inquiry.

- **Politics.** The political impact of the impeachment inquiry will be determined by what the process produces, the president’s framing, and the public’s perception. Our sense is that the
impeachment inquiry will serve as red meat for both political bases, but it is too early to gauge the impact on centrist voters. As a reminder, an August 2019 Monmouth poll found that 56% of respondents viewed formal impeachment proceedings as a “bad idea” if the Senate is unlikely to remove the president from office. At this early stage, we believe the clearest takeaway is that the impeachment inquiry could complicate the political calculus for the ~30 House Democrats in districts President Trump carried in 2016.

**View of Impeachment Inquiry Given Senate Realities, As of Aug. 2019**

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<thead>
<tr>
<th>Party</th>
<th>Good Idea (%)</th>
<th>Bad Idea (%)</th>
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<tbody>
<tr>
<td>Republican</td>
<td>11</td>
<td>87</td>
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<tr>
<td>Democrat</td>
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<td>60</td>
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<tr>
<td>Total</td>
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<td>56</td>
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Source: Monmouth (August 2019), Compass Point
Note: The question was: “Do you think it is a good idea or bad idea for the House to conduct formal impeachment proceedings if the Senate is unlikely to vote to remove Donald Trump from office?”

**Two Notable Points.** Following a handful of client conversations, we believe it is useful to highlight two points at this stage: (1) the number that we have seen at the bottom of cable news chyrons – which the *New York Times* estimates is 204 at the time of this document’s publication – is the number of lawmakers supporting an impeachment inquiry, not a whip count on as-yet-defined articles of impeachment; and (2) the expected release of the Ukraine call transcript and potentially the whistleblower complaint could meaningfully impact this storyline.
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<th>Coverage Universe</th>
<th>Investment Banking Relationships</th>
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