

Edward Jones[®]

CAPITAL CURRENTS

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ONE BIG THING *News that's driving the day*

MIDTERM SEASON UNDERWAY

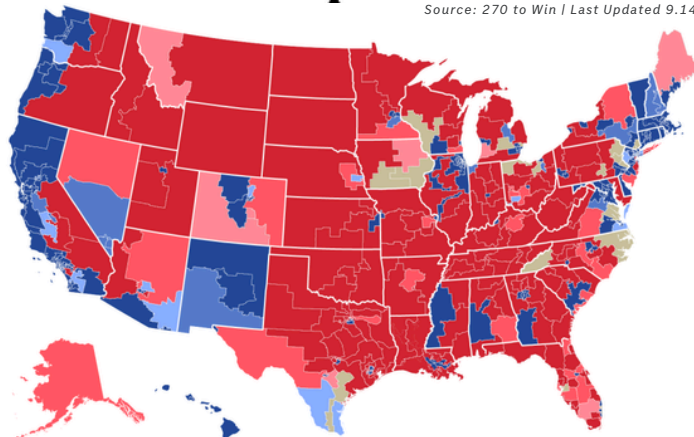
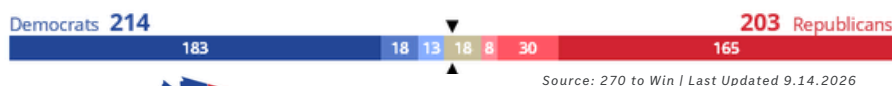
The Big Picture: The final primaries have concluded, and the sprint to the November 3 midterm election is underway. With control of Congress turning on narrow margins, both parties are focused on turning out their voters and prevailing in election administration court fights.

Republicans Look to Change the Dynamic:

The president's party historically loses seats in midterm elections, and Democrats currently lead in national polling. Against that backdrop, Republicans gathered in Dallas for the party's first-ever midterm election national convention to boost enthusiasm among their base. Reflective of the headwinds Republicans are facing, President Trump promised a \$5,000 "Trump Dividend" to American adults if Republicans retain control of Congress, despite a huge price tag and the need for Congressional approval. Those in the most competitive races chose to skip the event to avoid being tied too closely to the President as Democrats seek to make the election a referendum on the administration.

Rules of the Road: With control of Congress expected to turn on narrow margins, election administration changes and court challenges could affect the balance of power. The Supreme Court's decision blocking new USPS requirements settles mail-ballot procedures for now, but the Trump Administration is still pursuing voter records and federal citizenship lists. A year of redistricting battles is finally concluding now that courts have ordered Missouri to use the map passed in 2022 after the last census, despite voters using a different map in the primary. Stay tuned for continued battles over election rules as both parties seek an advantage.

What We're Watching: Attention is turning to Trump's campaign activity and how his political operation deploys its massive election war chest of over \$400 million. Democrats are trying to expand the number of competitive races and force the GOP to defend more territory; they are now targeting 40 House seats, up from 12 seats in February. Where each side spends their resources will offer an indication of how large, or narrow, the November battlefield is.



ABOVE THE FOLD *The largest currents shaping the policy landscape*

CONGRESS RETURNS, BRIEFLY

A Pre-Midterm Agenda: Congress returned to Washington with a short calendar and a clear incentive to avoid political landmines before Election Day. Lawmakers quickly funded the government through December 11, taking a shutdown off the table. House leaders canceled the final two weeks of scheduled September votes, giving members more time to campaign at home.

Priorities: The House passed the bipartisan Ratepayer Protection Act with a near-unanimous vote, requiring states to consider making large power users cover the costs of grid upgrades. The bill heads to the Senate, where its path forward is uncertain. With data center costs emerging as a voter concern ahead of the midterms, the lopsided House vote signals growing bipartisan consensus on addressing the impacts of AI, even as lawmakers remain divided over how. Also, the CLARITY Act, a top-priority pre-election cryptocurrency bill, failed to advance in the Senate after Democrats and four Republicans blocked the procedural vote. Negotiations stalled over ethics provisions, community bank concerns, and safeguards against illicit crypto use.

What's Next: Everything else will be left until after the election. The December agenda includes full-year government funding and a debate over the Pentagon's request for higher defense spending. Lawmakers could revisit health care costs after the expiration of enhanced Affordable Care Act tax credits increased premiums for many marketplace enrollees. In December, Congress will return to those fights knowing which party will control Washington in January, potentially reshaping the substance of the negotiations and each side's willingness to compromise.

A TALE OF TWO STATS

11 MILLION
LOW INCOME RENTAL HOUSEHOLDS

The Affordable Housing Gap

With 11 million extremely low-income renter households and just 4 million affordable units, the shortage remains a top financial pressure on Americans.

4 MILLION
AFFORDABLE UNITS

Source: National Low Income Housing Coalition

That said...

+162,000

Jobs in August

Source: Bureau of Labor Statistics

A Bright Spot for the Economy

U.S. employers added 162,000 jobs in August, beating expectations amid broader economic uncertainty.

BELOW THE FOLD

Top headlines you may have missed this month

AI'S BIPARTISAN POLITICAL BACKLASH INTENSIFIES

Industry Alarm Bells, Then Political Ones: A wave of warnings from current and former AI researchers set off a chain reaction, with Anthropic CEO Dario Amodei calling for slowing the pace of frontier AI development, and rivals Sam Altman, Demis Hassabis, and Elon Musk signing on. That rare unity rattled investors and spiked calls for federal action.

Bipartisan Concern Meets a Presidential Wall: In Congress, lawmakers in both parties are increasingly focused on the potential national security and safety risks of advanced AI. Sen. Ted Cruz (R-TX) is working with Sens. John Thune (R-SD) and Amy Klobuchar (D-MN) on legislation addressing catastrophic risks, while other proposals range from creating a new federal regulator to giving the government authority to shut down dangerous AI systems. But President Trump has rejected calls for a slowdown, arguing that restraining U.S. development risks giving China an advantage in the global AI race. House Speaker Mike Johnson has raised similar concerns.

Bottom Line: The politics of AI have shifted faster than the policy. Concerns about AI safety are increasingly bipartisan, and the data centers powering the technology have become a campaign issue as communities confront higher electricity costs. However, that has not produced agreement over whether slowing AI development would make the United States safer, and swift Congressional action appears highly unlikely.

What's Next: The next big moment is September 24, when President Trump meets China's Xi Jinping in Washington. AI safety might be an area where the U.S. and China could work together, or it could expose a central dilemma where limits are difficult to impose if each country thinks the other is racing ahead.

CANADA TRADE WAR REACHES IMPASSE, LOOKING TO EU FOR SUPPORT

U.S.-Canada Relationship Hits a New Low: Canada's retaliatory tariffs on roughly \$20 billion of U.S. goods took effect September 8, following the collapse of trade talks. The U.S. has responded with additional 50% tariffs and import bans on select Canadian goods, including dairy and alcoholic beverages, set to take effect September 29.

Canada Looks to Europe: With negotiations stalled, Prime Minister Carney is pursuing deeper economic and security ties with the European Union. Canada is seeking to expand trade in areas including energy, critical minerals, technology and defense, with Carney pledging to double Canada's non-U.S. trade over the next decade. European Commission President Ursula von der Leyen has proposed making Canada the EU's first "associate member," although the framework would require agreement from all 27 EU countries.

Election Impact: While, the tariffs directly affect a relatively small share of overall bilateral trade, the impact is more deeply felt in America's heartland and states along the northern border. The Canada trade war is already a campaign issue in Michigan, Ohio, Maine, and Iowa; the election results from those states could determine which party wins control of the Senate.

What's Next: The immediate question is whether Washington and Ottawa can return to the negotiating table before the tariffs trigger further disruption. Longer term, businesses may begin planning around a less integrated North American trade relationship as Canada explores new markets and supply chains. The Canada-EU relationship will be worth watching as leaders prepare for a summit in Montreal in October.

Looking Forward: October marks the final stretch before Election Day. We'll be watching out for any October surprises, election-related legal developments, and administration actions. While Congress will be out of session, planning for the post-election lame-duck session will be underway.

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