

Transition to Trump 2.0

Trump's second term brings ambitious plans for immigration, energy, and financial reforms amid a slim margin in Congress.

President Donald Trump reclaimed the presidency in 2024 after winning all seven battleground states that slipped from his grasp in the 2020 election. His campaign resonated with nearly 70% of voters, particularly those who feel the nation is headed in the wrong direction, as he emphasized issues around the economy and immigration. With Republicans in control of both the House and Senate, Trump finds himself in a strong position to advance many of his key initiatives.



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GOP's Legislative Blueprint

Although Senate Republicans don't hold the 60 votes required to pass most legislation without Democratic backing, they plan to utilize the budget-reconciliation process (a term likely to be heard more often) to advance major legislation with only Republican support. The scenario is even more precarious in the House than in the previous 118th Congress, where Speaker Mike Johnson (R-LA) was pressed to collaborate with Democrats to enact must-pass legislation. The current division of power in the House stands at 219-215 with one vacancy due to a resignation, but following several presidential appointments from the House, that margin will decrease to just one seat (217-215).

Tight margins will make it challenging, but not impossible, for Johnson and Sen. Majority Leader John Thune (R-SD) to advance legislation until early April when the House vacancies will be filled—and even then, the margin will still be razor-thin. To gain momentum, House and Senate Republicans are looking to put points on the board early on, concentrating first on border policy, then squarely focusing on finishing the overdue 2025 budget, dealing with the debt ceiling, and writing and passing a 2026 budget resolution with reconciliation instructions.

Reconciliation will be the legislative vehicle used to pass a major tax bill with the 2017 Tax Cuts and Jobs Act as the focal point. While debate continues on Capitol Hill and in the media whether there will be one reconciliation measure or two, we're training our eyes on timing and the likelihood of passage.

From a timing standpoint, Congressional Republicans are currently looking at passing a 2026 budget resolution by the end of February. The 2026 budget resolution will contain reconciliation instructions for legislation, and that vehicle (or potentially two) will be utilized to pass major components of Trump's agenda. The 2026 budget blueprint will be the focal point for February and the resulting reconciliation legislation will be the focus of March and likely April with the ambitious goal of having everything wrapped by the end of April, though we're not yet convinced that timeline will be met.

Trump's First 100 Days: Key Initiatives

Throughout his campaign, Trump made it clear that his first order of business would be to dismantle many of former President Joe Biden's policies, address the broken US immigration system and inflation, end foreign conflicts, and impose tariffs—all within the first 100 days. He has pledged to secure the southern border and initiate a widespread deportation operation immediately after taking office. Additionally, Trump aims to roll back many of Biden's climate subsidies and

Key Points

- Trump will aim to implement significant changes within his first 100 days, focusing on border security and economic reforms.
- Republicans will need to leverage a narrow majority in Congress to advance key initiatives through budget reconciliation and strategic legislation.
- The administration aims to dismantle Biden-era policies, prioritize immigration enforcement, and promote US energy independence.

revive energy exploration, including offering tax incentives to oil, gas, and coal producers. In these early days, Trump also plans to prioritize the confirmation of his Cabinet nominees, with several expected to be approved by the Senate and ready to assume their roles by the end of January.

The buzz within the Trump camp is to expect shock and awe during his first 100 days in office, and we expect nothing less. The White House will quickly move executive orders with a focus on immigration, energy, and reversing Biden-era DEI policies, to name a few. A new dynamic is emerging on this front with Congressional Republicans pressing Trump to hold off on several executive orders as they look to incorporate savings from some of these orders into budgetary offsets in the coming months. A plan for tariffs will take time to pull together as the Trump transition team has been mulling over multiple approaches and will likely wait until the relevant Cabinet picks are firmly in place, including those for Treasury, Commerce, US Trade Representative, and the Council of Economic Advisors.

Navigating a Slim-to-None Majority

The incoming 119th Congress will begin by making history with a smaller House majority by seat count than the Senate. The Senate is about to experience what the House often faces: watching a bill get altered or die in the other chamber. House and Senate Republicans will try to stack accomplishments early on, as they focus on nominations and a 2026 budget framework.

With a slim majority, Senate Republicans will require support from Democrats to push through their priorities that can't be addressed via reconciliation. We expect the same in the House where Johnson must contend with the ultra-conservative wing of his party and their perennially immovable positions on budget-related issues.

A Continuing New Year's Resolution

With the current fiscal year (FY) 2025 continuing resolution set to expire on March 14, Congressional leadership must finalize agreement on FY2025 spending by early February. Johnson has indicated plans to introduce two appropriations packages in February, which will give committee staff about three weeks to draft the spending bills.

It's critical for Congressional leaders to agree on the topline spending levels for 2025 by the end of January to ensure staff can complete their work on time and follow the Speaker's schedule. Any setbacks during this debate could impact the 2026 budget process. Remember, this broken process should've been completed by September 30, 2024, with the fiscal year starting on October 1.

Trump's Border Agenda

Trump and his newly minted border czar, Tom Homan, have outlined the steps they'll undertake to enforce mass deportations of undocumented immigrants. They intend to prioritize criminal undocumented immigrants and people who have existing orders of deportation, meaning they've already been ruled ineligible to remain in the US. There's talk that the Washington, DC area may be one of the first targets of the Trump administration.

At this juncture, we don't anticipate the administration prioritizing deportation of long-term undocumented immigrants without a criminal record. However, some people may be swept up in the deportation effort if their workplace is subject to immigration raids or if they are with a family member who has a criminal record.



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Republicans won't be able to pursue all their immigration priorities through the reconciliation process because certain policy changes aren't permitted under reconciliation. As a result, look for the House to revive a Republican immigration bill that didn't make it to final passage in the 118th Congress.

Revamping US Energy Policy

Trump has said repeatedly that his second-term energy-policy agenda will move away from "totally unnecessary regulation," and toward US energy dominance. The administration will focus on prioritizing domestic-energy production and expanding liquefied natural gas as well as coal and nuclear plants. Trump has promised to refill the Strategic Petroleum Reserve and expedite permits for energy projects on federal lands. In pursuing these goals, he'll have allies in Congress who've been working to no avail on energy permits for years.

Republican leaders are advocating for a more surgical repeal to elements of the Inflation Recovery Act (IRA), suggesting a "scalpel, not a sledgehammer" approach. This is partly because Congressional districts that supported Trump in the 2024 election have benefited from three times the amount of IRA investments in clean energy and manufacturing compared to those backing Biden. Back in December, 18 House Republicans appealed to Johnson, expressing their reluctance to see the IRA's tax credits dismantled.

Although the \$7,500 electric vehicle (EV) tax credit is under threat, repealing it may be challenging as well, given that 19 out of 25 significant automaker battery and EV assembly plants—either operational or in development—are also situated in Republican districts. Rather than an outright repeal of these initiatives, the Trump administration is expected to target unallocated IRA funds and consider implementing caps on the total annual tax credits available.

The DOGE Initiative

Trump is establishing the Department of Government Efficiency (DOGE), aimed at reducing federal funds and streamlining or even eliminating government programs. However, it's important to note that DOGE operates without statutory authority and functions primarily as a presidential advisory commission with the power to make recommendations. We don't currently view this effort entirely through the Republican lens as several Democrats have expressed interest in collaborating with DOGE on multiple fronts. We expect DOGE to impact the federal spending debate for the foreseeable future despite its lack of authority.

Financial Freedom

Rep. French Hill (R-AR), the newly appointed Chairman of the House Financial Services Committee, will team up with Senate Banking Chairman Sen. Tim Scott (R-SC) to tackle regulatory overreach and establish a solid framework for digital assets. Hill has already been a strong voice in digital-assets policy and has spearheaded the first fintech task force and the Digital Assets Subcommittee, with aims to develop comprehensive regulations for this emerging sector. With a background as a community banker, Hill's agenda also emphasizes the need to relieve financial institutions from burdensome regulations. His campaign slogan, "Make Community Banking Great Again," highlights his commitment to advocating for regulatory relief, improving bank-failure resolution processes, addressing targeted account closures, and implementing reforms related to climate, fraud, and banking taxes.



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Taking Stock of Washington

On the deregulation front, it appears that Trump's financial-services policies will initially mirror those from his first term, as early efforts will be made to overturn many of the regulations introduced under the Biden administration. Furthermore, we anticipate that Republicans in both the House and Senate will propose resolutions to the Congressional Review Act that challenge existing financial-service rules.

Regarding digital assets, Hill will bank on current optimism among House and Senate Republicans about reaching a compromise on a market-structure bill for digital assets. Last fall, several House Democrats supported a digital-assets bill, and some Senate Democrats, including Sen. Kirsten Gillibrand (D-NY), are also on board. Notably, Trump (along with Vice President JD Vance) has now emerged as a strong advocate for cryptocurrency, further expanding opportunities for something significant in this space.

The first 100 days, while filled with ambition, activity, and likely success, will also be littered with landmines for Trump and Congressional Republicans as some of the thorniest budget and debt issues will need to be addressed and resolved in order to pave the way for tax reform and other Trump priorities. We expect several impasses along the way, but ultimately Republicans will find a way to accomplish major components of their agenda—with or without assistance from Democrats.

As the playbook from Trump's first term is dusted off, it's important not to get caught up in the day-to-day machinations, tweets, and interparty and intraparty infighting. Instead, focus should be placed not just on the path forward, but on long-term outcomes.

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.

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