EEIF MARKET & ECONOMIC REVIEW

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TOP NEWS

DEBT CRISIS LOOMS AS TRUMP PUSHES TAXES

U.S. nears debt limit as tax reform push complicates talks, stirring market caution and investor jitters.

TRUMP EYES MORTGAGE EXIT

Trump considers privatizing Fannie and Freddie to reduce government spending, which may raise mortgage rates.

EXTREME HEAT FUELS ENERGY DEMAND

Global energy demand surged in 2023, driven by heat, industry, AI, with renewables and coal rising.

DEBT CEILING CRISIS LOOMS AMID TRUMP TAX PUSH

The 'X Date' Threatens Default as GOP Pushes Massive Tax Cuts

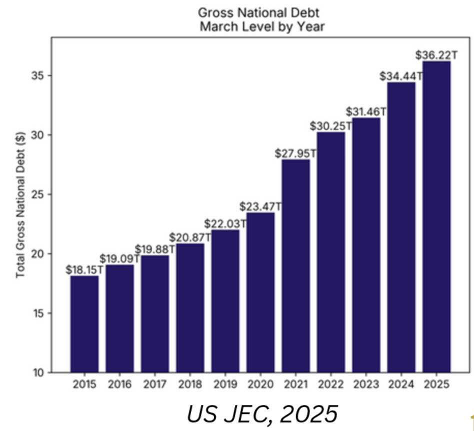
The U.S. Treasury is approaching what economists call the "x date"—the point when it will run out of its current cash reserves and emergency borrowing tools. While the exact date is uncertain due to fluctuating tax receipts, estimates range from mid-May to early fall. This timeline is crucial because it determines how quickly lawmakers must act to authorize more borrowing and maintain the government's ability to pay for essential obligations.

At the center of the debate is the need to raise the debt ceiling, a legal cap on how much the federal government can borrow. Though this has been done numerous times in the past, the current situation is unique due to overlapping policy goals and a narrow window for action (MarketWatch, 2025).

Tax Plans Stir Market Caution

Efforts to expand the 2017 tax reforms—such as eliminating taxes on tips and overtime—are moving forward through budget reconciliation, allowing Senate passage with a simple majority. However, aligning this tax package with a timely debt ceiling increase has proven difficult, as some lawmakers prefer to keep the two issues separate (MarketWatch, 2025).

This uncertainty has stirred cautious reactions in the markets. Major indices like the S&P 500 and Nasdaq have dipped, while investors are favoring short-term Treasury bills amid debt ceiling concerns. Though short-term volatility is expected, markets may stabilize once lawmakers provide clearer direction on both tax policy and federal borrowing (WSJ 2025).

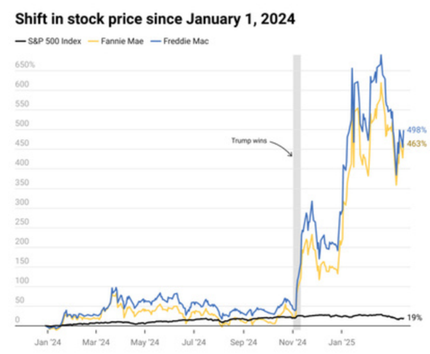


US JEC, 2025

THE TRUMP ADMINISTRATION CONTEMPLATES LEAVING THE MORTGAGE BUSINESS

Since the Great Recession the federal government has helped "Fannie" and "Freddie", two major loan providers under conservatorship:

- Fannie Mae and Freddie Mac are responsible for guaranteeing the vast majority of most of the mortgages made in America. (CFPB)
- They guarantee loans and mortgage-backed securities and reduce risk for lenders and investors.
- Their existence and the backing they give to mortgages are the primary reason why 30-year mortgages are viable (WSJ 2025).



ResiClub, 2025

As part of government cost-saving measures, the Trump admin. is contemplating privatization:

- If the companies were to go private, the estimated valuation of the two would be around $330 billion with the government's stake worth $250 billion (WSJ 2025).
- Selling the companies is viewed by Republicans as a way to reduce government size and the deficit.

Potential Consequences:

- Some believe that if the companies were to go private than, lenders would begin to charge higher mortgage rates to potential home buyers as a way to make up for the loss of government-backed guarantee to cover losses (NYT 2025).

EXTREME HEAT FUELS GLOBAL ENERGY DEMANDS

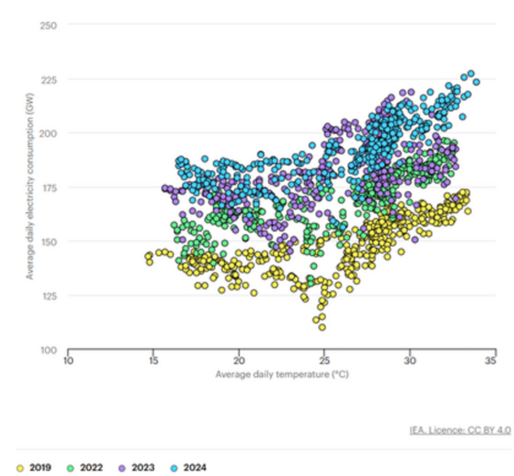
Global energy demand surged by 2.2% in 2023, far outpacing the decade-long annual average of 1.3%, according to the International Energy Agency (IEA 2025). Countries like China and India in particular face record-breaking temperatures forcing energy consumption to rise in order to operate cooling systems.

In 2023, 700 GW of renewable energy was added, while natural gas demand rose 2.7% (115 bcm), surpassing the decade average. Renewables power 30% of electricity use, but heating and transport still face challenges (United Nations The Sustainable Development Goals Report 2023).

Oil demand also grew by 0.8% in 2024, down from 1.9% the previous year, with its share of total energy demand falling below 30% for the first time. (IEA) Coal demand rose about 1%, reaching a record high. Yet, the IEA emphasized that its growth has slowed down, which makes its share in global electricity generation, now at its lowest since 1974 (IEA 2025).

Global electricity use surged by about 1,100 terawatt hours, driven by hotter temperatures, industrial expansion, rising EV demand, and rapid growth in AI and data centers. In response, global renewable energy infrastructure investment rose to nearly $400 billion in 2024, up from $300 billion in 2020 (The Economist 2025). Amid global political division, reliable energy sources are seen as essential for future economic stability.

Trends in electricity demand based on temperature in India, 2019-2024



IEA (2025), 2019-2024