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US Policy

June 29, 2026

FED AND SCOTUS, CONGRESS IN RECESS

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- SCOTUS hands down Governor Lisa Cook decision
- Fresh peace talks
- Congress leaves town for July 4th

The Supreme Court leaves its most controversial decisions until the end of their session, which is now. For financial markets, few court decisions take on the importance of the right of the president to fire a Federal Reserve governor who takes actions counter to the president's wishes.

On Monday morning, the Supreme Court blocked the firing of Governor Lisa Cook for now in a 5-4 decision.

President Trump, wanting to bend the central bank to his wish that interest rates be cut, announced the firing of Cook last year, and has made clear he would like to fire the former Chair, Jay Powell.

When Trump fired Cook, she responded by suing in Federal Court. The case moved quickly to the Supreme Court where arguments were heard back in January. Powell has stated his intention of staying on the board until his dispute with the White House and Justice Department are cleared up to his satisfaction.

Uneasy ceasefire

The past few days has seen a resumption of back-and-forth attacks between Iran and the U.S. and its allies. Iran attacked a ship in the Strait of Hormuz, and the U.S. launched a retaliatory attack in response. On Sunday, though, it seemed like peace talks were once again on the table, with Trump saying that conversations will be held in Qatar on Tuesday.

Trump appears to have conflicting goals, eager to end the war with successful talks, but drawing a line in the sand, opposing Iranian attacks on a return to the status quo in the Strait. The coming week could be critical as the two sides work to keep the peace talks going.

Congress goes home

Last week, the Senate Republicans again saw a split between their leadership and the White House when the president announced that he would not sign a housing bill designed by both Republicans and Democrats with the goal of making homeownership more affordable. The president was angered that the Senate Republicans were unable to ram through the SAFE Voting Act and in retaliation the president refused to sign the bipartisan housing bill.

By the end of the week, House Speaker Mike Johnson announced that he would send the legislation to the White House today. The act of the speaker sending a Congressionally approved bill to the White House starts a Constitutional ten-day clock for presidential action. While the president signs most bills, there is a little used procedure that allows for a bill to become law without the president's signature.

The president can only stop a bill by using a veto that requires an override vote with a two-thirds super-majority by both the House and Senate. As the housing bill had broad bipartisan support, it is unlikely that the president would veto the bill. The more likely outcome is that it will become law without his signature.

The Senate has already begun its Fourth of July break and the House will likely have a shortened week as members are anxious to go home for the holiday.

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