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Here's what Trump's pick of Scott Bessent for Treasury secretary means for taxes, interest rates and more

Story by Andrew Keshner

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With Scott Bessent, consumers eyeing prices and interest rates are getting a Treasury secretary pick who is deeply aware of the big-picture forces pushing and pulling those everyday costs, experts say.

Now it's a question what President-elect Donald Trump's choice for the role can do to curb those costs and grow household incomes, they add.

If confirmed, the founder of the hedge fund Key Square Group would effectively become the federal government's chief financial officer, wielding power that can impact Americans' financial lives — all at a critical juncture.

Bessent will be a key economic voice as Trump's tariff plans, a major tax bill and another trip to the debt ceiling loom in 2025.

Bessent's financial-market credibility could help the administration sell investors on the idea of more tariffs — even if those costs get passed along, said Stephen Myrow, managing partner of Beacon Policy Advisors. "The tariffs are going to be a cost for consumers. The question is how much. Time will tell," he said.

But Ed Mills, Washington policy analyst at Raymond James, said the timing and scope of more tariffs are still unknown. The consumer toll of tariffs will hinge on how much pushback Trump gets from inside his cabinet, Mills said.

An even larger question for Bessent, Trump and Republican lawmakers will be how much money they're prepared to add to the national debt, which stands at $36 trillion.

Treasury yields have been increasing since mid-September — viewed by many as the bond market's anticipation of economic growth, but also deficits and inflation during a second Trump administration. These yields matter for consumers because they set the stage for many types of credit.

Markets "view Bessent as a solid pick who will be a steady hand at the Treasury Department," wrote Will Compernolle, macro strategist at FHN Financial, in a client note Monday.

Treasury yields were on the retreat Monday, however, with market participants seeing Bessent as a "fiscal hawk" who will caution against expanding budget deficits too aggressively, Compernolle said.

The yield for the two-year Treasury note fell 10 basis points as markets digested the pick Monday afternoon. The yield for the 10-year Treasury note was down 15 basis points.

The Trump transition team declined to comment.

Taxes

Ahead of the news, Preston Caldwell, Morningstar's senior U.S. economist, said the Treasury secretary's "indirect power in terms of influence over fiscal and economic policy is probably more important than his direct authority."

Start with taxes. Bessent would be taking over the role next year, as the 2017 Trump tax cuts expire. A full sunset of the law in 2026 would raise taxes for 62% of households, according to Tax Foundation estimates. A straight extension of the existing laws could add well over $4 trillion to the deficit, according to the Congressional Budget Office.

Of course, it's up to Congress and Trump to pass new tax laws. But Bessent would be the White House's "key economic negotiator," Sen. Mike Crapo, an Idaho Republican and the incoming head of the Senate Finance Committee, said in a statement.

Crapo said he looked forward to the confirmation hearing. Mills is looking forward to that time, as well. "On specific tax policy, we are going to have to wait for the confirmation hearing to understand exactly what he wants to do," he said.

Treasurys and the link to consumer loans

Bessent is poised to join the Trump administration after the president-elect campaigned relentlessly on the cost of living. When it comes to consumer borrowing costs, Bessent would sit close to the issue — but there's a limit to what he could do, experts said.

The Federal Reserve's federal funds rate sets the benchmark for short-term interest rates, including the floating annual percentage rates on credit cards, said Cris DeRitis, deputy chief economist at Moody's Analytics. But the yields on Treasury debt set the benchmark for longer-term credit, like mortgages, car loans and federal student loans, he noted. They also influence the interest rates that banks pay on longer-dated certificates of deposit, or CDs, he added.

Treasury yields have been rising since mid-September. That's why mortgage rates are starting to nudge closer to 7% even as the Fed has started cutting its benchmark rate.

Why the rise? The top theory is the bond market saw rising chances of a Trump win and priced in the possible inflationary impact of tariffs, more tax cuts and large-scale deportation of undocumented immigrants, according to DeRitis.

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Yields and prices move in opposite directions. Bessent's lever for tinkering with interest rates would be adjusting the mix of short- and long-term debt used to finance the federal deficit, DeRitis said.

Of course, it's a tricky question of supply and demand in a massive $27 trillion Treasury market.

By adjusting the duration mix of issued debt, Caldwell said, Bessent "could hypothetically alter the shape of the yield curve. But this is likely to be a minor impact and could easily be offset by Fed adjustments to its long-term asset portfolio if it desires." The central bank is also a major buyer and seller of Treasury debt.

At a time when yields on one-year Treasury bills are edging out the rates on two- and 10-year notes, Bessent has said that current Treasury Secretary Janet Yellen "distorted Treasury markets by borrowing more than $1 trillion in more-expensive shorter-term debt compared with historical norms."

Writing in the Wall Street Journal after Trump's election, Bessent said, "Terming out that debt in favor of a more orthodox borrowing profile may increase longer-term interest rates and will need to be deftly handled."

Bessent's bond-market savvy can only get the administration — and rate-sensitive consumers — so far, Myrow said. "The question is how much can the Trump administration ride off Bessent's credibility to keep the bond market from adversely reacting."

Bessent's background slightly lowers that risk, which helps consumers shopping for loans, even if they aren't watching the bond market, Mills said.

Debt ceiling, regulations

The debt ceiling will need another raise around July, according to estimates from Henrietta Treyz, a managing partner at Veda Partners. The GOP plan may be to link a debt-ceiling increase with passage of the tax bill, she said.

If the issues are linked, it may be up to Bessent and the Treasury Department to buy some time for lawmakers with "extraordinary measures" that push off a default date. Extraordinary measures essentially let the Treasury Department strategically moderate certain spending to slow the government's approach to its borrowing limit, DeRitis said.

If confirmed, Bessent would also have a major role in the regulation of cryptocurrency, as the asset class gains more prominence.

The Financial Crimes Enforcement Network, housed at the Treasury Department, was one of the first federal regulators to stake out its territory as overseer of the digital-asset industry. It has required crypto companies like Coinbase to register as money-transmitter businesses and adhere to federal anti-money-laundering and know-your-customer laws. It was running afoul of these laws that led to a criminal prosecution of Binance and its founder, Changpeng Zhao, last November.

FinCEN is an important actor in the government's fight against terrorism, drug trafficking and other international crimes, and analysts say it's unlikely that a new administration will go easy on the industry when it comes to enforcing those laws.

Andrew O'Neill, digital assets managing director at S&P Global Ratings, told MarketWatch that a new Treasury chief could be helpful to crypto companies as the department that quarterbacks the administration's financial regulatory policy.

This could be particularly important for stablecoins, or cryptocurrencies that peg their value to the U.S. dollar, he said.

"With Republicans in control of Congress, it's reasonable to expect stablecoin legislation to advance fairly quickly," he said, adding that the Treasury secretary will likely be the administration's point person in negotiations with Congress over the issue.

O'Neill said that a framework for legal, regulated stablecoin issuance will likely accelerate institutional adoption of cryptocurrency.

The Treasury Department will also play a central role in the Trump administration's efforts to reform President Joe Biden's Inflation Reduction Act, which extended generous tax credits to companies and consumers to produce and buy clean-energy products. That includes a $7,500 tax credit that car buyers can apply at the point of sale on a new electric vehicle. The credit may be in the crosshairs of the incoming administration.

Bessent has said the law needs a tough look. "The U.S. must reform the Inflation Reduction Act's distortionary incentives that encourage unproductive investment, which has to be sustained by a lifetime of subsidies," he wrote in the Wall Street Journal.

The Internal Revenue Service is one of the most important implementers of these programs, as it sets the rules for eligibility for these credits, and the IRS, under Trump, will be the focus of intense lobbying from the energy industry and other interested parties.

Though the IRA was passed with no Republican votes, analysts don't expect the entire law to be repealed.

"An effort to repeal the IRA's tax credits would be met with opposition from numerous fronts, including constituencies supporting solar, wind, nuclear, hydrogen, hydro, alternative fuels and energy storage," BTIG analyst Isaac Boltansky wrote in a recent client note. "The IRA benefits numerous corners of the market, which means that there is a diverse array of proponents who will lobby aggressively to protect the package."