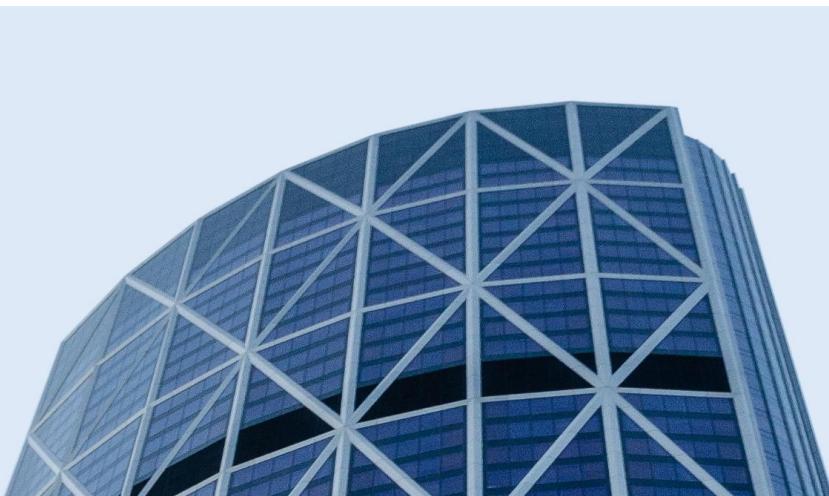


Quick take: New Fed Chair announced

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US President Trump has announced his intention to nominate Kevin Warsh as the next Chair of the Federal Reserve, with Senate confirmation pending and Warsh expected to begin his term in May. The nomination does not signal a dramatic shift in the overall conduct of monetary policy. While Warsh is historically known as an inflation hawk, his recent public statements and actions suggest a "reinvented" Warsh. He has aligned himself with Trump administration priorities, most visibly through his advocacy for lower interest rates, criticism of the Fed's stagflation-like projections, and strong support for deregulation. These positions, along with his high-conviction view of artificial intelligence as a powerful disinflationary force, suggest that the Fed under his leadership could be slightly more dovish than markets currently anticipate over the medium term.

This will likely be constrained by the expectation that these productivity gains will also support stronger trend economic growth, thereby limiting the scope for rate cuts. Importantly, monetary policy decisions are made collectively by the FOMC, which should help contain any outsized political influence. We also expect the number of dissents within the committee to increase in late 2026 and 2027 amid ongoing uncertainty about the effects of AI and immigration policies on labor supply and inflation dynamics. Greater internal disagreement will likely result in a noisier Fed and increased monetary policy uncertainty.

This will likely contribute to downside pressures on policy rate expectations, upside pressures on the term premium, a steeper yield curve, and stronger tailwinds for stocks. Currency implications remain mixed, though we continue to expect the US dollar to depreciate at a moderate pace.

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