

Office Hours Study Guide

Inside the FOMC

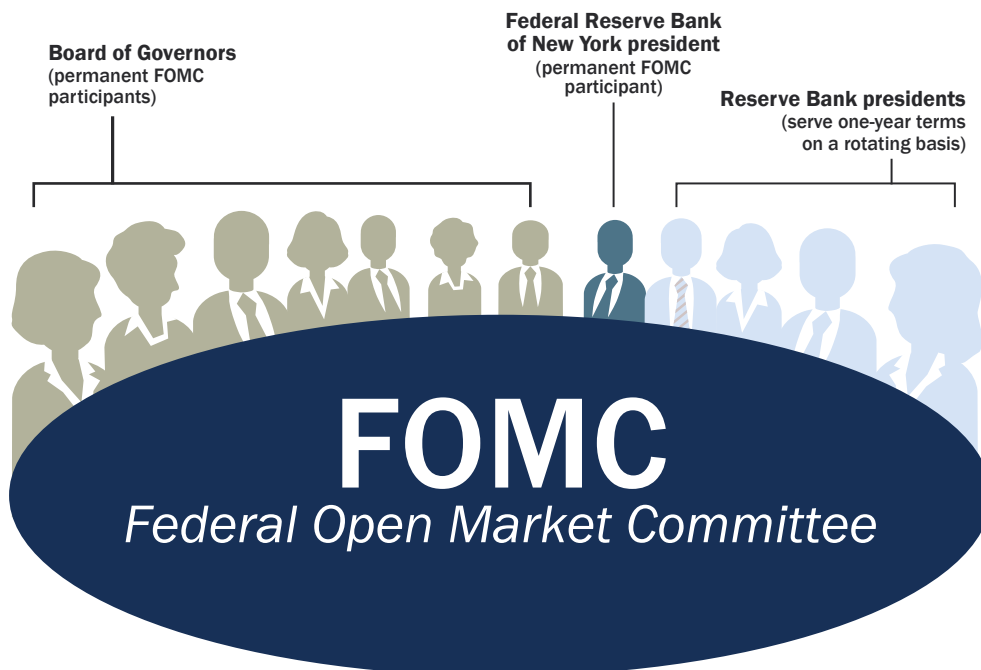
A New Chair and a Shifting Rate Path

There's a new Fed Chair, and interest rate expectations have swung quite a bit over the past several months. Both are the kind of headlines that get clients asking questions. Here are three points to help you talk through what's actually going on and why it matters less than the headlines might suggest.

THREE THINGS WORTH KNOWING

1. The Fed is a Committee, Not Just a Chair

Kevin Warsh is the new name at the podium, and he comes in with real credentials: he spent time on the Fed's Board of Governors from 2006 to 2011, worked as a special assistant to the President on economic policy, cut his teeth in M&A at Morgan Stanley, and most recently was a partner at Stan Druckenmiller's family office. So it's fair to expect his own style and priorities to come through. But here's the thing worth reminding clients: the Fed Chair doesn't just decide rates on their own. Rate decisions come from a vote by the full committee — the Board of Governors, the New York Fed president, and a rotating group of other regional Fed presidents. A new chair can shift the tone of the conversation, but one person alone doesn't hold the keys.



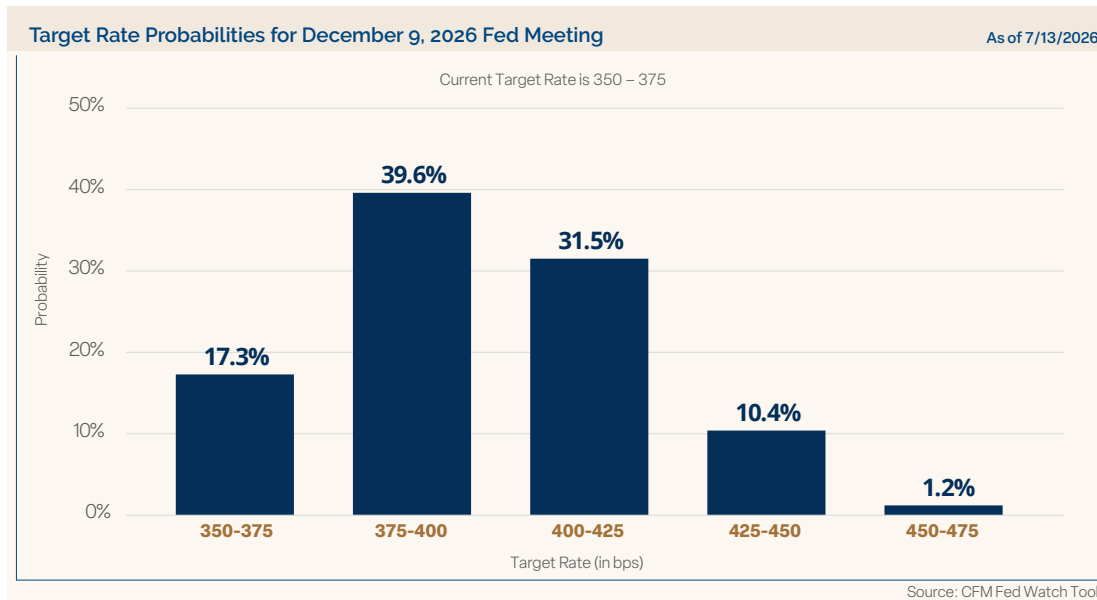
For illustrative purposes.

Source: <https://www.federalreserve.gov/aboutthefed/fedexplained/who-we-are.htm>

2. The Market Has Flipped From Expecting Cuts To Expecting Hikes

Back in January, traders were mostly betting the Fed would be cutting rates by its December 2026 meeting. Fast forward to the summer, and the mood has completely turned around. The market now sees an 83% chance rates end the year higher, not lower, than they are now. And looking further out to late 2027, opinions are genuinely split down the middle, with no clear consensus on where things will land. In short, expectations can and do move fast, which is exactly why it's worth checking in with clients regularly rather than anchoring to whatever the market thought six months ago.

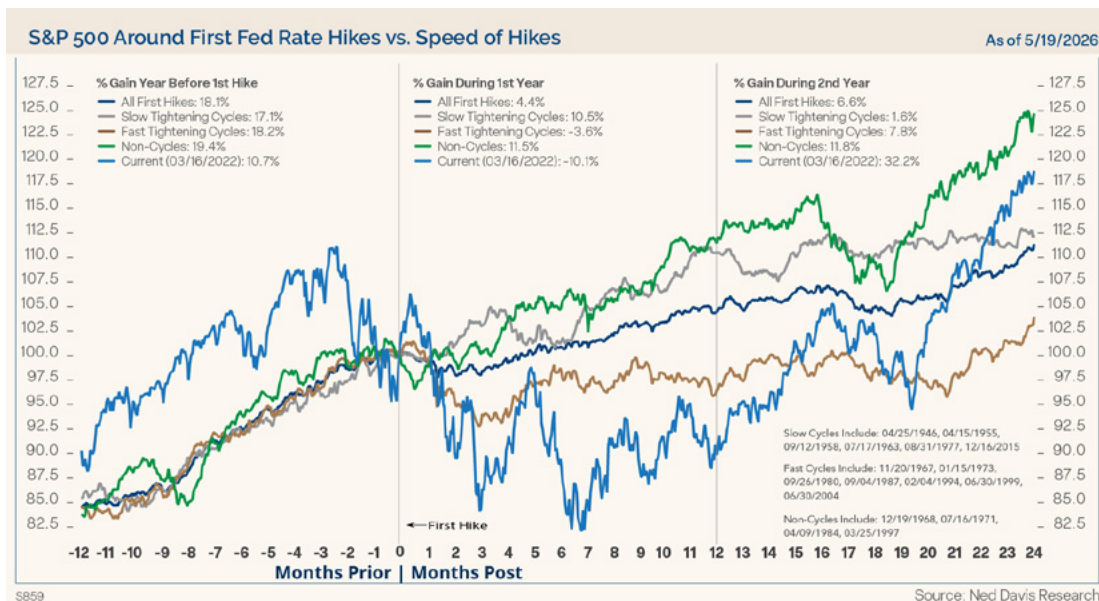
Market Projections: 83% Chance Fed Funds Rate Is Higher by Year End



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3. Slow and Steady Has Historically Been Fine For Stocks

Here's the reassuring part. When we look back at history, how fast the Fed moves has mattered more than which direction it moves. Ned Davis Research found that in past cycles where the Fed tightened gradually, stocks held up well — solid gains in year one and still-positive, if smaller, gains in year two. Compare that to fast tightening cycles, where stocks tended to dip in that first year. And right now, the Fed's own long-range forecast points toward exactly the gradual, patient kind of path that's historically been easier on markets. So, while headlines about a new chair and shifting odds can feel unsettling, the bigger picture still looks pretty steady.



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THE BOTTOM LINE

A new Fed Chair will always make headlines, and Kevin Warsh's appointment is no different. But what actually moves client portfolios is the path of interest rates — and right now, both what the market expects and what the Fed itself is projecting point toward a slow, steady path rather than any sharp turn. That's historically been a good environment for stocks. To learn more about this topic, please watch our Office Hours video or reach out to your Investment Consultant.

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