

Is the Other Kevin the Right Pick for Fed Chair?

This morning, President Trump announced his choice to replace Jerome Powell as Fed Chair - former Fed Governor Kevin Warsh. Although Trump had teased other candidates as recently as this week, the announcement came as little surprise. Financial market participants will have to reacquaint themselves with Warsh, who had previously served as Fed Governor from 2006-2011. During much of his term, the overnight funds rate was set at zero as the U.S. economy recovered from the Great Recession.

At the time, Warsh was concerned about inflation and favored higher interest rates, which isn't a hard argument to make when the funds target sits at a historical low. Much has changed since then.

More recently, Warsh has been a harsh and vocal Fed critic, advocating for lower interest rates and a reduced balance sheet. The cornerstone of his *now dovish policy stance* is a firm belief that A.I. will have a *deflationary impact on the economy*, increasing productivity while lowering prices. Last July, Warsh told economist and financial talk show host Larry Kudlow that he had sympathy for Trump's frustration with Powell, and that the Fed had mishandled interest rate policy. Then, Warsh urged committee members to ease credit and allow the economy to expand.

Warsh will still need Senate confirmation, which is likely but not necessarily a slam dunk. North Carolina GOP Senator Thom Tillis posted on social media this morning that Warsh was a "qualified nominee with a deep understanding of monetary policy," although Tillis has repeatedly asserted that he'd withhold his vote *on any Trump nominee* until the DOJ probe of Jerome Powell is dropped. It's unclear how much GOP support Tillis will have on the confirmation vote.

Trump had considered Warsh for Fed Chair in his first term and subsequently expressed regret in selecting Powell instead. Warsh, who is married to Estée Lauder heiress Jane Lauder and considers himself a "dear friend" of Treasury Secretary Scott Bessent, is generally agreeable to Trump's monetary policy agenda. At the same time, Warsh's background is credible enough that market investors are likely to grant a considerable runway to prove his worth. Assuming the Warsh nomination is approved, the new Chair will still have to build a consensus among the 12 voting members. His ability to persuade fellow committee members is untested.

Fed's independence and the pressures facing the next Chair was discussed earlier this week in a podcast titled: [The Importance of Federal Reserve Independence-What Happens Before May?](#)

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Market Indications as of 2:12 P.M. Central Time

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| DOW | Down -245 to 48,826 (HIGH: 49,590) |
| NASDAQ | Down -261 to 23,424 (HIGH: 23,958) |
| S&P 500 | Down -27 to 6,942 (HIGH: 6,979) |
| 1-Yr T-bill | current yield 3.47%; opening yield 3.49% |
| 2-Yr T-note | current yield 3.53%; opening yield 3.56% |
| 3-Yr T-note | current yield 3.60%; opening yield 3.63% |
| 5-Yr T-note | current yield 3.80%; opening yield 3.82% |
| 10-Yr T-note | current yield 4.24%; opening yield 4.24% |
| 30-Yr T-bond | current yield 4.87%; opening yield 4.86% |

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