

## DOJ Fed Investigation Abruptly Dropped

Jeanine Pirro, the U.S. Attorney for the District of Columbia, announced today that the Justice Department will end its controversial criminal investigation into Fed Chair Jerome Powell over alleged cost overruns on renovations of central bank headquarters. The renovation inquiry will now transition to the Fed's inspector general, reframing the issue as an internal matter rather than a criminal probe.

Senator Thom Tillis (R-NC) had pledged to withhold his confirmation vote on the appointment of Kevin Warsh as Powell's successor until the DOJ investigation was dropped. Thus, today's announcement should serve to break the deadlock and clear the path forward.

Kevin Warsh appeared before the Senate Banking Committee earlier this week, answering questions that focused predominantly on Fed independence. Lawmakers questioned Warsh on whether he would feel pressure from the Trump administration to cut rates if confirmed. Warsh responded, saying the president had never asked him to commit to rate cuts, while further stating that he would not have agreed to do so.

At this point, it's reasonable to expect Warsh to be confirmed as Fed governor, replacing temporary governor Stephen Miran. Warsh would then assume the chair position for the next FOMC meeting on June 16-17. It's also likely that Jerome Powell will now leave the Fed after his term as chairman ends on May 15, making next week's FOMC meeting potentially his last. Powell had threatened to serve out the remainder of his term as Fed governor, voting at each FOMC meeting through January 2028, inherently denying the president an additional nominee.

Although today's announcement seems to be a win for ongoing Fed independence, Powell's now likely departure should assure a more dovish governor will be appointed in his place, increasing the odds of future rate cuts.

Both stocks and bonds are rallying this afternoon (yields lower). The expectation for more accommodative monetary policy is a likely factor in the rally, along with today's announcement by the White House that Jared Kushner and Steve Witkoff will meet in Pakistan this weekend for a fresh round of negotiations on ending the conflict in Iran, although Iranian officials have denied involvement in any scheduled talks.

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## Market Indications as of 2:10 P.M. Central Time

DOW	Down -89 to 49,221 (HIGH: 50,188)
NASDAQ	Up 395 to 24,834 (NEW HIGH)
S&P 500	Up 49 to 7,157 (NEW HIGH)
1-Yr T-bill	current yield 3.67%; opening yield 3.68%
2-Yr T-note	current yield 3.78%; opening yield 3.83%
3-Yr T-note	current yield 3.80%; opening yield 3.85%
5-Yr T-note	current yield 3.92%; opening yield 3.95%
10-Yr T-note	current yield 4.31%; opening yield 4.32%
30-Yr T-bond	current yield 4.91%; opening yield 4.91%

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