

Less Is More at the Warsh Fed

As expected, the Fed voted 10-2 this afternoon to hold the overnight rate target steady at 3.75% to 4.00%. Interestingly, one of the two dissenting votes to hike a quarter point today was from Lisa Cook, the Fed governor accused by President Trump of submitting a fraudulent mortgage application in May 2021. Cook's bold vote, consistent with recent concerns expressed over persistent supply shocks, reiterated the committee's intent to remain independent despite ongoing pressure from the administration.

The official statement, released at the conclusion of the meeting, was (once again) remarkably sparse, consistent with Chair Kevin Warsh's *less-is-best* communication preference. The only notable wording change from the September FOMC meeting was an upgrade in the pace of economic expansion from "solid" to "strong." *Otherwise, meaningless.*

Warsh's prepared words at the post-meeting press conference emphasized a strengthening economy, a healthy consumer and continued elevated inflation. He also mentioned that productivity is strong. This is significant given Warsh's belief that productivity can lower price pressure.

In a surprise announcement, Warsh introduced a new FOMC meeting schedule, beginning next fall, with six of the eight meetings focusing on policy, while the remaining two will focus on major economic news. This means there will be seven meetings next year during which rates could change, instead of eight. In 2028, policy moves would be limited to six meetings. *Again, less-is-more for Warsh.*

Warsh laid the groundwork for future rate increases by saying *the committee has made it clear it will act as circumstances require*. In response to a question pointing out that the Fed has not reached its inflation target in more than four years, Warsh said: "We're working on it." The chairman later said inflation expectations remain anchored.

In response to a question regarding the task forces, Warsh acknowledged the job was not complete, but they were *hard at work*. When asked about President Trump's vocal easing bias, Warsh suggested it was a family argument and that politics were not a factor in today's decision.

The bond market reaction was relatively muted. Very little information was revealed that wasn't already known and priced-in. Stocks improved a bit as Warsh spoke, perhaps suggesting increased faith in the new Fed leadership, *but later retreated*.

The next FOMC meeting is in six weeks, with the futures market indicating an 85% probability of a quarter-point increase being announced on December 9. Although committee decisions are always data-dependent, fluid and subject to change, the probability of future rate hikes has diminished since the end of September.

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Market Indications as of 2:13 P.M. Central Time

DOW	Down -28 to 52,350 (HIGH: 54,349)
NASDAQ	Down -32 to 26,446 (HIGH: 27,600)
S&P 500	Up 14 to 7,737 (HIGH: 7,819)
1-Yr T-bill	current yield 4.46%; opening yield 4.49%
2-Yr T-note	current yield 4.70%; opening yield 4.74%
3-Yr T-note	current yield 4.79%; opening yield 4.80%
5-Yr T-note	current yield 4.86%; opening yield 4.84%
10-Yr T-note	current yield 5.04%; opening yield 5.00%
30-Yr T-bond	current yield 5.38%; opening yield 5.31%

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