

Weekly Market Flash

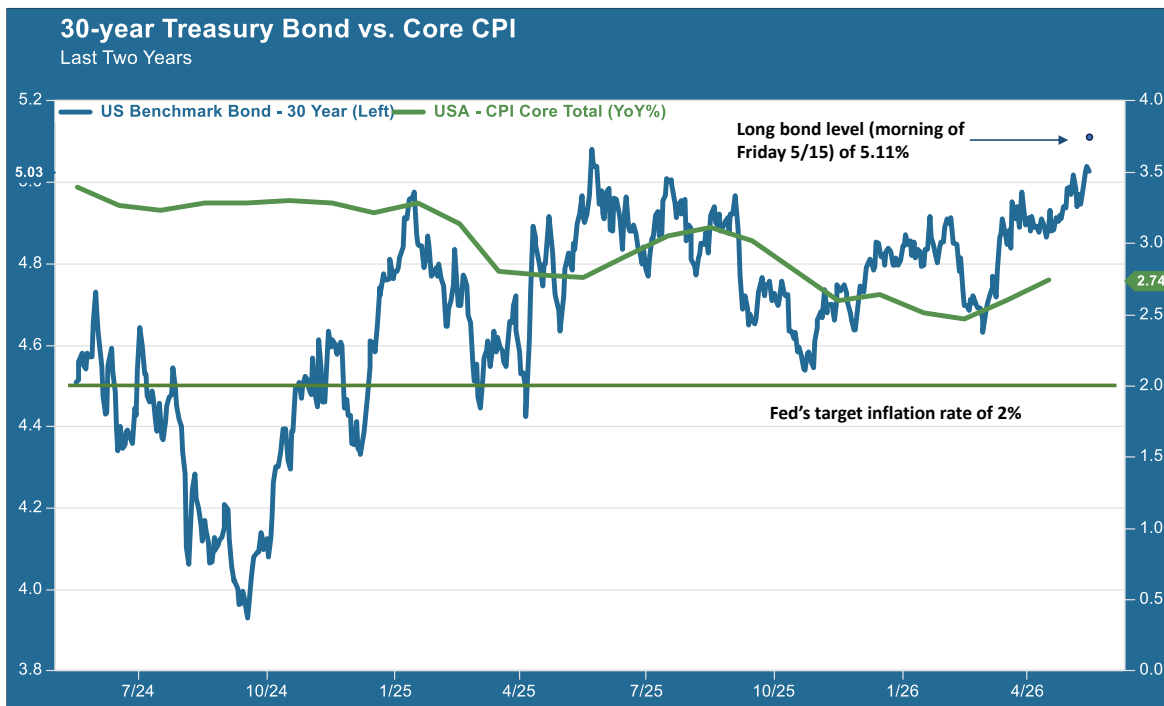
The Tribulations of Kevin Warsh

May 15, 2026

May the odds be ever in your favor. That was the cynical sentiment expressed to those unfortunate souls selected for participation in the “Hunger Games,” the much-read and much-seen saga by author Suzanne Collins. With a 95.83 percent chance of death in that contest (23 out of 24), the odds were most definitely not in one’s favor. Now, Kevin Warsh did not come into his new post as chairman of the Federal Reserve through any “reaping,” as per the protocols of the Panem games in the fictitious series. This is, arguably, his dream job. Unfortunately for him, though, the state of the global economy today means that the odds are in his favor about as much as for some hapless tribune from District Eleven or wherever.

No Room for Rate Cuts

Warsh takes the baton from outgoing Fed chair Powell today (Powell will be staying on for the foreseeable future as a regular Board governor). This morning, bond yields jumped for a variety of reasons mostly linked to the persistence of high energy prices, with resulting upward pressure on consumer and producer prices, and the apparent lack of any kind of definitive action coming out of this week’s summit meeting between the US and China. The 30-year bond yield is at its highest level in recent history.



Source: US Bureau of Labor Statistics, MVM Research, FactSet

Bond market investors have taken stock of the inflation situation and concluded that there will be no interest rate cuts in 2026, with doubts even as to their likelihood in the first half of 2027. Core inflation, as shown in the chart above, remains well above the Fed’s target rate of two percent, a level last seen in 2021. Core inflation excludes the volatile categories of food and energy, thus not directly reflecting the spike in fuel prices since the beginning of March. But those higher energy costs eventually work their way into the broader economy, as seen in the chart above (the green line). Conditions are even worse at the

wholesale level. The headline Producer Price Index (PPI) for April, as reported on Wednesday this week, came in at 6.0 percent year-on-year while the core PPI jumped to 5.2 percent. With the Fed's mandate to maintain stable prices front and center, this is no environment for a rate cut.

Unfortunately for Mr. Warsh, he comes into the job with at least one extremely powerful individual expecting him to do just that. Trump is not exactly known for a keen appreciation for the judicious use of monetary policy to address the economic realities of a given place and time. In about one month's time, on June 17, Warsh will be captaining his first Federal Open Market Committee meeting, marking the Fed's first call on interest rates under his leadership. Now there is, of course, a non-zero possibility that conditions will change so much between now and then that a rate cut could be up for discussion. We would put the odds of that somewhere below the odds of emerging as the victor in the Hunger Games, but one never knows for sure.

Catching Fire

Kevin Warsh has a deep knowledge and sound understanding of how the economy works in all its component parts. At least based on much of his past record, he is instinctively a hawk when it comes to the task of managing inflation. More than his technical skills, though, he is going to need to draw on all his skills in the art of diplomacy to thread his way through the political expectations of the White House and the sober, technocratic analysis of his eleven fellow voting members on the FOMC. The traditional role of the Fed chair, when it comes to the FOMC, is to steer the members to a unified consensus on what action to take. His predecessors, for the most part, succeeded in that role (post-Arthur Burns, anyway).

On June 17 we will get to see whether Warsh has the diplomatic chops to produce a harmonious decision on policy without unleashing a firestorm of social media invective from down the street. Perhaps he should take some pointers from Katniss Everdeen, heroine of the Hunger Games who exuded diplomatic charm along with streetfighting smarts as she clawed her way through the tribulations of fending off her potential killers, those both in the arena with her and in the backstabbing halls of power in the Capitol. Good luck Mr. Warsh. Through your efforts and skills, we hope that the odds actually will be in your favor, sooner rather than later.

Masood Vojdani
President & CEO

Arian Vojdani
Principal & Investment Adviser

Katrina Lamb, CFA
Head of Investment Strategy & Research

Investment Advisory Services offered through MV Capital Management, Inc., a Registered Investment Advisor. MV Financial Group, Inc. and MV Capital Management, Inc. are independently owned and operated.

Additional disclosure item: MV Financial currently maintains active equity positions in Micron Technologies, Alphabet, Nvidia, Microsoft and Apple, all mentioned in this article.

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by MV Capital Management, Inc.), or any non-investment related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from MV Capital Management, Inc. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. MV Capital Management, Inc. is neither a law firm nor a certified public accounting firm and no portion of the newsletter content should be construed as legal or accounting

advice. A copy of the MV Capital Management, Inc.'s current written disclosure statement discussing our advisory services and fees is available for review upon request.