
Weekly Market Flash

A New Sheriff at the Fed

June 18, 2026

Anyone who had been paying attention to the US monetary policy conversation in the past few weeks knew, within a very tight margin of error, what was actually going to happen at this week's Federal Open Market Committee meeting. Nothing, as in, no change to the current Fed funds target rate range of 3.5 – 3.75 percent. Yes, but what was the new chairman of the Fed, Kevin Warsh, going to say about the decision to do nothing? What were the vibes going to be? How would this FOMC meeting be different from every other FOMC meeting? Well, we got answers to all those questions and more.

The War on Excess Verbiage

The first clear sign of the new sheriff's handiwork came precisely at 2:00 pm Eastern time, with the publishing of the FOMC statement. Those of us who have been reading these statements for years on end did a collective double-take upon countenancing the abrupt change in style, format, content and (especially) length of this statement from previous FOMC releases. In the past, these documents changed very little from meeting to meeting, typically running in the neighborhood of 350-ish words and using lots of tendentious filler language like "in assessing the appropriate stance of monetary policy" to lead the reader to the substance of what was happening. By contrast, yesterday's statement came in at a terse 132 words, did away with just about any word that did not absolutely need to be there, and entirely did away with any language that could be interpreted as forward guidance, i.e., suggestions as to whether the Committee was leaning towards easing or tightening as it looked ahead. "Here's what we did today. See you in six weeks" was the blunt substance of Wednesday's report.

Dot Plots for Thee, Not for Me

The second item of note was the Summary Economic Projections – the fabled "dot plot" containing the Committee members' best estimates as to where the Fed funds rate might be headed in the months and years ahead. Given Kevin Warsh's well-publicized dislike of any kind of forward guidance, the fact that there actually was a dot plot was itself a revelation. But it was missing one dot, because Warsh himself declined to provide his own estimates. So the number of dots fell from 19 to 18. The subject came up at the post-meeting press conference, in which Warsh managed to simultaneously support his colleagues' continuation of the dot plot guesses and convey his own belief in the silliness of the exercise.

There is a certain logic to his thinking. The world is going through substantial changes on many fronts – socially, economically, geopolitically – and today's best guess about interest rates is likely to be upended by the events that unfold tomorrow. Back in March, the median (out of the 19 separate estimates) for where the Fed funds rate would be at the end of 2026 was 3.375 percent, implying a rate cut from the current level. Those estimates were made just shortly after the war in the Middle East had begun. Yesterday's dot plot produced a median estimate of 3.875 percent, implying the likelihood of a rate hike this year. Nine out of the 18 Committee members providing estimates expect a rate hike. But that is as of today. Who knows what that will look like in six weeks when the FOMC meets next?

And that is the core of Warsh's argument against forward guidance. In an environment of rapid change and high uncertainty, best guesses about the future are likely to have very limited usefulness as a predictive mechanism. The case against Warsh, though, is that this exercise of forward guidance provides

transparency into the Committee's thinking. A regular diet of FedSpeak, through the SEP as well as the frequent public events in which Committee members share their views with members of the public, can also help shape a consensus for markets, with the potential for fewer surprises that catch investors off guard and result in wilder price swings.

The Times Are A-Changin'

How is all this going to translate into, not just a change of style at the Fed, but of substance as well? We will know more about that later this year. At the post-meeting press conference, Warsh unveiled plans for five new task forces to address a wide range of issues, from communications to data sources, the Fed balance sheet, productivity, inflation and the jobs market. He expects to have many of the findings from these task forces ready by the end of this year. Reading between the lines, some of those findings are likely to result in significant changes to the Fed's current communications practices (quite possibly the end of the dot plot era), more insight into possible relationships between inflation, jobs and artificial intelligence, and even questions about the specific metrics used for data insights, such as the core Personal Consumption Expenditures index as the Fed's preferred inflation gauge.

The Warsh Fed, in other words, is likely to look very different in meaningful ways from the somewhat abstemious collegiality of the Bernanke, Yellen and Powell Feds. But on one other important matter Warsh very capably, in our opinion, established his commitment to the independence of the central bank. Anyone who thought he was going to come in as a paid spokesman for the White House with a sweeping push for easy money will have been swiftly disabused of that notion. Markets were, in fact, a bit taken aback by the discernable hawkish sentiment, not just in the higher dot plot estimates for the Fed funds rate but in Warsh's oft-repeated comments during the press conference about the primacy and urgency of bringing inflation under control.

So concerns about an imminent loss of central bank independence can, we believe, be pushed off the list of top-level worries. It remains to be seen whether all these forthcoming institutional changes to the Fed will be for better or for worse. For now, we are inclined to give the benefit of the doubt to the new sheriff in town. Institutional change is hard, but sometimes change is necessary for the institution to maintain strength, integrity and relevance. We will be watching these developments closely as they unfold.

Masood Vojdani
President & CEO

Arian Vojdani
Principal & Investment Adviser

Katrina Lamb, CFA
Head of Investment Strategy & Research

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