

Six Minute Strategy

The fragile freedom of the Federal Reserve

September 2025



Stephen Miran's appointment will strain the Fed's consensus driven norms



“Central bank independence is widely regarded as an essential element of effective economic stewardship. Yet pure independence is incompatible with a democratic system.”

“Congress should amend the Federal Reserve Act to shorten all board members’ and Reserve Bank leaders’ terms to a single term of eight years.”

“Board members and Reserve Bank leaders should be subject to at-will removal by the president to ensure their accountability to the democratic process.”

**Reform the Federal Reserve's Governance
to Deliver Better Monetary Outcomes**

Stephen Miran
Manhattan Institute, March 2024

President Trump has the opportunity to materially reshape the Fed

The President will have appointed a majority of Fed Governors by the end of his term

Board of Governors of the Federal Reserve System

Jerome Powell	Chair of FOMC	31-Jan-28
Michelle Bowman	Vice Chair for Supervision	31-Jan-34
Phil Jefferson	Vice Chair	
Christopher Waller	Governor	31-Jan-30
Michael Barr	Governor	31-Jan-32
Lisa Cook	Governor	31-Jan-38
Stephen Miran	Governor	31-Jan-26

Likely
departures in
2026

Possible
resignation /
firing

2025 Voting Federal Presidents

John Williams	New York
Susan Collins	Boston
Austan Goolsbee	Chicago
Alberto Musalem	St. Louis
Jeffrey Schmid	Kansas City

2026 Voting Federal Presidents

John Williams	New York
Anna Paulson	Philadelphia
Laurie Logan	Dallas
Neel Kashkari	Minneapolis
Beth Hammack	Cleveland

Source: Sarasin/Bloomberg September 2025

Unanimity at the FOMC for now, but forecasts riddled with inconsistencies



Summary of Economic Projections, 17 September 2025

	2025 %	2026 %	2027 %	Longer run %
Change in real GDP	1.6	↑ 1.8	1.9	1.8
June projection	1.4	1.6	1.8	1.8
Unemployment rate	4.5	↓ 4.4	4.3	4.2
June projection	4.5	4.5	4.4	4.2
PCE inflation	3	↑ 2.6	2.1	2
June projection	3	2.4	2.1	2
Federal funds rate	3.6	↓ 3.4	3.1	3
June projection	3.9	3.6	3.4	3

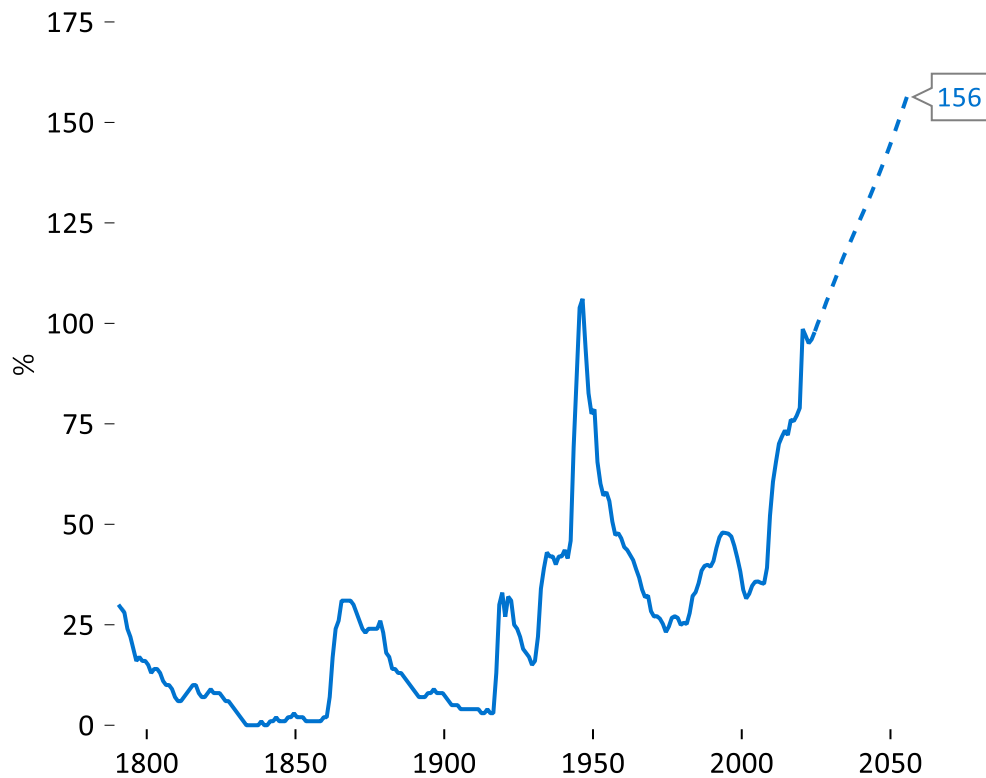
Source: Federal Reserve Board, September 2025

US fiscal profligacy needs an independent Fed?

Bond market ‘vigilantes’ still a risk – gold holdings increase – dollar reserve levels fall

US federal spending still trending higher despite DOGE

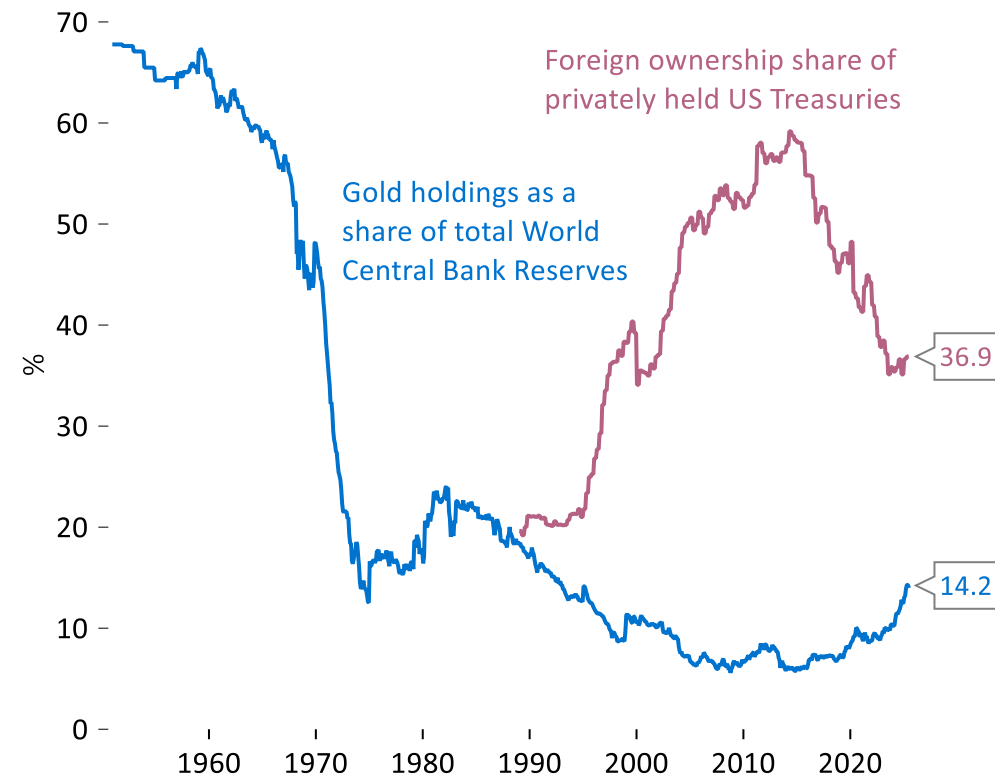
US debt held by the public as a percent of GDP



Source: Macrobond, 16.09.25

Gold holdings rise while US T-Bonds share falls

Holdings of Reserve Assets



Source: Macrobond, 18.09.25

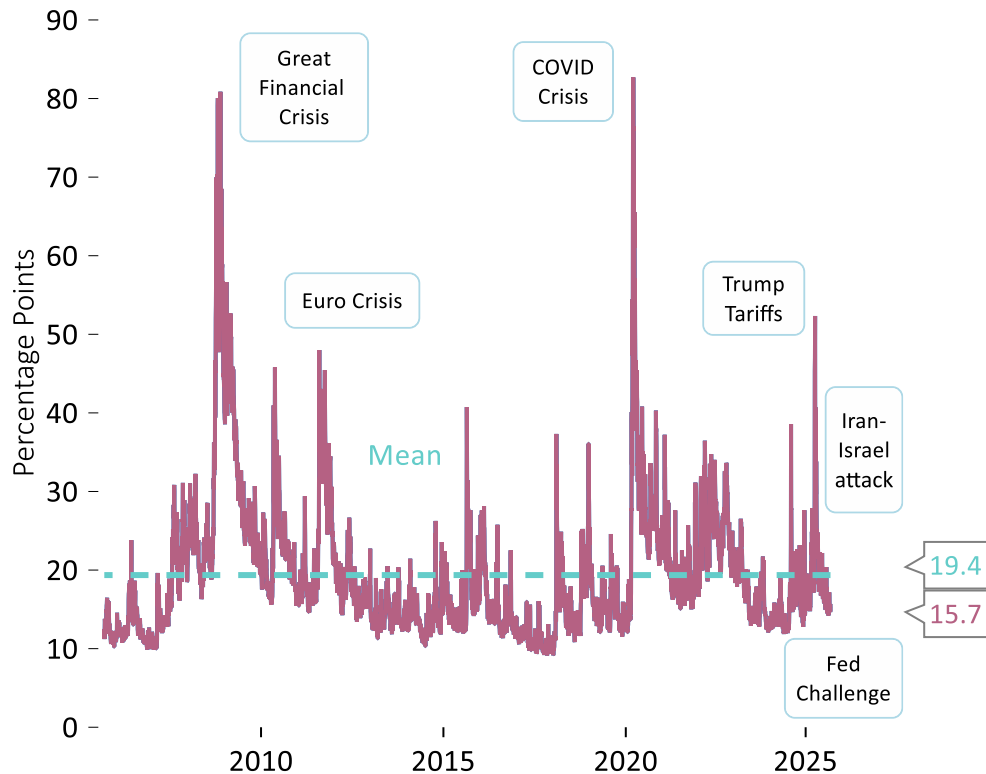
Past performance is not a reliable indicator of future results and may not be repeated.

US equity volatility low but valuations are stretched

An overpriced US equity market could yet be vulnerable to a politicised Fed

World equity valuations

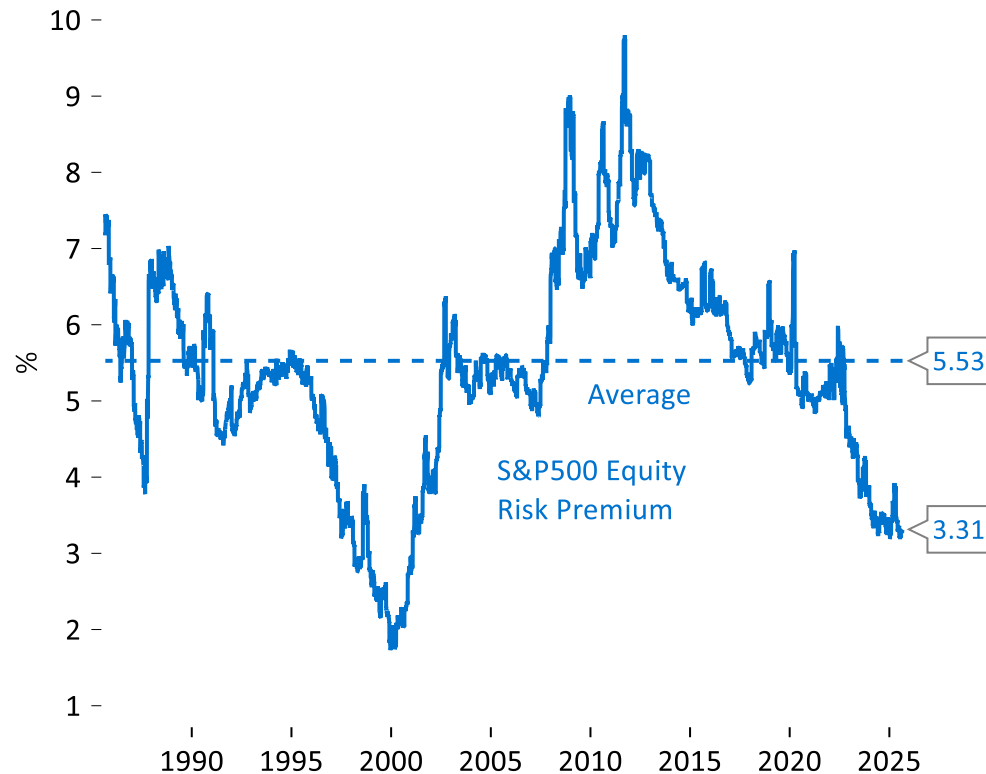
US Equity Volatility Indices (VIX), Close



Source: Macrobond, 16.09.25

US equity risk premium lower than any period ex 1997-2000

S&P500 Forward Earnings Real Equity Risk Premium



Source: Macrobond, 16.09.25

Equity Risk Premium: 12-month forward earnings yield on S&P500 minus the real yield on 10 year bonds

Past performance is not a reliable indicator of future results and may not be repeated.

What does a Trump Fed mean for global assets?

1. Cutting rates when inflation is above target is higher risk policy
2. Inflation to run persistently above target
3. The economy to run hot; corporate profits to remain robust
4. AI to boost investment cycle
5. Dollar weakness to continue
6. Gold strength to continue against fiat currencies

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