

Six Minute Strategy

Monetary policy in an unstable world

Marketing communication

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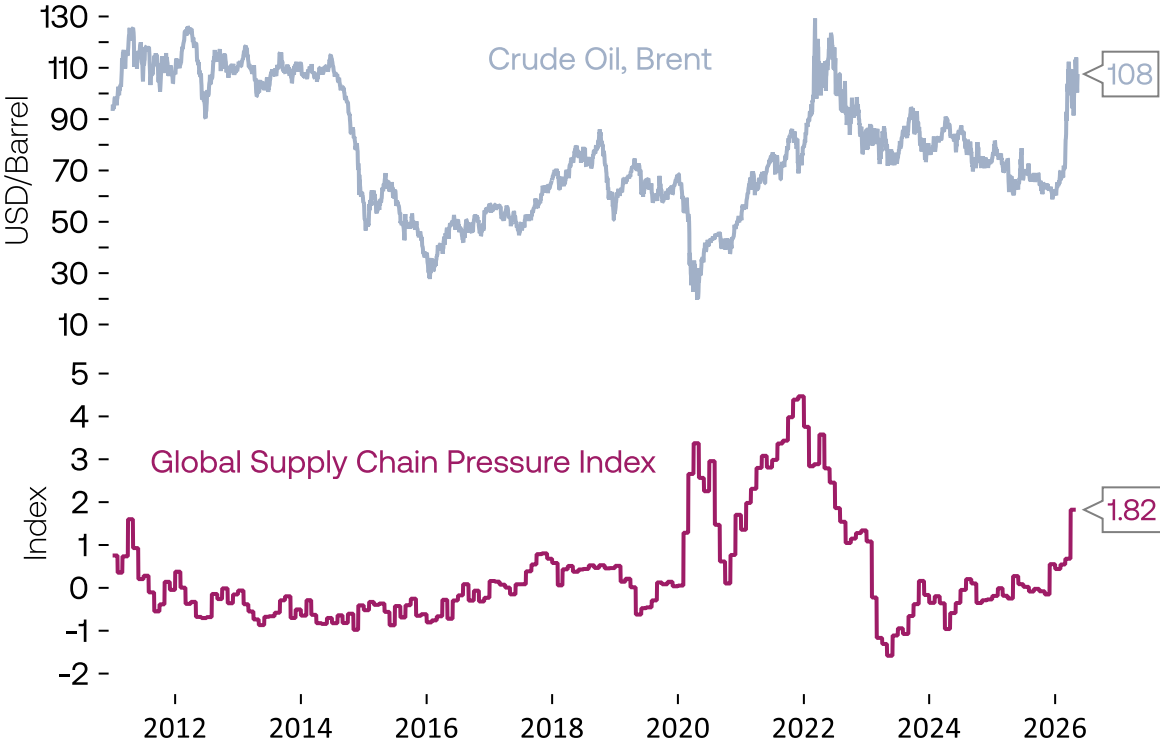


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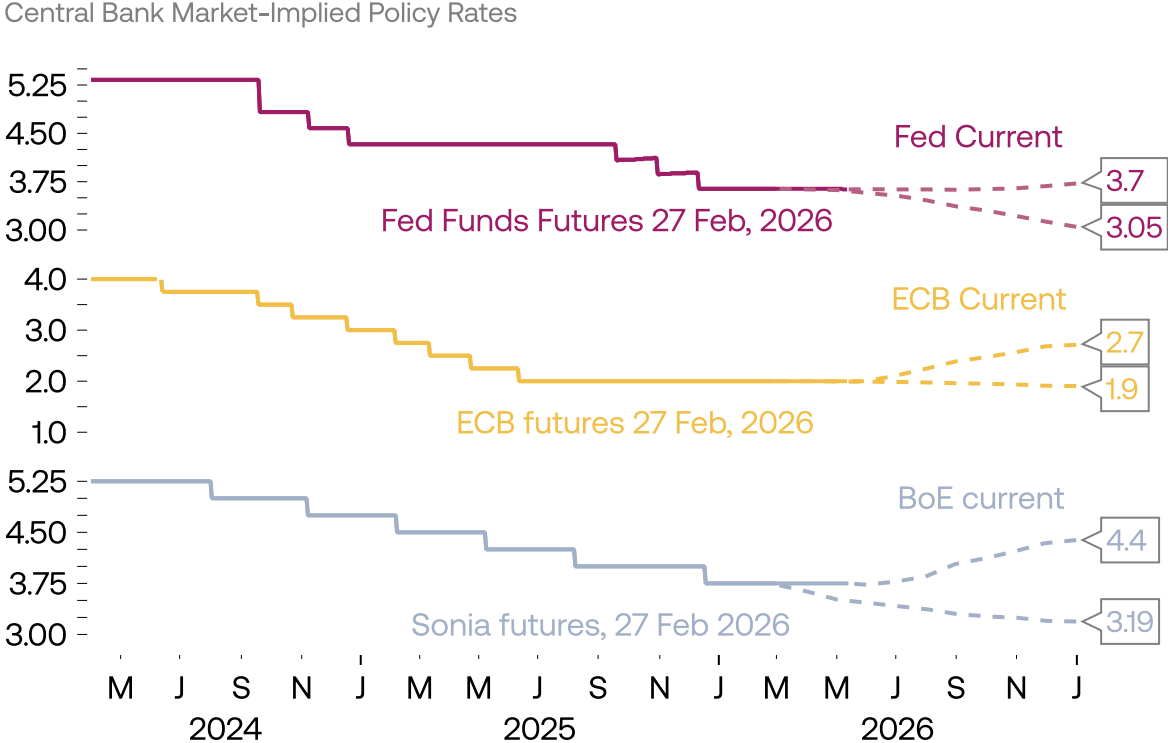
Central banks under pressure globally

Oil shock increasing pressure on supply chains



Source: Macrobond, 13.05.26

Bank of England has also to deal with UK political risk



Source: Macrobond, 13.05.26

Rates today: Federal funds 3.5–3.75%; ECB deposit rate 2.0%; UK base rate 3.75%

Kevin Warsh: A new Federal Reserve Chair for a new era

Three structural challenges

1. How to set policy for an economy with fewer workers and more artificial intelligence
2. How to change the operating model of the Federal reserve: tilt monetary policy away from QE (asset purchases) towards interest rates
3. How to set policy in a world dominated by supply shocks

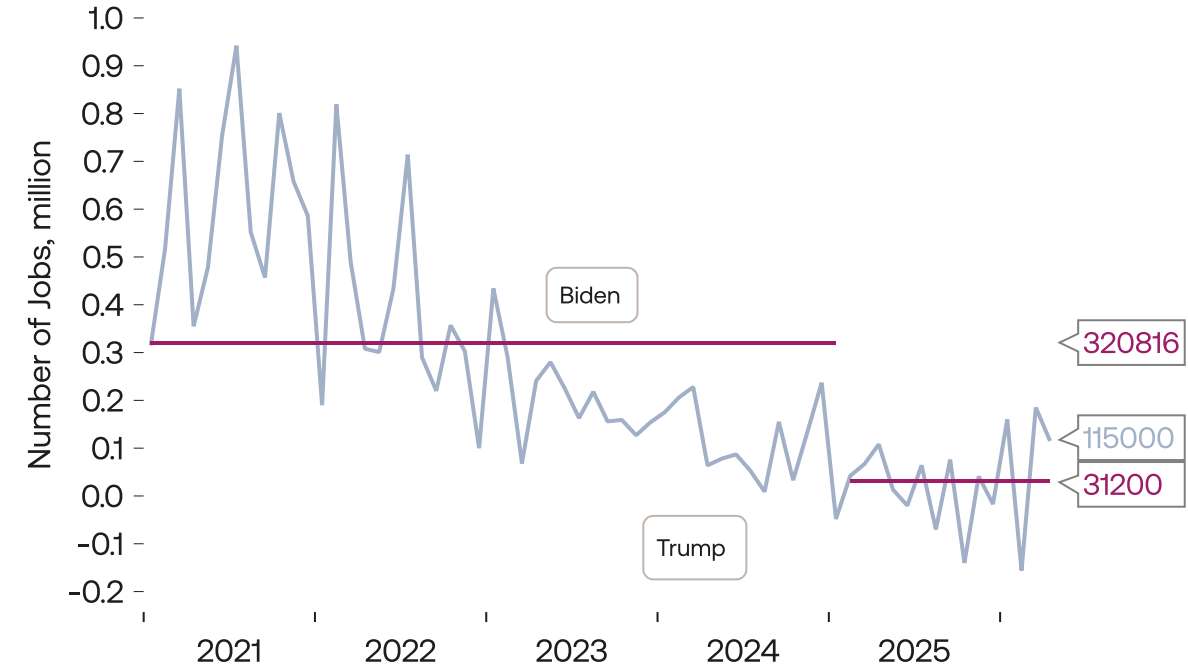


Graduate of Harvard and Stanford then joined the M&A team at Morgan Stanley. Joined the White House as economic adviser to President George Bush and then served on the Federal Reserve Board from 2006–2011 (Financial Crisis).

1: Recalibrating for fewer workers and more investment

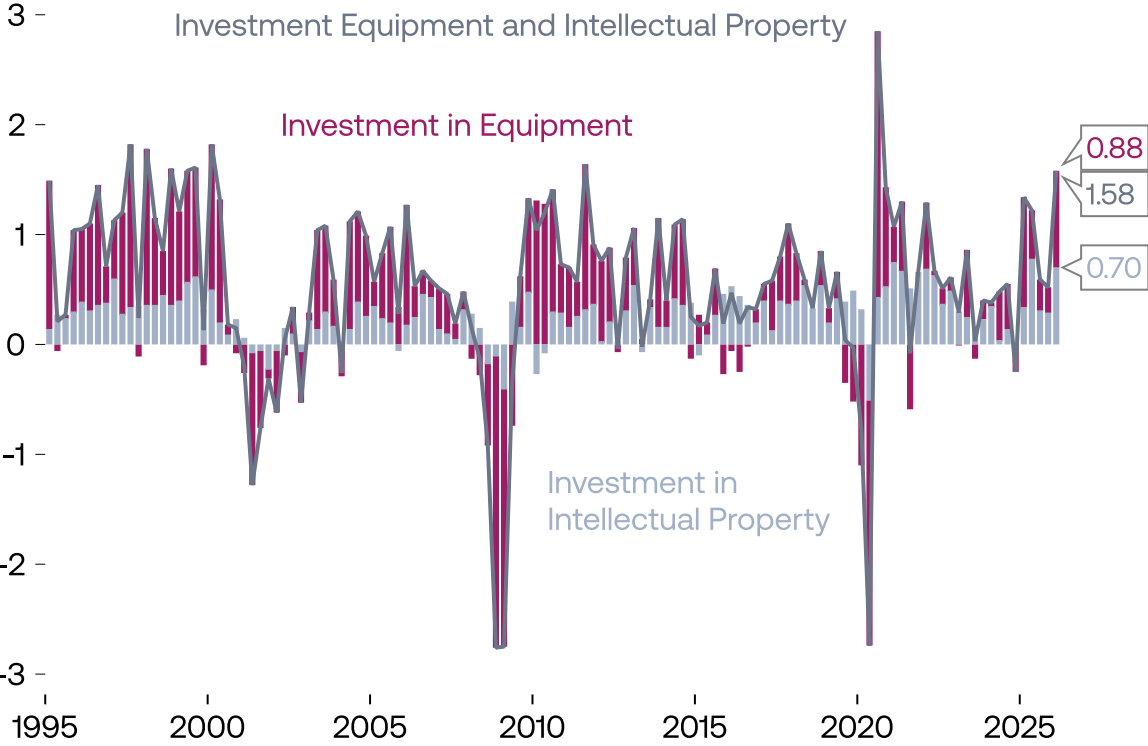
Jobs growth has declined sharply on tighter immigration

Nonfarm Payrolls, 1m change



Source: Macrobond, 13.05.26

Tech investment is driving the economy

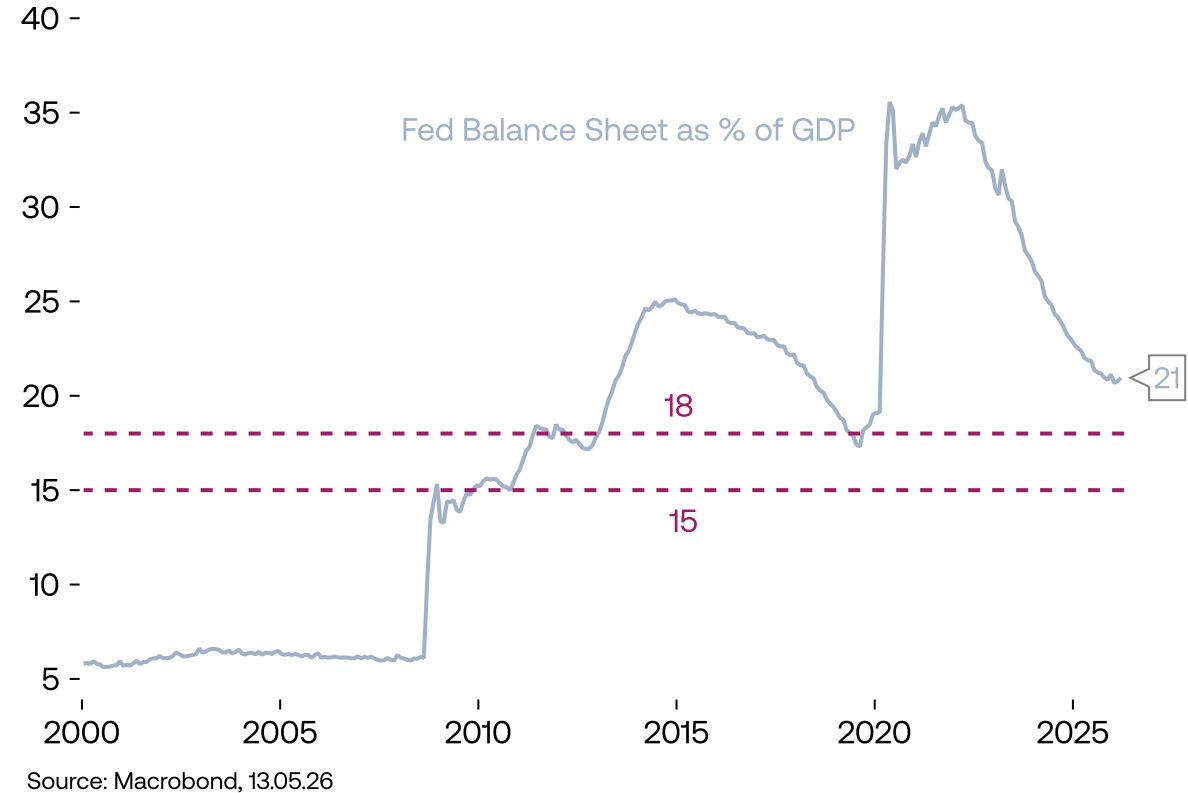


Source: Macrobond, 13.05.26

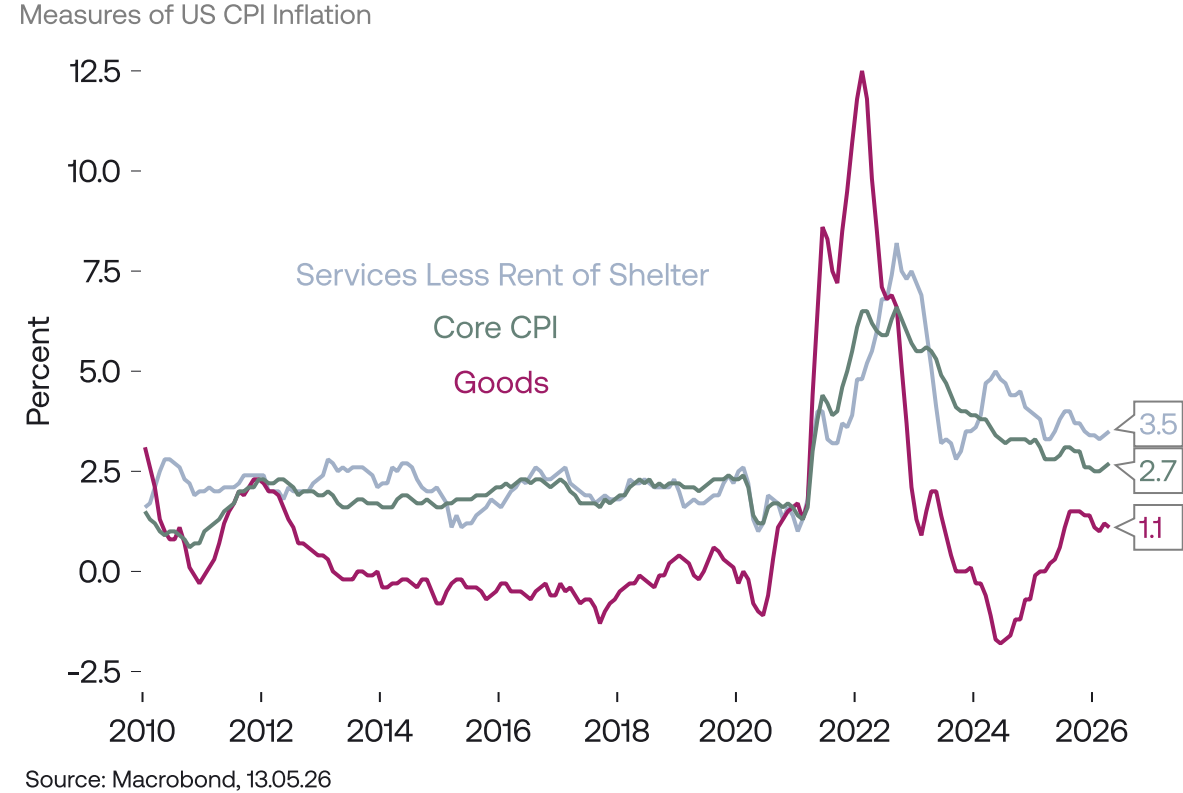
2: Reducing the central bank's balance sheet

3: Navigating supply shocks

Balance sheet shrinkage will continue



Goods inflation rising – services stubbornly high



Policy implications

Supportive for real assets and banks/challenging for bonds/positive for profits

1. Changes to communication strategy vs changes to forward guidance

- AI capex vs AI adoption
- Greater dissent

2. Renewed push to de-regulate

- Improve bank capacity to hold treasuries

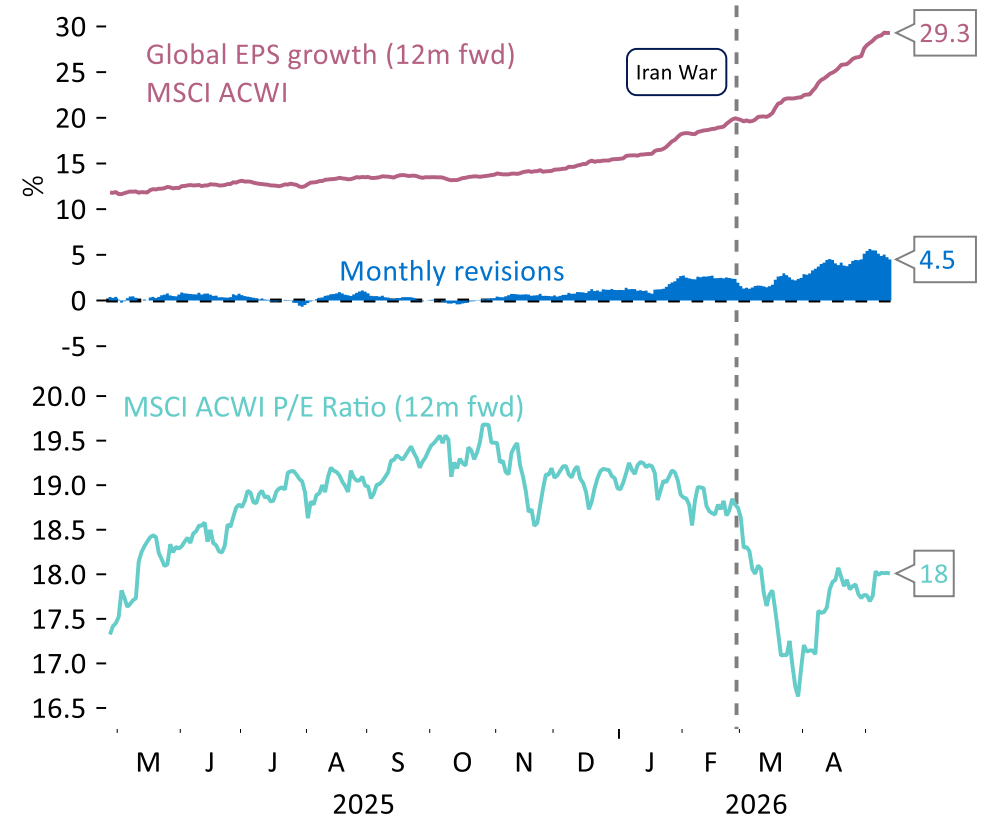
3. Nominal GDP strength

- Higher productivity as AI lowers inflation

4. Yield curve steepness

- Longer-dated yields rise

Strong nominal growth and AI boost corporate profits



Source: Macrobond, 13.05.26

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