



Will new FOMC voters shake up policy?

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We will get up to nine new voters on the Federal Reserve, including the chair and the vice chair. That is a change in personnel that is very rapid, and we haven't had a transition like this in the history of the Fed. So there is the potential that, as the makeup of the Fed changes, the Fed's policy will shift as well.

Now, I think things can go in two quite distinct directions: one, a continuation of the current MO, which is essentially, we're in a hiking cycle, we continue to hike, but we do so cautiously because inflation has continued to underperform, and the inflation shortfall is a statutory target for us. So if we continue in that mode, you know, I don't think there is a significant room for rupture in terms of market pricing.

On the other hand, we could have a new FOMC that revisits the Fed's philosophy. And essentially what they could do is shift away from a short-term focus on inflation, and look at longer-term drivers, both in terms of the real economy and the financial markets. And a Fed like that would say, "Look, our job is to make sure that the economy does not overheat and does not create asset bubbles and we do that by hiking much more aggressively." Now, that's a change in Fed behavior that's not currently priced by the markets.

And essentially what we think will happen is the status quo will prevail. I think for most investors, even though, you know, you see a lot of headlines around the Fed, it will have a smaller influence on portfolios than people think it will.

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