

# Six Minute Strategy

## Monetary policy in an unstable world

### Marketing communication

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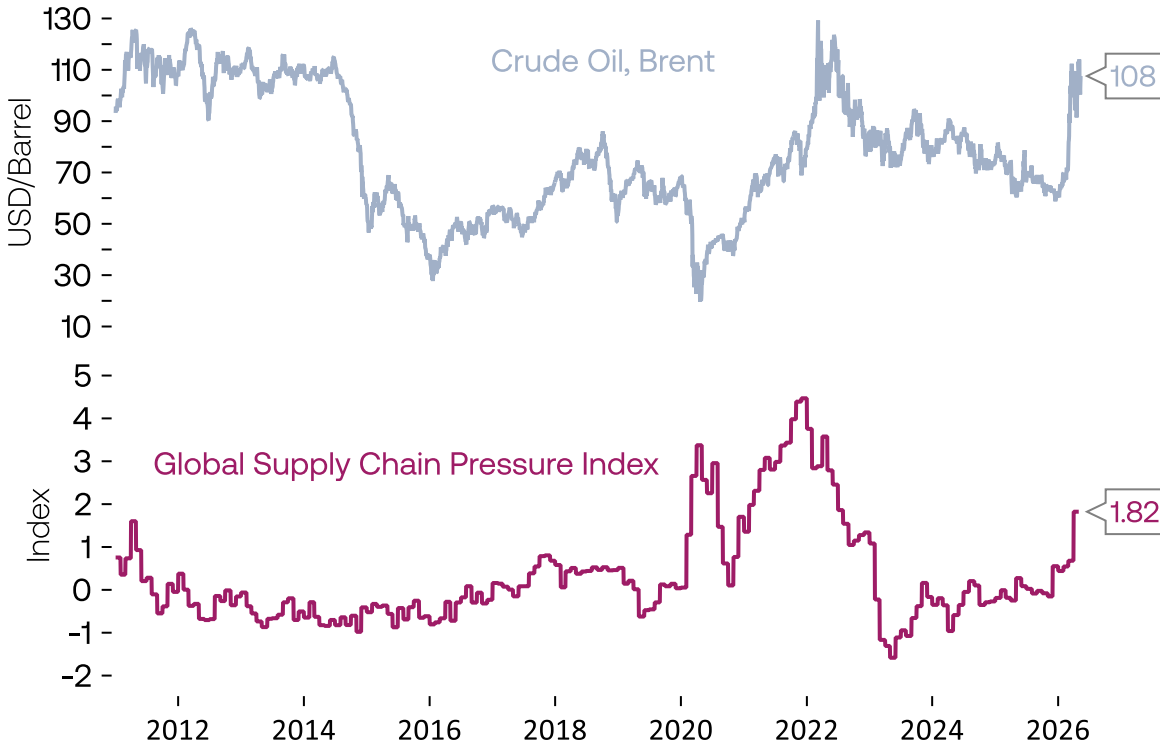


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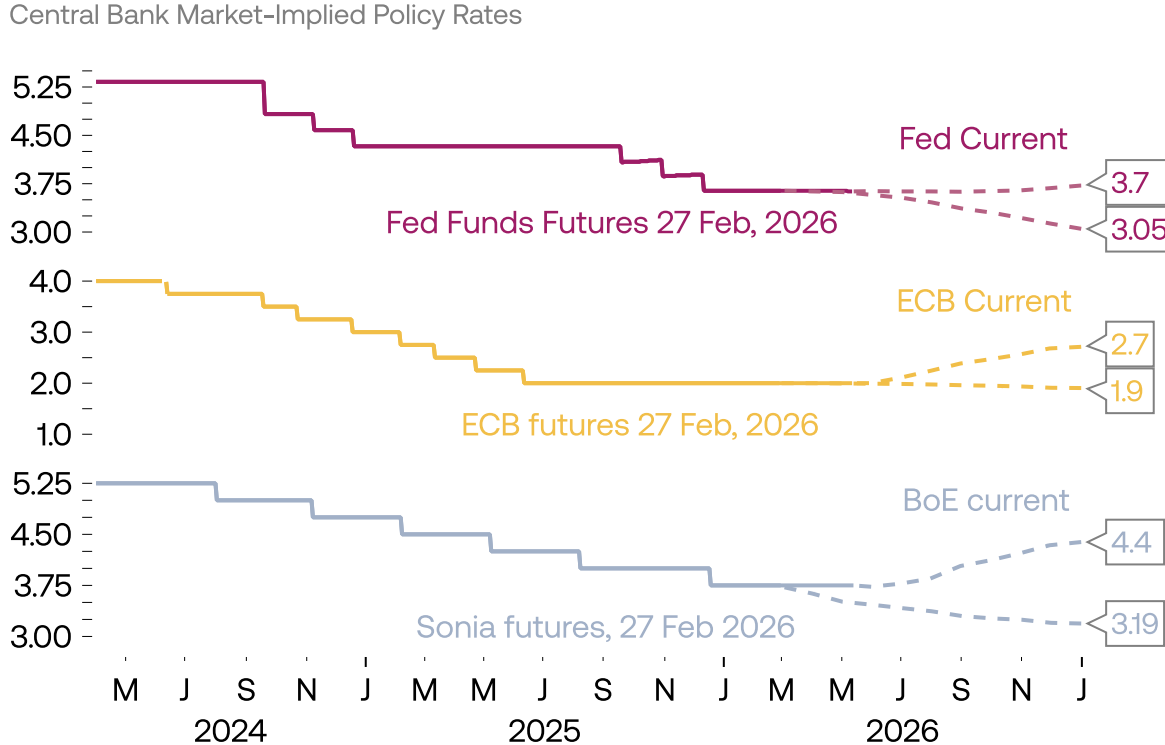
# Central banks under pressure globally

## 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

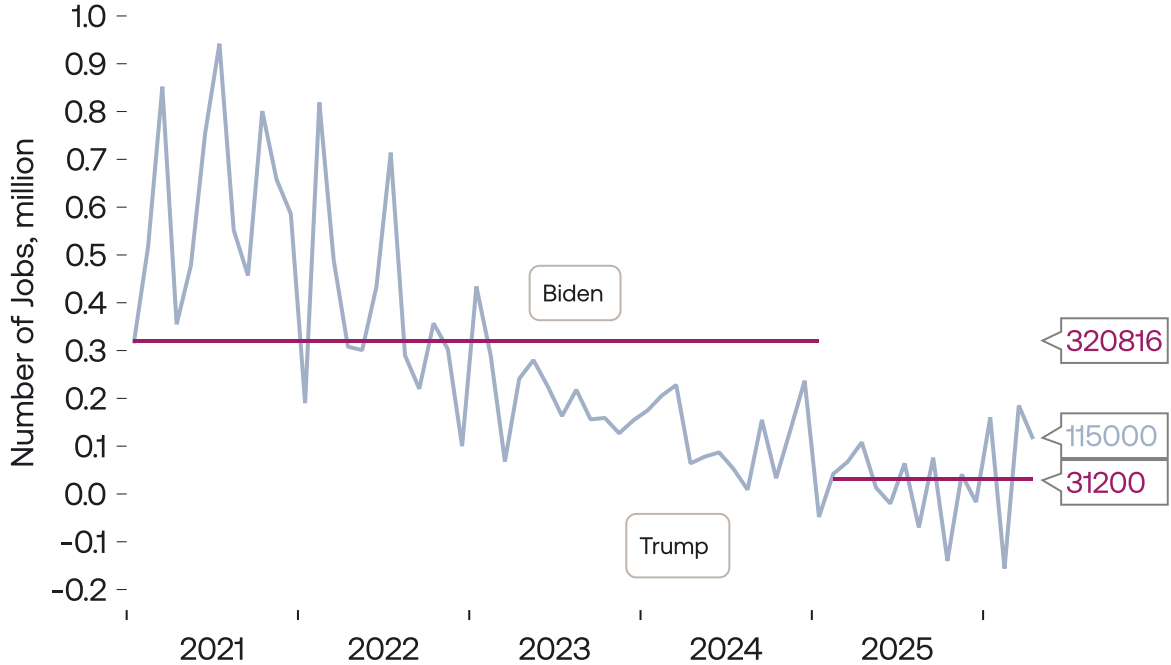


Graduate of Harvard and Stanford then joined the M&A team at Morgan Stanley. Joined the White House as economic adviser to President George Bush and then served on the Federal Reserve Board from 2006–2011 (Financial Crisis).

# 1: Recalibrating for fewer workers and more investment

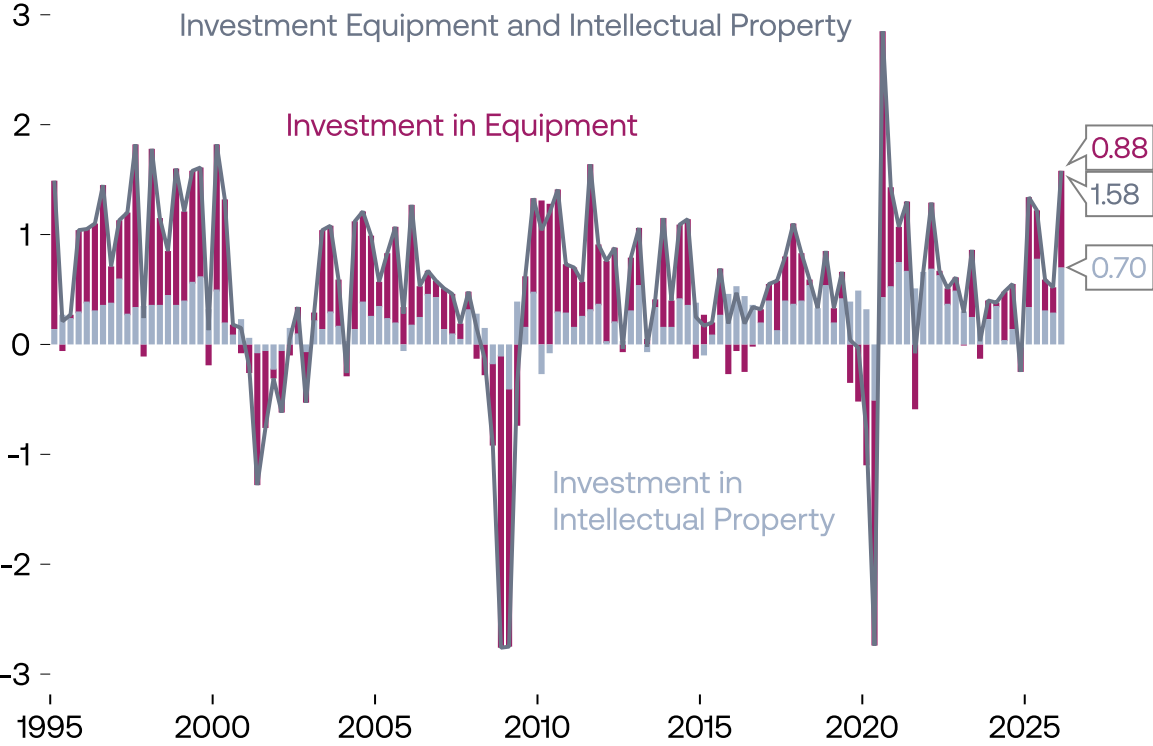
## Jobs growth has declined sharply on tighter immigration

Nonfarm Payrolls, 1m change



Source: Macrobond, 13.05.26

## Tech investment is driving the economy

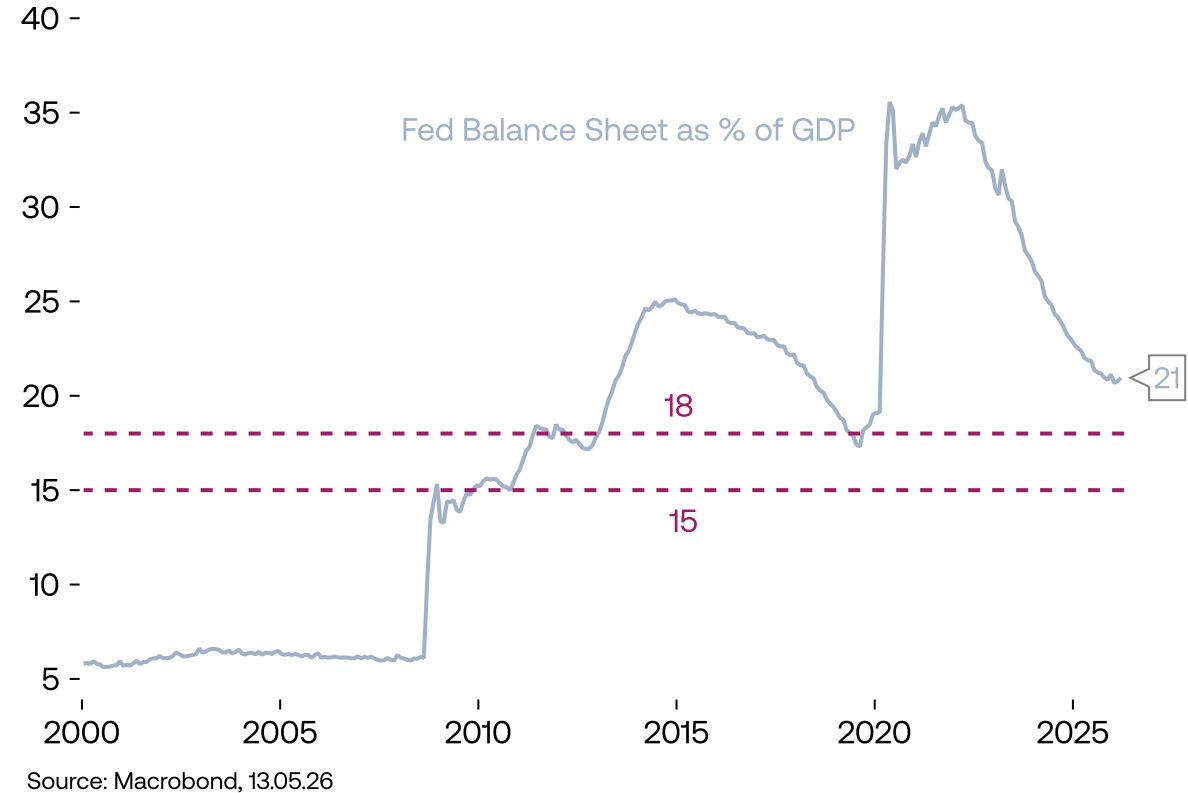


Source: Macrobond, 13.05.26

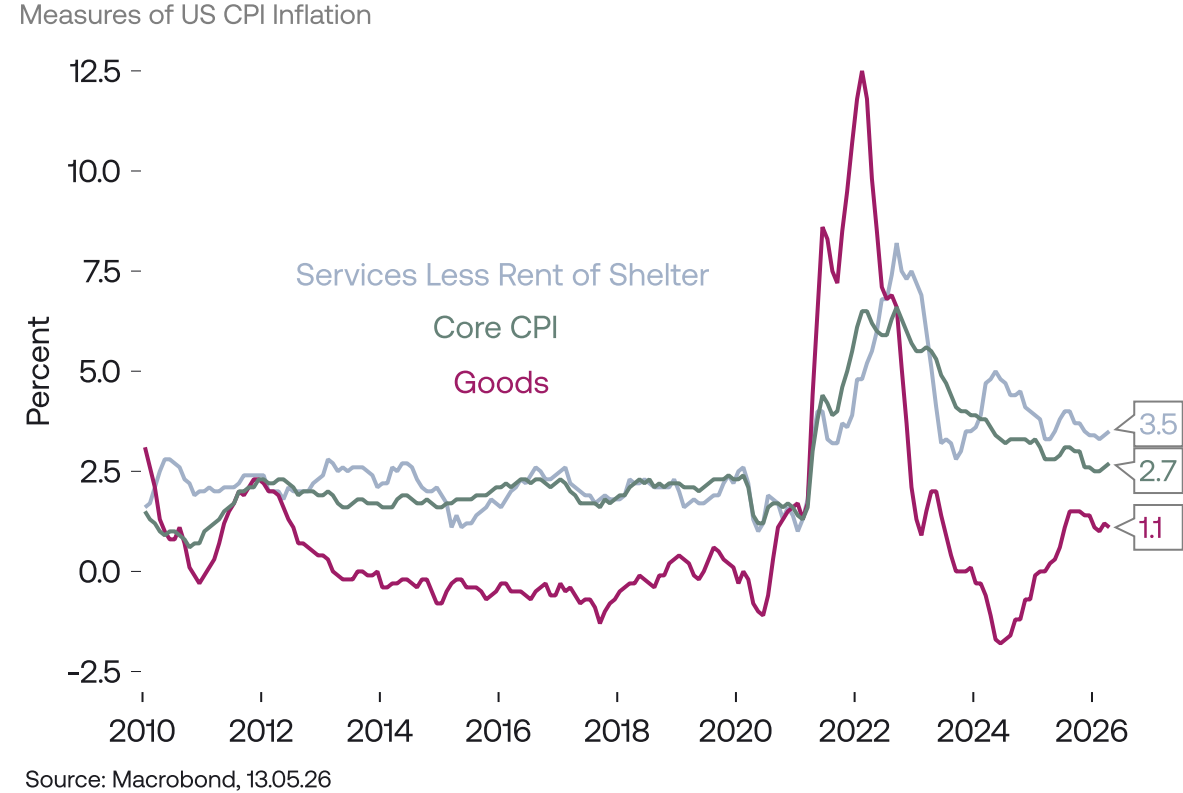
# 2: Reducing the central bank's balance sheet

## 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

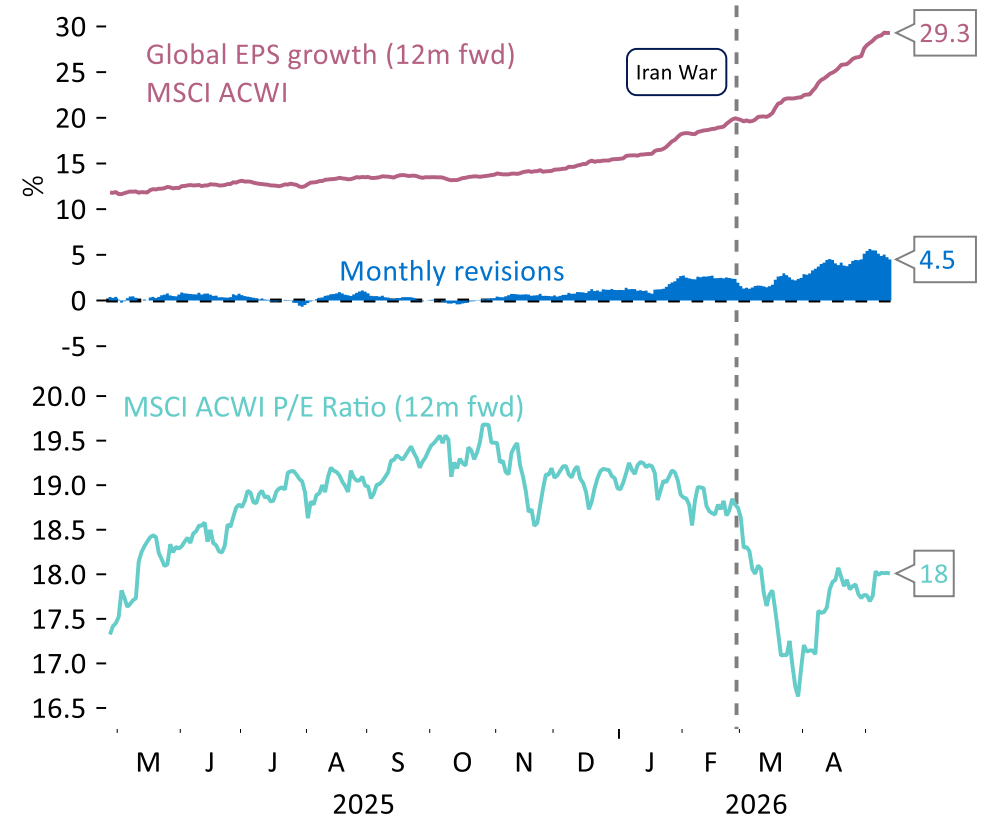
## 3. Nominal GDP strength

- 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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