

MARKET SIGHT LINES



The Kevin Warsh Nomination: The American Process Is Working

By **Michael O'Keeffe, CFA**
Stifel's Chief Investment Officer



April 24, 2026



I've discussed how Kevin Warsh as Federal Reserve Chair would represent more of a shift in how the Fed operates and communicates than a sudden shift in the level of interest rates. The Warsh nomination hearings this week tell us my thesis appears to be holding. My colleague **Brian Gardner** notes that the Department of Justice appeal involving current Fed Chair Jerome Powell is likely delaying Warsh's confirmation, with Senator Thom Tillis making closure of that matter a condition for supporting any Fed nominee. While that may sound messy, it is also recognizably Washington. And it is also important to look past that to what a Warsh-led Fed would mean for investors. Under his leadership, the Fed would move away from frequent market signaling and toward a framework built on discipline, accountability, and price discovery. Given what we're learning in the hearings, Warsh appears inclined to guide the Fed to focus further on inflation credibility, reduce reliance on forward guidance, and narrow the Fed's footprint in markets.

THE WARSH DELAY IS TYPICAL WASHINGTON; A WARSH FED WOULD BE DIFFERENT

Washington appears focused on resolving the Powell DOJ matter before Kevin Warsh is confirmed, and a Warsh-led Fed will focus more on inflation and less on forward guidance. In summary:

- Resolving the Powell DOJ matter to clear the Warsh nomination is typical Washington.
- A Warsh Fed's process and communication may reshape how markets think about the path of rates.
- Warsh believes the Fed's biggest recent failure was the policy error leading to elevated inflation in 2021-2022, suggesting he would bring inflation back into the Fed's central focus.
- He advocates for less forward guidance, leaving investors to interpret policy more on their own.
- Warsh may try to guide the Fed to rely more on market signals and less on lagged macro releases.
- His testimony suggests he prefers the balance sheet to become a less active policy tool, which could result in a modestly higher term and risk premia even without a dramatic change in the Fed funds rate.
- On temperament, Warsh appears to be steady and process driven, so change may not be dramatic.
- For investors, a Warsh-led Fed likely results in not chaos, but a different mix of risk, with more day-to-day volatility, speedier price discovery, and the possibility of a sturdier market structure over time.

IN-DEPTH: THE WARSH DELAY FEELS MESSY BUT IS TYPICAL WASHINGTON POLITICS; A WARSH FED WOULD FOCUS MORE ON INFLATION THAN FORWARD GUIDANCE FOR THE MARKETS

The immediate significance of a Warsh confirmation may lie less in where rates go next and more in how a Warsh-led Fed could alter communication, market interpretation, and day-to-day volatility across assets. Going deeper:

- Resolving the DOJ investigation of Powell to clear the Warsh nomination may feel messy, but it is typical Washington:
 - A federal judge quashed the Powell-related grand jury subpoenas, but the DOJ appealed, keeping the issue alive.
 - Senator Tillis has said he will oppose any Fed nominee until the investigation is “fully and transparently resolved.”
- Warsh may seek to evolve the Fed’s processes and how it communicates to market participants:
 - We expect him to advocate for deep discussion and debate during policy meetings.
 - But his own Fed voting record – 100% in line with consensus – shows a willingness to agree after such debate.
- Warsh has said Fed policy error led to elevated inflation in 2021-2022:
 - This suggests an increased focus on inflation and a refreshed look at how the Fed tracks and manages policy.
 - He favors considering other measures of inflation going forward.
- The hearings have affirmed that Warsh believes in less forward guidance:
 - If confirmed, Warsh will advocate for changes to the Fed’s Summary of Economic Projections.
 - This will leave investors with the responsibility of interpreting policy and forecasting the future on their own.
- Warsh believes lagged macro releases are less helpful than more real-time market data:
 - He has criticized reliance on “stale” data from the Bureau of Labor Statistics and Bureau of Economic Analysis, especially in crisis conditions.
 - His focus on real-time data could include the use of break-even rates to gauge investor inflation expectations.
- He prefers less dependence on the balance sheet as an active policy tool:
 - However, he has said that any change to the balance sheet must be deliberate, well orchestrated, and well described to avoid upsetting financial markets.
- Warsh appears to be steady and process driven, so given this temperament, change may not be dramatic:
 - Any changes require a consensus among Fed officials, as the Fed chair can’t make such changes unilaterally.
 - During his hearings, Warsh emphasized a measured approach and avoided committing to a specific rate path.
- With Warsh, investors may expect higher day-to-day volatility, speedier price discovery, and a sturdier market structure:
 - Less forward guidance means investors must interpret policy on their own, rather than relying on Fed telegraphing.
 - Less predictability could ultimately lead markets to price in fundamentals rather than Fed signals, a positive.

WHAT WE THINK

Involving the Powell DOJ matter in the Kevin Warsh nomination debate might seem messy, but it is typical Washington. How will things change under a Warsh-led Fed? We do not see a dramatic shift in the Fed funds rate, but rather a change in a leadership approach: Warsh would guide the Fed toward less prepackaged guidance and less focus on being a market choreographer, requiring investors to interpret inflation, growth, and policy in real time. That may mean more day-to-day volatility across rates, currencies, credit, and equities, along with the possibility of a modestly higher term and risk premia. But over time, if Warsh succeeds in strengthening inflation credibility and reducing the Fed’s market footprint, that same shift could leave markets more resilient and less dependent on the central bank going forward.

Michael P. O’Keeffe, CFA 

Chief Investment Officer

michael.okeeffe@stifel.com

[StifelInsights.com](https://www.stifelinsights.com)

The information contained herein has been prepared from sources believed to be reliable but is not guaranteed by us and is not a complete summary or statement of all available data, nor is it considered an offer to buy or sell any securities referred to herein. Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation, or needs of individual investors. There is no guarantee that the figures or opinions forecasted in this report will be realized or achieved. Employees of Stifel, Nicolaus & Company, Incorporated or its affiliates may, at times, release written or oral commentary, technical analysis, or trading strategies that differ from the opinions expressed within. Past performance is no guarantee of future results. Indices are unmanaged, do not reflect fees or expenses, and you cannot invest directly in an index.

Asset allocation and diversification do not ensure a profit and may not protect against loss. There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries. Due to their narrow focus, sector-based investments typically exhibit greater volatility. Small company stocks are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies. Property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance of real estate companies. When investing in bonds, it is important to note that as interest rates rise, bond prices will fall. The Standard & Poor's 500 Index is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market. The Bloomberg software Index is a price-weighted index of software companies located or doing significant business in the Silicon Valley. The Bloomberg 500 Financials Total Return Index tracks the financial sector within Bloomberg 500 Universe. This index includes 87 constituent companies spanning various financial services sectors. The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ. The DJIA was invented by Charles Dow back in 1896. The MSCI EAFE Index (Europe, Australasia, and the Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. VIX is a trademarked ticker symbol for the Chicago Board Options Exchange Market Volatility Index, a popular measure of the implied volatility of S&P 500 index options. The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage that is often obtainable in commodity trading can work against you as well as for you. The use of leverage can lead to large losses as well as gains. Volatility is measured by calculating the standard deviation of the annualized returns over a given period of time.

Stifel, Nicolaus & Company, Incorporated | Member SIPC & NYSE | Stifel.com

0426.8892168.1