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The timing of an announcement of President Trump's nominee to replace Federal Reserve Board Chairman Powell remains in flux. We briefly review the strengths and weaknesses of the likely finalists. Although Secretary Bessent has denied interest in the job, investors should not completely dismiss the possibility that he will get the job. Nominating Secretary Bessent would set several dominoes in motion, some of which we discuss below.

- **Timing Equals Options** – President Donald Trump had previously indicated that he would announce his pick to replace Jerome Powell as Fed Chair before Christmas, but earlier this week he said the announcement will probably be in early 2026. The change in timing could signal several things.
 - Keep in mind that while Mr. Powell's chairmanship ends in May, his term as Governor runs into 2028. He does not have to leave the Board before then, and he has not indicated that he intends to resign from the Board when his chairmanship ends.
 - If Powell remains on the Board, then Mr. Trump would be limited to nominating a Chairman who already sits on the Board. Since Governor Stephen Miran's term ends in January 2026, we thought that it was likely that Mr. Trump could nominate someone to fill that seat and who would be Powell's successor-in-waiting. However, an early 2026 announcement would not leave much time to confirm Dr. Miran's replacement.
 - That could suggest that Trump will nominate a sitting Fed Governor (e.g. Waller) to replace Powell or that perhaps Powell has signaled to the administration that he will resign his board seat when his chairmanship ends. That would allow Trump to appoint two Fed Governors this year, which could shift the Fed in a more dovish direction, at least the Board level. The following is how we currently rank the possible contenders for Fed Chairman.
- **The Clear Front Runner** – In recent weeks, **Kevin Hassett has emerged as the consensus front runner**. He is a Trump loyalist who is the current Director of the National Economic Council and also served in the first Trump administration. We think that President Trump sees Hassett as someone who will faithfully pursue lower interest rates at the Fed. We would note, however, that the Federal Open Market Committee operates by consensus and it remains to be seen if a Fed Chairman Hassett will be able to convince hawks to change their minds.
- **Next Tier** –
 - **Fed Governor Christopher Waller** – We believe that choosing Governor Waller checks a lot of boxes and makes the most sense. He clearly has experience within the Fed, having been on the Board since 2020 and having served as the director of research at the Federal Reserve Bank of St. Louis. He was an early voice regarding the weakness in the labor market. He has advocated for aggressive interest rate cuts given his assessment of the labor market situation. He has also expressed the view that tariffs do not add to inflation over the long-term but can, instead, slow economic activity. Although Governor Waller is not seen as the front runner, Mr. Trump's comment that he won't announce his decision until early 2026 could suggest that Waller might be the nominee.

- **Former Fed Governor Kevin Warsh** – Mr. Warsh was under consideration for the Fed Chairmanship in 2018 when Jerome Powell was nominated. He’s got Fed experience having served as a Fed Governor from 2006-2011. Also, he enjoys a personal connection to President Trump. His father-in-law, Ronald Lauder, is a longtime friend and former college classmate of the President. In our view, personal connections matter to Mr. Trump.
- **Long shots** –
 - **Federal Reserve Vice Chair for Supervision Michelle Bowman** – Moving Vice Chair Bowman to the top spot would require that the administration replace her in a job where she is getting good reviews. We think it is unlikely that President Trump will elevate her from her current job.
 - **Fixed Income Strategist Rick Reider** – Blackrock’s Chief Investment Officer of Global Fixed Income would bring the experience of a market practitioner to the job. However, his lack of policy-making experience or deep ties to Mr. Trump seem to make Reider an unlikely choice.
- **Don’t Sleep On** – One cannot completely dismiss the possibility that Mr. Trump will convince Treasury Secretary Scott Bessent to move to the Fed despite the fact that he has repeatedly said that he already has the job he wants. If the President tells Bessent that he really needs the Treasury Secretary at the Fed, then he would be hard pressed to say “no.”
 - **Dominoes** – If Bessent were to move from Treasury to the Fed, it would then open a key cabinet post. Among the possible candidates who could succeed Bessent, if this scenario plays out, might be Commerce Secretary Howard Lutnick. We think that he was under consideration for the Treasury post before Bessent was nominated after the 2024 election.
 - **Government-Sponsored Enterprise (GSE) considerations** – Since Treasury has been involved in discussions regarding a possible capital raise for Fannie Mae and Freddie Mac (and the possible end of their conservatorships), moving Bessent from Treasury to the Fed could further delay an offering unless Lutnick replaces him. We believe that Lutnick has been involved in discussion over the future of the GSEs and is more knowledgeable about the situation than other potential candidates. Under this hypothetical, the GSEs’ shares could rally if Lutnick is nominated to replace Bessent but could decline if someone else is nominated to replace Bessent at Treasury.

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