

First to Market

December 16, 2025

## MEET THE FED CHAIR CONTENDERS: KEVIN AND ALSO KEVIN

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**Hardika Singh and Kent Fung**

*"There's nothing the people love more than a Federal Reserve joke." – Adam McKay*

### Chart of the Day

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**DECEMBER: Shaky start, just like November**



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**Good morning!**

The race for who'll become the central bank chair for the world's largest economy was rearranged again, and in the lead now are former Fed Governor Kevin Warsh and National Economic Council Director Kevin Hassett.

"I think you have Kevin and Kevin. They're both—I think the two Kevins are great," President Trump said last Friday in an interview with the *Wall Street Journal* in the Oval Office.

Trump has now indicated that Warsh is at the top for the running, even as current chair Jerome Powell's term continues until May 2026.

In the past few weeks, prediction markets were leaning heavily toward Hasset because of the hints Trump was dropping. But now traders on Polymarket are betting that there's a 48% chance that Warsh will be nominated for the role, higher than Hasset's odds at 43% for the first time since mid-September.

Of course, there's no easy answer as to which Fed chair would be better, and it's likely that the choice doesn't even matter all that much because the expectation is that both of them will be dovish Fed chairs.

Still, it might be worth taking a closer look at the current two favorites, especially with the release of the October-November jobs report this morning, which can influence which mandate the Fed pays more attention to. This year, the Fed has become worried about a slowdown in the job market, but at the same time, inflation hasn't really come down all that much. Fed Gov. Stephen Miran said Monday that "phantom inflation" is making it harder for the Fed to make its decisions.

Warsh actually served on the Fed board from 2006 to 2011, navigating a tumultuous time in the global economy. He was elected by then-President George W. Bush. He comes from a slightly unconventional background, receiving his A.B. from Stanford University and J.D. from Harvard Law School (though it's worth noting that Chair Powell is also an attorney by education rather than an economist). Before he went into public work, Warsh worked on Wall Street in the Mergers & Acquisitions department at Morgan Stanley & Co. in New York.

He has long been a vocal critic of quantitative easing, arguing that the Fed's aggressive bond-buying program unveiled during the aftermath of the financial crisis was overly accommodating.

"The Fed is no longer the backstop to the financial system on a dark day. It's the dominant player day in and day out," he wrote in a *WSJ* opinion piece in July 2024.

And fresh commentary published last month shows that he still holds the same belief.

"The Fed's bloated balance sheet, designed to support the biggest firms in a bygone crisis era, can be reduced significantly. That largesse can be redeployed in the form

of lower interest rates to support households and small and medium-size businesses,” he wrote.

His broader commentary hews to familiar themes from the conservative economic playbook: advocacy for low rates, less regulation, and smaller government.

One could argue that Warsh is hinting he would seek an ambitious revamp of the Fed's roles. While specifics of his potential plans are unclear and open to debate, the op-ed does present him as having devoted at least some thought to how the Federal Reserve's role should change in the age of AI – which even if one disagrees with his conclusions, is nonetheless laudable.

Warsh is currently a distinguished visiting fellow in economics at the Hoover Institution.

On the other hand, Hasset has solid credentials in both academia and in political circles. Unlike Powell and Warsh, he is a trained economist: He earned his Ph.D. from the University of Pennsylvania and later taught economics at Columbia.

If he becomes Fed chair, Hasset would be returning to an institution where he once worked as an economist and researcher.

Throughout his career, Hasset's work as an economist has also stayed consistent with classically conservative themes. In particular, he has been a consistent proponent of stimulating growth through lower taxes, particularly lower corporate taxes, and it is on this topic that his most-cited academic papers have focused.

Hasset argues that reducing corporate taxes helps improve productivity and economic growth while also boosting wages. Perhaps his biggest achievement (thus far) in public service was as an architect of the 2017 Tax Cuts and Jobs Act (TCJA), which slashed corporate taxes. As a fun fact, he also co-authored the famous book “Dow 36,000.”

To be sure, nothing official has been announced, and the bond market hasn't really had a reaction to the narrowing race, which could mean that they are in a wait-and-see mode.

The biggest question on bond investors' mind is: If data changes and convinces Warsh or Hasset that a pause or even a hike is necessary, will they follow their own judgment or acquiesce to Trump's will?

Both Warsh and Hasset have said that the Federal Reserve must maintain its independence. In September, amidst attacks on Powell from President Trump, Hasset said, "I would say 100% that monetary policy, Federal Reserve monetary policy, needs to be fully independent of political influence." He clarified that by adding, "including from President Trump."

Warsh, too, said in a *CNBC* interview in July 2025 that "I've strongly believed for 20 years, and history tells us, that independent conduct of monetary policy is essential."

In any case, if future (theoretical) Chair Warsh or Hasset someday find themselves at odds with Trump, it's worth remembering that there is a long and storied history of presidential appointees infuriating the presidents who appointed them – from Jay Powell and Amy Coney Barrett (Trump) to Justice Earl Warren (nominated by Dwight D. Eisenhower) and Fed Chair Thomas McCabe (appointed by Harry S. Truman).

Thank you for reading this far. We weren't intentionally trying to make this as long as one of Warsh's commentary pieces, but we certainly have more empathy for the length now.

## Share your thoughts

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Which Kevin would make the better Federal Reserve chair? [Click here](#) to send us your response.

### **Here's what a reader commented**

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**Q:** Are the Trump Accounts a good idea?

**A:** It makes perfect sense to have some way for children to be able to fight off currency debasement from birth till they are at least 18, since currency debasement

and US government money printing seems to be uncontrollable.

## Catch up with Fundstrat

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At the halfway point for December, equity markets are flat and we still expect a year-end rally towards S&P 500 7,000-7,300. There may be a few positive catalysts including Oct/Nov jobs report this week and Nov CPI.

## Technical

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Catch a replay of Mark Newton's 2026 Technical Market Outlook.

## Crypto

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BTC was rejected again at the yearly open (~\$93.4K) as broader risk assets roll over, with crypto following and alts leading to the downside.

## News We're Following

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### *Breaking News*

- Payrolls rose by 64,000 in November after falling by 105,000 in October, delayed jobs numbers show CNBC

### *Markets and economy*

- CEOs Are Learning to Live With Trump's Turn to State Capitalism WSJ
- Tepid November payrolls show unemployment rate at 4-year high of 4.6% MW
- October Retail Sales Fell Flat. Weak Car Sales Weighed On the Data. BR
- Bullish investors pile into stocks as cash levels sink to record low FT

### *Business*

- CoreWeave's Staggering Fall From Market Grace Highlights AI Bubble Fears WSJ

- Kraft Heinz taps former Kellanova CEO Steve Cahillane to lead company ahead of breakup CNBC
- Broadcom's worst three-day stock slide since 2020 marks a humbling of sorts MW

### Politics

- Trump says he's 'strongly' considering reclassifying pot via executive order CNBC
- The Trump back channel: how diplomacy works in Washington FT

### Overseas

- Bondi Beach Attack Badly Shakes Sense of Safety for Australia's Jews WSJ
- After a Generation of Peace, Europe Tells Its People to Prepare for War WSJ

### Of Interest

- Merriam-Webster's 2025 word of the year takes aim at poor AI content CNN
- Uber and DoorDash Try to Halt N.Y.C. Law That Encourages Tipping NYT

### Overnight

S&P Futures **-15 ▼** point(s) (**-0.21% ▼**)  
overnight range: **-48 ▼** to **+5 ▲** point(s)

### APAC

Nikkei **-1.56% ▼**  
Topix **-1.78% ▼**  
China SHCOMP **-1.11% ▼**  
Hang Seng **-1.54% ▼**  
Korea **-2.24% ▼**  
Singapore **-0.21% ▼**  
Australia **-0.42% ▼**  
India **-0.64% ▼**  
Taiwan **-1.19% ▼**

### Europe

Stoxx 50 **-0.22% ▼**  
Stoxx 600 **-0.09% ▼**  
FTSE 100 **-0.34% ▼**  
DAX **-0.32% ▼**

CAC 40 +0.05% ▲

Italy +0.17% ▲

IBEX -0.22% ▼

## FX

Dollar Index (DXY) -0.10% ▼ to 98.212

EUR/USD +0.04% ▲ to 1.1758

GBP/USD +0.35% ▲ to 1.3423

USD/JPY +0.23% ▲ to 154.87

USD/CNY +0.08% ▲ to 7.0423

USD/CNH +0.09% ▲ to 7.0370

USD/CHF +0.04% ▲ to 0.7959

USD/CAD -0.05% ▼ to 1.3775

AUD/USD -0.06% ▼ to 0.6637

## UST Term Structure

2Y-3 ▼M Spread narrowed -0.4bps ▼ to -13.2bps ▼

10Y-2 ▼Y Spread narrowed -0.0bps ▼ to 66.6bps

30Y-10 ▼Y Spread widened 0.1bps to 67.1bps

## Yesterday's Recap

SPX -0.16% ▼

SPX Eq Wt +0.12% ▲

NASDAQ 100 -0.51% ▼

NASDAQ Comp -0.59% ▼

Russell Midcap -0.26% ▼

R2k -0.81% ▼

R1k Value +0.11% ▲

R1k Growth -0.49% ▼

R2k Value -0.45% ▼

R2k Growth -1.15% ▼

FANG+ -2.46% ▼

Semis -0.34% ▼

Software -2.39% ▼

Biotech -0.24% ▼

Biotech -0.24% ▼

Regional Banks +0.27% ▲ SPX GICS1 Sorted: Tech -1.04% ▼

Energy -0.76% ▼

Comm Svcs -0.18% ▼

SPX -0.16% ▼

Materials +0.04% ▲

Fin +0.12% ▲

Indu +0.15% ▲

Cons Staples +0.26% ▲

REITs +0.28% ▲

Cons Disc +0.48% ▲

Utes +0.88% ▲

Healthcare +1.27% ▲

## USD HY OaS

All Sectors +0.6bps ▲ to 327bps

All Sectors ex-Energy +1.5bps ▲ 326bps

Cons Disc +1.9bps ▲ to 506bps

Indu +2.8bps ▲ to 254bps

Tech -0.1bps ▼ to 334bps

Comm Svcs +1.3bps ▲ to 279bps

Materials +0.4bps ▲ to 279bps

Energy +1.9bps ▲ to 330bps

Fin Snr +2.1bps ▲ to 225bps

Fin Sub +0.3bps ▲ to 371bps

Cons Staples +4.3bps ▲ to 431bps

Healthcare +1.3bps ▲ to 344bps

Utes +1.1bps ▲ to 237bps \*

DATE

TIME DESCRIPTION ESTIMATE LAST

DATE	TIME	DESCRIPTION	ESTIMATE	LAST
12/16	8:30 AM	Nov Oct AHE m/m	0.3	0.2
12/16	8:30 AM	Nov Oct Unemployment Rate	4.5	4.4
12/16	8:30 AM	Nov Oct Non-farm Payrolls	50	119
12/16	9:45 AM	Dec P Sep F S&P Srvc PMI	54	54.1
12/16	9:45 AM	Dec P Oct S&P Manu PMI	52.1	52.2
12/18	8:30 AM	Nov Sep CPI y/y	3.1	3
12/18	8:30 AM	Nov Sep Core CPI y/y	3	3
12/18	4:00 PM	Oct Aug Net TIC Flows	n/a	190.139
12/19	10:00 AM	Dec F Oct P UMich 1yr Inf Exp	n/a	4.1
12/19	10:00 AM	Dec F Oct P UMich Sentiment	53.5	53.3
12/19	10:00 AM	Nov Sep Existing Home Sales	4.15	4.1
12/19	10:00 AM	Nov Sep Existing Home Sales m/m	1.22	1.23

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