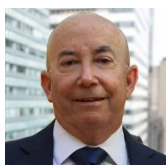


WARSH, WAR, AND MIDTERMS



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- Peace sees hopeful signs
- First Warsh led FOMC
- Trump to G7 meetings
- Midterms approaching

On Sunday, both sides announced a cessation of fighting between the U.S. and Iran. A formal agreement is expected to be signed in Switzerland on Friday. Currently, the plan is for Vice President JD Vance to sign for the U.S. While some details surrounding the future of the Iranian nuclear program are still to be negotiated, there appears to be optimism on the opening of the Strait of Hormuz and the end of the reciprocal bombings.

Global actors are anxious to have an opening of the Strait of Hormuz and with President Trump off the G-7 meetings in France this week, the war and its implications are likely to be high on the agenda. There appear to also be some issues with respect to Israel and its action in Lebanon, but President Trump has made clear he expects Israel to comply with the ceasefire.

The world leaders at the G7 meetings will also talk about the war in Ukraine and the need to move forward with talks between Russia and Ukraine.

The leaders will be anxious to get Trump engaged in the European conflict.

Warsh's First FOMC Meeting

Wednesday will be the first rate-setting FOMC meeting under the new Fed Chair Kevin Warsh. The general expectation is that the rate-setting committee will keep interest rates unchanged.

Warsh knows he faces a president who is anxious to see the central bank lower interest rates, but current economic data makes that highly unlikely. As someone who has followed the Fed and U.S. government policy for many years, this meeting could be very interesting, as it will be the first time in many years that a new chair will have the past one sitting at the table. Having served at JPMorgan Chase when there was a changed at the top, I can't imagine having the old CEO sitting in on management committee meetings; but it will be the reality at this week's Fed meeting with former Chair Jay Powell sitting at the table as a regular voting governor.

It will also be interesting to see if the first Warsh-led meeting will see any changes to the FOMC post-meeting messaging.

While Warsh has said he hopes to change the communications from the central bank, the Fed has announced that at least for this first meeting, the chair will hold a post-meeting press conference. It will make for interesting market impacting television, and there will be a great deal of anticipation both to the new chair's style and clues as to future policy moves.

Midterms

Primary elections continue as Republicans and Democrats make decisions on the candidates that will face each other in November.

In the House, Democrats continue to express confidence that they can gain control of the body. The current lineup of 218 Republicans, 212 Democrats, 1 independent and 4 vacancies give Speaker Mike Johnson and the Republicans little room for error.

With the current partisan breakdown, the Republicans can only lose two members on any vote, where Democrats are united as measures in the House die on a tie vote.

On average, the party that controls the White House loses 22 seats in the off-year elections, and polling shows growing dissatisfaction with Trump's policies and increased inflation, never a good sign for the party in power.

Democrats think they have a chance of also flipping the Senate, but it will be tougher than the House as only 32 of the 100 seats are up for election.

Senate Democrats believe they have nominated strong candidates in the key states of Texas, Iowa, and Ohio. However, Republicans believe they have chances to flip seats in Georgia and Michigan. Democrats need a net gain of four seats to gain control of the Senate.

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