

# Narrowing the Short List for Fed Chair

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## Key Takeaways

- The Trump Administration is expected to announce a nominee for Federal Reserve Chair by January, narrowing the list to five candidates with varied backgrounds and monetary policy views.
- The bond market does not like uncertainty, and its preference would probably be for someone with a Fed background.
- Despite speculation, bond markets remain stable, suggesting investors aren't yet pricing in concerns about Fed independence or significant policy shifts from the potential nominees.

As the calendar has now turned squarely into Q4, the sweepstakes for who will be nominated as next Chair of the Federal Reserve will no doubt increase. Current Chair Powell's term does not end until May 2026, but according to published reports, it looks like the Trump Administration could make an announcement as soon as January.

Last week, CNBC reported that the list of candidates had been narrowed down to five from eleven, as Treasury Secretary Bessent has become the key figure in the interview process.

## The Short List

- **Fed Governor Christopher Waller**
  - Nominated by President Trump and took office in December 2020
  - Waller is frequently quoted in the media regarding potential monetary policy decisions and was one of the first FOMC members to advocate rate cuts this year
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- **Fed Governor & Vice Chair for Supervision Michelle Bowman**
  - Also originally nominated by President Trump and then reappointed to the Board of Governors by President Biden
  - Bowman was also early to the party supporting rate cuts as both she and Waller dissented in favor of such a move at the July FOMC meeting

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- **Director of the National Economic Council Kevin Hassett**
  - This is Hassett's second go-round in a Trump Administration, as he was also Chair of the President's Council of Economic Advisors and a senior advisor to the president during Trump 1.0
  - Unlike the newly installed Fed Governor Stephen Miran, who also was/is a part of the current Trump Administration, Hassett appears to have a more nuanced approach to monetary policy
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- **Former Fed Governor Kevin Warsh**
  - Warsh was previously part of the FOMC, serving as a Fed Governor from 2006–2011
  - Warsh has publicly shared his views of how the Fed should be transformed and has been an outspoken critic of using the Fed's balance sheet, specifically quantitative easing (QE), although he did initially vote in favor of QE and other facilities during the financial crisis and great recession
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- **Blackrock Fixed Income CIO Rick Rieder**
  - Rieder is the only candidate on the short list that would come from the non-Fed, private sector background
  - Rieder is also another candidate who has called for a more aggressive rate-cutting path from the Fed, as illustrated by his call for a 50-basis point (bp) move for the September FOMC meeting
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## The Bond Market and Independence

Traditionally, the financial markets don't like uncertainty, and as far as the bond market is concerned, the preference would probably be for a known entity, especially one with prior Fed experience. An interesting factoid from an independence perspective is that Fed Governors Waller and Bowman rallied around the September 25-bp rate cut and did not dissent in favor of a bigger move.

From another perspective, the bond market may not be so sure what you'd be getting from Rieder or Hasset being nominated for Fed Chair, but it is thought they understand the importance of the impression of central bank independence.

At this point, the Treasury market does not appear to be concerned with this short list. If it was, and independence was thought to be a potential issue, longer-dated yields, such as the 10-year, would more than likely be on the rise.