



Daily Macro Insights: Chances of a new Fed chair?

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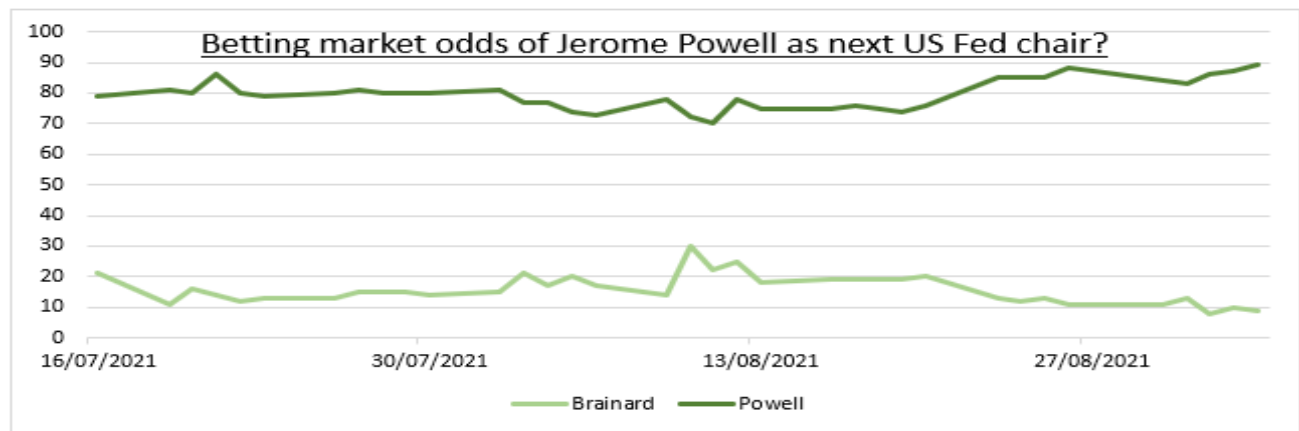
A POWELL SURPRISE? President Biden is to very soon decide on re-appointing Jerome Powell as US Federal Reserve chair. His 5-year term ends in February, after the 2017 appointment by President Trump. Markets overwhelmingly expect his re-appointment (see chart) vs other candidates, led by Fed governor Lael Brainard. Not re-appointing Powell is a low probability [risk](#) that would shock markets. This would likely be a buying opportunity.

WHY IMPORTANT: The market doubling from March crisis lows and our 5,050 [S&P 500 target](#) next year is built on the twin pillars of 1) extraordinary fiscal and monetary policy, 2) supporting a big earnings recovery. The Fed has been key, quickly slashing interest rates to zero in the crisis, doubling its balance sheet to \$8.3 trillion, and moving slowly to unwind.

PROGRESSIVE PRESSURE: Powell gets strong marks across the political spectrum for the Fed's dramatic pandemic response, and from Democrats for focus on regaining full employment. Criticisms come from Democrat progressives, looking for more focus on climate, inequality and bank regulation. They prefer Democrat current governor Brainard.

IMPACTS: Powell's re-appointment is expected and won't move markets. Not re-appointing him would, given the importance of the Fed to the equity case, and could easily drive the long-overdue pullback. This would likely be a buying opportunity, with few monetary policy differences with Brainard. A compromise could instead see Brainard named to replace Randal Quarles as vice-chair for banking supervision, a moderate financials (XLF) negative.

TODAY: After the stronger China trade data today, the macro focus shifts to Germany's ZEW Economic Sentiment index, forecast to fall to 30, from 40, and lowest since November.



Source: PredictIt.org, eToro

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