Chairman Warsh Swiftly Puts His Stamp on the Fed

Bill Campbell, Portfolio Manager, Global Sovereign & Emerging Markets | July 2026

Kevin Warsh has taken over the chairmanship of the Federal Reserve by storm. In his first meeting at the helm of the Federal Open Market Committee (FOMC), he removed forward guidance, slashed the length of the FOMC statement, institutionalized change by launching five task forces to produce recommendations promising sweeping reforms and – in a pointed snub to the Fed's own communications architecture – declined to contribute his own projections for the target federal funds rate, leaving a gap in the dot plot where the chairman's estimate would normally sit alongside those of the other 18 FOMC members.

Chairman Warsh has made clear his aim to be a strong leader, neither shackled by any attempts by his predecessor to shift policymaking power to the voting members of the FOMC nor susceptible to political pressures or past policy precedents to deter data-driven monetary policy decisions. His ability to follow through on that posture, of course, is to be seen over the fullness of the chairman's four-year term. However, his swift implementation of bottom-to-top reviews of the Fed's decision-making foundations suggests to me that Chairman Warsh might be one of the more consequential leaders of America's central bank. With this institutional overhaul under way, the Fed appears headed toward a new policy-setting regime rooted more in a reaction to hard data and market outcomes than in econometric models and dogma.

The *Ancien Régime* Is Indeed *Passé*

As the date approached for Jerome Powell to vacate the chair, I argued in an April 29 paper that his parting gift to the institution would be a transformed committee: By quietly tolerating dissent in his final 18 months, he had shifted power away from the chair and toward independently minded members – a change I expected to be durable – to constrain his successor.[1] What happened instead was Chairman Warsh reclaimed the formidable control the office has historically carried. The June 17 FOMC policy statement was cut to 132 words (a third of April's 341), in the process, stripping it of any hint of forward guidance about the Fed's next move. Chairman Warsh conducted his debut press conference with the same laconic discipline. He declined question after question on the grounds that he would not engage in forward guidance. In 40 minutes at the podium, he reversed a post-Global Financial Crisis (GFC) drift toward ever-greater communication.

Lips appear to have tightened beyond the chairman's podium. Bank of America Global Research counts just a dozen speeches and interviews by Fed officials in the two weeks following the June meeting – roughly half the average of about 23 for comparable postmeeting stretches since 2022. That drop might reflect participants' heeding the new chairman's preference for saying less, although the BofA Global Research analyst allowed that holiday timing might explain some of it. It should be noted that Fed Governor Christopher Waller on July 6 used a Rome conference to defend forward guidance as a valuable tool when applied flexibly – an unusually public break with his new chairman. But even Governor Waller's discordant note sounded on a stage that the chairman now directs. The new communications task force has placed the Fed's entire communications apparatus – speeches, forecasts and press conferences— under formal review, with every element a candidate for revision or elimination.

Overhaul in the Making

Chairman Warsh has created five working groups spanning the whole of the central bank: communications, the $6.7 trillion balance sheet, the data sets relied on by the Fed, the agency's focus on productivity and jobs, and its inflation frameworks.[2] The working groups, I believe, constitute the machinery of future institutional change. The foundations of Fed policy almost certainly will be reshaped. The first glimpse under the hood came July 9 when the membership rosters were announced: 15 co-leads, including accomplished academics and policymakers Mervyn King, Raghuram Rajan, Jeremy Stein, Nobel laureate Thomas Sargent and Greg Mankiw, and such business figures as Marc Andreessen and former Walmart CEO Doug McMillon.[3] Many have professional ties to Chairman Warsh, reaching back through his earlier Fed service, White House years and long Hoover Institution affiliation.[4]

Read the names against the mandates, and the direction of travel becomes evident. Heading the inflation-frameworks panel are Messrs. Mankiw, Sargent and William White, the former manager in the Monetary and Economic Department of the Bank of International Settlements, recognized for his prescient warnings ahead of the 2008 GFC.[5] The inflation-frameworks panel is built to conduct a postmortem on how the Fed has gauged inflation after five years of above-target consumer price increases following the FOMC's erroneous "transitory" calls of 2021 under Chair Powell.[6] The balance-sheet group pairs Mr. Stein's financial-stability instincts with Mr. Rajan's long-standing skepticism of quantitative easing. This panel appears constructed to recommend a smaller Fed footprint, not defend the status quo. The productivity group, reflecting Chairman Warsh's argument that AI will deliver productivity gains that lower r-star (or "r*"), the real neutral rate of interest achieving stable inflation and full employment. Such an outcome would allow lower interest rates without higher inflation. Chairman Warsh's signature thesis today an institutional home in the Fed's productivity task force. Messrs. Andreessen and Stanford Graduate School of Business's Charles Jones argue that the productivity boom raises r-star tolerance for growth.[7] Thus, they believe today's capital expenditure surge will prove disinflationary over time. The co-leads, recruited personally by Chairman Warsh and serving without compensation, will work with Fed staff to deliver recommendations to the FOMC by the end of the year.

Staking Hawkish Cred, Keeping Options Open

The market perceived Chairman Warsh's June 17 debut as decidedly hawkish. Participants seized on his price-stability-first statement and a Summary of Economic Projections in which every participant save one penciled in unchanged or higher federal funds rates for 2026, a configuration consistent with at least one increase before year-end and possibly a move by October. Bank of America Global Research tore up its no-change forecast entirely and as of this writing projects three quarter-point increases that would leave the funds rate at 4.25% to 4.5% by December. But this reading might have ignored the chairman's own attempts to downplay the projections in the press conference itself. The man left his own dot blank, and he was at pains to convey that nothing had been settled in advance of the July 29 FOMC meeting or the meetings after it. Chairman Warsh pointed out that not one of the 19 participants had judged a hike, or even a signal of one, to be warranted. A chairman who refuses to forecast his own policy is not a chairman precommitting to tighten. He is a chairman preserving optionality – and letting the threat of hikes do the tightening for him.

Deciphering the New Warsh Reaction Function

Chairman Warsh appears intent on upending the Fed's practice of relying on long-telegraphed interest rate outcomes and policy prescriptions with duration labels similar to the expiry dates on medicine prescriptions. Within the first month or so, he has ripped up this approach, instead focusing on data and markets as real-time inputs to a policy reaction function. Bearing this new decision framework in mind, and with a heavy dose of humility, I think four factors will lead Chairman Warsh to hesitate to raise rates this year.

First, the Consumer Price Index fell 0.4% on the month in June, the biggest monthly drop in over six years, bringing the annual rate to 3.5% from May's 4.2%. Core prices were flat, leaving the ex food and energy rate at 2.6% year-over-year. The service categories the Fed watches most closely went unchanged on the month, with the key component of shelter costs up only 0.1%. Furthermore, I suspect the rise in oil prices effectively did the Fed's tightening for it: The June truce between the U.S. and Iran knocked roughly a quarter off the price of crude, and a gallon of gasoline that cost more than $4.50 in May now costs $3.86. I doubt Chairman Warsh will ever utter the word "transitory" (he pointedly declined an invitation to apply the label to the energy spike). However, refusing to declare the energy spike "transitory" is not the same as disbelieving it is so. His July 1 remarks at the annual European Central Bank Forum in Sintra, Portugal, amounted to a message that the inflation peak is likely behind us.

To be sure, energy shocks do increase prices if allowed to rise unchecked. Chairman Warsh is attempting a delicate balancing in a storm of macroeconomic crosswinds. In his testimony to Congress on July 14, Chairman Warsh said that if the Fed gets policy right, "The inflation surge of the last five years will be a thing of the past." The caveat is that the war is not cooperating. Brent crude oil shot back above $86 on July 14 after President Donald Trump declared the ceasefire with Iran dead and ordered the Strait of Hormuz blockaded, which July's inflation data will capture. That acknowledged, a second oil spike would likely be an argument for patience. The Fed cannot tighten against a supply shock it just watched fully reverse over the past month.

Second, the labor market is showing signs of cooling. June payrolls rose just 57,000 against expectations of 115,000, and the decline in unemployment to 4.2% was due to a participation rate sinking to depths last seen in early 2021, alongside a half-million drop in the household survey's count of the employed. Revisions stripped a combined 74,000 jobs from the April and May tallies. This is not an economy demanding restraint; it is one potentially drifting toward slack.

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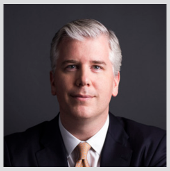
Third, the November midterm elections put Chairman Warsh in a tricky situation. The claim that the Fed never moves before an election is folklore; it eased weeks ahead of the Nov. 5, 2024, presidential and congressional ballots. Chairman Warsh, however, finds himself in a historically unique position. He took office at a June ceremony hosted by President Trump, who had spent years attacking his predecessor over interest rates, and now presides over a committee whose dots point toward hikes. The president has left no ambiguity about his preference, telling NBC that raising rates would be wrong and unfair. Against that backdrop, every path carries a political price except one. A hike into the November midterms would put Chairman Warsh in open conflict with the president who appointed him; a cut with inflation above 4% would confirm every suspicion that the Fed has been captured by the White House. Chairman Warsh understands the trap. Pressed at Sintra on whether the FOMC would act regardless of the president's wishes, he invoked the Fed's long history of independence and assured that markets would see no change to it. The cleanest way to prove that independence is to be seen taking orders from the data alone.

Fourth, and most telling, Warsh has a thesis to protect. The centerpiece of his public case for the job was that AI-driven productivity will expand the economy's capacity enough to reconcile lower rates with stable prices. He committed that idea to print before taking office: In a Nov. 16, 2025, Wall Street Journal op-ed, he argues that AI adoption would prove a "significant disinflationary force," expanding the economy's productive capacity, easing price pressure and creating room for lower rates.[8] The productivity task force composition suggests the institutionalization of this idea as a leitmotif at the Fed. Singing the same theme are the task force's three co-leads: Mr. Andreessen, whose firm's AI portfolio is measured in billions of dollars in investments; Mr. Jones, whose career work is the theory of technology-driven growth, and Microsoft's Asha Sharma. Chairman Warsh has cited as an edifying precedent Fed Chairman Alan Greenspan's mid-1990s judgment overriding calls for preemptive hikes, on an expectation of inflation-offsetting productivity gains amid low unemployment rates. Chairman Greenspan was ultimately vindicated, as productivity growth accelerated from roughly 1.5% to nearly 3% due to an unmeasured technology boom expanding supply. A chairman who believes the supply side is about to expand does not rush to strangle demand.

Kevin Warsh is on the way to implementing some of the largest changes to the Fed in decades. Whether these changes successfully reduce inflation and increase growth via supply remains a question for the future to answer. For the medium term, the novel task before Fed watchers will be to decipher the central bank's emerging reaction function under its maverick new chairman. In the meantime, I believe the most hawkish-sounding Fed chairman in a generation has restored the credibility of Fed independence along with burnishing his inflation-fighting stripes, and he knows it. Barring inflationary unknown unknowns, that credibility will likely serve as tightening itself, allowing Chairman Warsh to deliver zero hikes in 2026. If this base case plays out, it should support holdings in shorter-duration bonds, which is where DoubleLine as a firm is positioned on the yield curve. ■



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Mr. Campbell joined DoubleLine in 2013. He oversees the firm's Global Sovereign and Emerging Markets teams and serves as the lead Portfolio Manager for the firm's emerging markets and international strategies. He is a permanent member of the Fixed Income Asset Allocation Committee. Prior to DoubleLine, Mr. Campbell worked for Peridiem Global Investors as a Global Fixed Income Research Analyst and Portfolio Manager. Prior to that, he was with Nuveen Investment Management Co., first as a Quantitative Analyst in the Risk Management and Portfolio Construction Group then as a Vice President in the Taxable Fixed Income Group. Mr. Campbell also worked at John Hancock Financial as an Investment Analyst. He holds a B.S. in Business Economics and International Business, as well as a B.A. in English, from Pennsylvania State University. Mr. Campbell also holds an M.A. in Mathematics, with a focus on Mathematical Finance, from Boston University.

About the Global Sovereign & Emerging Markets Team

The Global Sovereign & Emerging Markets team at DoubleLine manages $13 billion in assets in sovereign debt, including U.S. Treasuries and non-U.S. sovereign issues, and corporate fixed income securities by issuers domiciled in ex-U.S. developed and emerging markets. The team comprises 14 investment professionals, including portfolio managers, analysts and traders.

About DoubleLine

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Endnotes

[1] Bill Campbell, "Powell's Parting Gift: How One Chair's Dissents Could Constrain the Next," April 29, 2026

[2] For DoubleLine's thinking on the eroding dependability of econometric series produced by the government's statistical mills and our investment team's efforts to address this issue, see Ryan Kimmel, "Interpreting Labor Signals in a High-Revision Regime," March 2026

[3] "Federal Reserve announces the leadership and objectives of its task forces to advance the conduct of monetary policy," Federal Reserve Board of Governors news release, July 9, 2026

[4] "Kevin M. Warsh," Federal Reserve History

[5] Claudio Borio and William R. White, "Whither Monetary and Financial Stability? The Implications of Evolving Policy Regimes," presented at the Federal Reserve Bank of Kansas City's symposium on Monetary Policy and Uncertainty: Adapting to a Changing Economy, at Jackson Hole, Wyoming, Aug. 28-30, 2003

[6] The Federal Open Market Committee (FOMC) first used the term "transitory" in reference to inflation in its April 28, 2021, policy statement: "Inflation has risen, largely reflecting transitory factors." Chair Jerome Powell reiterated this message in news conferences following FOMC meetings, and the "transitory" characterization remained in the FOMC statement through its Nov. 3, 2021, meeting. In testimony on Nov. 30 of that year, Mr. Powell told the Senate Banking Committee, "I think it's probably a good time to retire that word and try to explain more clearly what we mean." The term "transitory" was absent from the Dec. 15 policy statement of the FOMC. In its place, the FOMC noted, "Supply and demand imbalances related to the pandemic and the reopening of the economy have continued to contribute to elevated levels of inflation."

[7] "Billionaire investor Marc Andreessen says AI destroying jobs and making everyone poor is a 'fallacy'—and even if that did happen, prices would drop," Fortune, Oct. 8, 2025; Charles I. Jones, "The A.I. Dilemma: Growth Versus Existential Risk," Stanford Graduate School of Business," April 27, 2024

[8] Kevin Warsh, "The Federal Reserve's Broken Leadership," The Wall Street Journal, Nov. 16, 2025

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