

# New Fed Chair Kevin Warsh

## Price stability and independence remain key priorities

Dr. Michael Heise on Global Economics

July 2026

Following the regular end of Jerome Powell's term, a leadership change at the U.S. Federal Reserve had been on the horizon for months, causing considerable tension in the markets. Particularly in recent months, President Trump had noticeably increased the pressure on Jerome Powell and thus on the Fed, by repeatedly calling for lower interest rates and a more growth-friendly monetary policy. The Fed's first meeting under new Chairman Kevin Warsh was therefore eagerly anticipated and he immediately and unequivocally emphasized that price stability is the top priority and that the central bank operates with absolute independence.



### A clear commitment to the priority of price stability

Although the federal funds rate was left unchanged at 3.50 - 3.75%, as expected, Kevin Warsh reiterated at the press conference that future Fed policy will rigorously restore price stability. His statements and the interest rate projections of the Open Market Committee members do not signal any rate cuts for 2026 but explicitly leave open the possibility of rate hikes. The Fed has significantly raised its inflation forecasts: Headline inflation and core inflation are now expected to be around 3.6% and 3.3%, respectively, for the fourth quarter of 2026, up from 2.7% for both previously. Furthermore, Warsh firmly stated that the 2% target is definitely not being scaled back, but is understood as an absolute upper limit to which the Fed intends to "return." After all, inflation has already been well above the target for far too long in recent years, which has severely undermined the central bank's credibility.

### New communication style: fewer pre-commitments

Under Powell, the Fed relied heavily on detailed explanations and relatively precise indications of the future interest rate path. This provided the markets with a sort of "navigation tool," even though

market expectations often diverged significantly from the central bank's assessments. Under Warsh, a new approach is now being taken: The FOMC statement has been radically shortened to about 130 words, references to future monetary easing have been completely removed, and the classic forward guidance has been significantly reduced. Warsh explicitly calls on the markets to rely less on the Fed's advance announcements and instead focus on actual data. He emphasizes that financial markets function most efficiently when they react primarily to incoming economic and price data rather than speculating on how the Fed might act.

The specific changes to monetary policy communication and strategy that will be implemented depend on the conclusions of various task forces. These task forces are responsible for conducting in-depth evaluations of key areas, including communication strategy, balance sheet policy, and the nexus between productivity and employment in the labor market.

### Implications for analysis and the Fed's response function

The Fed's revised communication strategy will lead to significant adjustments in capital market analysis. Less forward guidance

# New Fed Chair Kevin Warsh

Prof. Dr. Michael Heise on Global Economics – July 2026

Page 2

means that the Fed's response function to macroeconomic changes and the signals from key indicators must be completely reassessed. In this context, labor productivity trends could take center stage to a greater extent than before: Warsh has repeatedly pointed out the potential productivity gains from artificial intelligence, which could alleviate inflationary pressures over time. Productivity trends have already played an important role in monetary policy, but the establishment of a dedicated task force to conduct a detailed analysis of technology, productivity, and the labor market suggests that even greater weight will be given to this aspect in the future.

A stronger focus on productivity is just one example of potential paradigm shifts in the Fed's decision-making. The significance of other indicators of economic activity and inflation, such as those related to the labor market or financial markets, could also change over time. Reduced forward guidance is likely to inevitably lead to further divergence in opinions regarding the future direction of monetary policy. Fed watchers and capital market strategists will have to adapt their analytical methods. Proprietary assessments of macroeconomic developments are becoming drastically more important for accurately forecasting the trajectory of key interest rates in the U.S. At the same time, the central bank's reduced commitment to forward guidance provides it with greater

flexibility to respond quickly to new data, which is generally a positive development but makes it more difficult to understand individual interest rate decisions in the short term.

## What this means for investors

For investors, the "Warsh era" initially means a period of heightened uncertainty. The Fed will communicate far less about its future interest rate policy. This makes it more difficult to make linear forecasts about the likely path of interest rates and may lead to greater volatility in the interest rate and stock markets between Fed meetings. At the same time, the strong emphasis on price stability and institutional independence increases the risk that interest rates will remain at restrictive levels for longer or, in case of doubt, even rise further if inflation or wage data remain persistently high. In the short term, this calls for a significantly more cautious portfolio positioning and a stronger focus on fundamental quality. In the medium term, however, a credible and successful fight against inflation could lay the foundation for more stable economic conditions, provided that the findings of the announced task forces lead to a consistent, data-driven monetary policy course.

## Notes on investment strategy - Investment recommendation pursuant to § 85 of the German Securities Trading Act (WpHG) in conjunction with the German Securities Trading Act (WpHG). Regulation (EU) No. 596/2014

### General

The investment strategy and/or investment recommendations (hereinafter referred to as "analyses") are prepared by LeanVal Research GmbH for information purposes only.

Neither LeanVal Research GmbH nor its employees assume any liability for damages arising from the use of the analyses or their contents or in any other way in connection with them. The analyses do not constitute an offer or invitation to subscribe to or purchase any security, nor do they or the information contained therein form the basis for any contractual or other obligation of any kind. An investment decision should be made on the basis of a duly approved prospectus or information memorandum and in no case on the basis of the analyses. Investors should seek the advice of an investment adviser in making their investment decision. In this respect, the analyses cannot assume an advisory function. The opinions, estimates and forecasts contained in the analyses are solely those of the respective authors. They are date-related, not necessarily the opinion of LeanVal Research GmbH and may change at any time without prior notice.

The information and evaluations ("Information") reproduced here are primarily intended for clients of LeanVal Research GmbH in Germany. Should the original recipient forward the analysis, he/she is obliged to do so in compliance with existing regulations and laws and no obligation of LeanVal Research GmbH towards a third party arises from this. In particular, the information is not intended for clients or other persons domiciled or resident in the United Kingdom, the United States or Canada and may not be passed on to such persons or imported into or distributed in these countries. Distribution of the Analytics in other jurisdictions may be restricted by law and persons into whose possession the Analytics come should inform themselves about and comply with any restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. Reprinting, redistribution, and publication of the analyses and their contents in whole or in part are permitted only with the prior written consent of LeanVal Research GmbH.

### Information sources

All analyses are prepared on the basis of data from a data provider as well as from generally accessible sources ("information") that LeanVal Research GmbH considers to be reliable. However, LeanVal Research GmbH has not verified the accuracy or completeness of the Information and assumes no liability for the accuracy or completeness of the Information. Possible incomplete or incorrect information does not justify any liability of LeanVal Research GmbH for damages of any kind, and LeanVal Research GmbH is not liable for indirect and/or direct damages and/or consequential damages. In particular, LeanVal Research GmbH assumes no liability for statements, plans or other details contained in these analyses with regard to the investigated companies. Although the analyses are compiled with all due care, errors or incompleteness cannot be excluded. LeanVal Research GmbH, its shareholders, corporate bodies and employees assume no liability for the accuracy or completeness of the statements, assessments, recommendations derived from the information contained in the analyses. Data source for all historical prices is Morningstar and LeanVal Research.

### Summary of the valuation fundamentals

The valuations underlying the investment recommendations for stocks analyzed by LeanVal Research GmbH are based on generally accepted and widely used methods of fundamental analysis, such as the DCF model, peer group comparisons, NAV valuations and - where possible - a sum-of-the-parts model. The calculated scores (Value, Quality, Stability, Growth) are the result of a proprietary model of LeanVal Research GmbH. They result from the comparison of fundamental key figures of the quantitatively analyzed company in relation to comparable companies within a sector (or region). Information on the general approach can be found at [www.leanval.investments](http://www.leanval.investments). The absolute target price and the associated absolute assessment (undervalued, neutrally overvalued) are determined using a forward-looking DCF or ROIC (return on invested capital) method. Estimates of future earnings serve as the basis for this. The earnings estimates are either based on a consensus or are made by LeanVal Research GmbH itself.

### Updates

The recipients are not entitled to the publication of updated analyses. LeanVal Research GmbH reserves the right to update analyses without prior notice. A regular update of this document is not intended.

### Compliance

LeanVal Research GmbH has taken internal organizational and regulatory precautions to avoid conflicts of interest in the preparation and dissemination of financial analyses. In particular, there are internal information barriers that prevent analysts from accessing insider information. Compliance is monitored by the Compliance Officer.

### Explanation of the recommendation system

The relative assessment is based on the various scores of the individual companies in the areas of Value, Quality, Stability, Growth and Momentum which are compared with the average scores of the overall market and/or also with the respective sectors. The companies are ranked on a scale from 0 to 100. From this, the three ratings "unattractive" (0 to 30 on the scale), "neutral" (31 to 70 on the scale) and "attractive" (71 to 100 on the scale) are derived. The relative assessment can change at short notice due to the high complexity of the scores and the multiple interdependencies between the companies analyzed.

LeanVal Research GmbH's rating system for absolute valuation comprises the ratings "undervalued", "fairly valued" and "overvalued". The rating of a share is based on the expected return for the next six to twelve months. The expected return is composed of the prognostic change in the share price and the expected dividend yield. Changes in the discount factor or projected cash flows can lead to significant changes in the target price.

#### Rating system of the absolute valuation

Buy	Potential > +15%
Hold	Low upside and downside potential
Sell	Potential < - 15%

### Conflicts of interest

In the financial analyses, circumstances or relationships that could give rise to conflicts of interest because they could jeopardize the impartiality - of the employees of LeanVal Research GmbH who prepared the analysis, - of LeanVal Research GmbH as the company responsible for the preparation or of companies affiliated with it, or - of other persons or companies working for LeanVal Research GmbH and contributing to the preparation, must be disclosed. Information on interests or conflicts of interest that must be disclosed exists in particular if

1. significant shareholdings (= shareholding > 5 % of the share capital) exist between the above-mentioned persons or companies and the issuers who are themselves or whose financial instruments are the subject of the financial analysis,
2. the above-mentioned persons or companies manage financial instruments which themselves or their issuers are the subject of the financial analysis on a market by placing buy or sell orders (market making/designated sponsoring),
3. the above-mentioned persons or companies have been involved in the management of a consortium for an issue by way of a public offering of such financial instruments which are themselves or whose issuers are the subject of the financial analysis within the previous twelve months,
4. the above-mentioned persons or companies have been bound by an agreement on services in connection with investment banking transactions with issuers who are themselves or whose financial instruments are the subject of the financial analysis within the previous twelve months or have received a service or a promise of service from such an agreement within this period, insofar as no confidential business information is affected by the disclosure of this information,
5. the above-mentioned persons or companies have entered into an agreement with issuers, who themselves or whose financial instruments are the subject of the financial analysis, for the preparation of the financial analysis,
6. the above-mentioned persons hold management or supervisory board mandates with issuers whose financial instruments are the subject of the financial analysis, or
7. the above-mentioned persons or companies have any other significant financial interests in relation to the issuers whose financial instruments are the subject of the financial analysis.

LeanVal Research GmbH  
Bleichstraße 52  
60313 Frankfurt am Main  
Phone: +49 69 9494 88 050,  
Email: [research@leanval.investments](mailto:research@leanval.investments)