

DB CoTD: Warsh and Peace

At around midnight UK time last night, the news broke that the Trump Administration would announce its nomination to lead the Fed this morning. Shortly afterwards, Kevin Warsh's Polymarket odds began to spike and now sit well above 90%.

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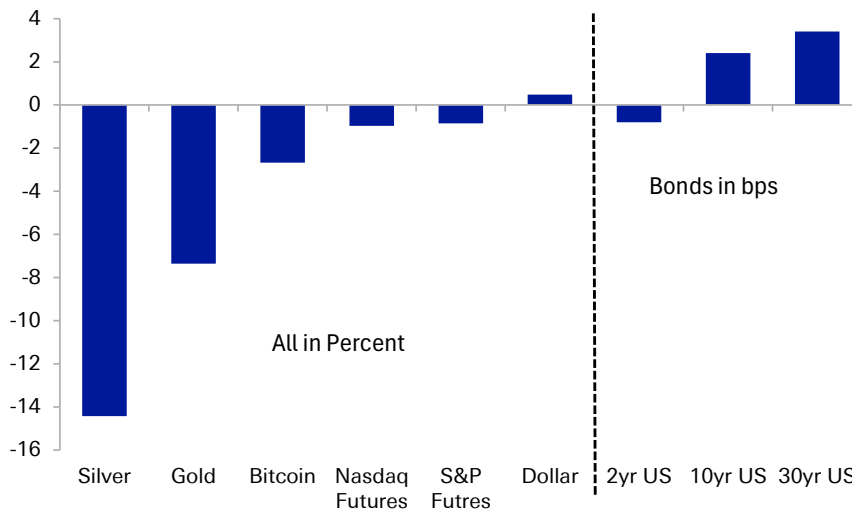
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Figure 1: Selected asset moves since Midnight UK time (to 10:45am) when Warsh's Fed Chair Probabilities spiked.

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Source: Bloomberg Finance LP, Deutsche Bank

Today's Chart of the Day shows how markets have reacted since midnight in the UK.

For a useful overview of what a Warsh chairmanship might look like, see Matt Luzzetti's recent primer (link [here](#)). The prevailing market narrative is that Warsh would be more hawkish than other candidates — particularly on the balance sheet. That likely helps explain the overnight sell-off in precious metals and Bitcoin, albeit following a volatile 24 hours across the complex.

There is still one outstanding question however. Any new Fed Chair requires Senate confirmation, and Republican Senator Thom Tillis (who sits on the Senate Banking



Committee) has vowed to block any Fed nominees until the Justice Department resolves the current investigation into the Fed's renovation. Tillis reiterated that yesterday, saying "DOJ's got to decide when I lift those holds. It gets lifted the day that case is adjudicated or withdrawn", and Senate Majority Leader Thune said "probably not", when asked if a nominee could be confirmed without Tillis. So one to keep an eye on in the days ahead.

By the time you read this, prices in the chart will probably have moved again — but the market has clearly entered "new Fed Chair" mode. If it is Warsh, Matt's primer is the quickest way to get up to speed and avoid wading through the inevitable chapter-and-verse on him... the kind that could give *War and Peace* a run for its money.



Appendix 1

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