

## Warsh To Head The Fed

The wait is over, and President Trump has nominated Kevin Warsh to head the Federal Reserve. To better appreciate Warsh's views on monetary policy and what they may entail for markets, we summarize a recent Wall Street Journal editorial he wrote, [The Federal Reserve's Broken Leadership](#). Our market-related thoughts are below the bullet points.

- Warsh believes that AI will unleash a productivity boom, leading to higher real wages, a lower debt-to-GDP ratio, and *“be a significant disinflationary force, increasing productivity and bolstering American competitiveness.”*
- He wants to redirect lending from speculative uses to productive ones. *“Money on Wall Street is too easy, and credit on Main Street is too tight. The Fed's bloated balance sheet, designed to support the biggest firms in a bygone crisis era, can be reduced significantly.”*
- Changing banking regulations to level the playing field between small and large banks. *“The Fed's rules and regulations have systematically disadvantaged small and medium-sized banks, which has slowed the flow of credit to the real economy.”*

From a market perspective, Warsh's quote, *“the Fed's bloated balance sheet,”* will make him appear hawkish to some. Beyond the editorial, he has stated on numerous other occasions that he doesn't support QE unless under dire circumstances. That said, his opinion on the benefits of AI, favoring productivity over speculation, and his forecast of higher real wages, makes a case for disinflation and strong economic growth, which should provide for lower interest rates and a strong economic tailwind for asset prices.

It's worth noting that Warsh was a Fed Governor during the financial crisis (2006-2011). He voted for the bank bailouts and the initial round of QE, as well as the more questionable second round.



Donald J. Trump

@realDonaldTrump

I am pleased to announce that I am nominating Kevin Warsh to be the CHAIRMAN OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM. Kevin currently serves as the Shepard Family Distinguished Visiting Fellow in Economics at the Hoover Institution, and Lecturer at the Stanford Graduate School of Business. He is a Partner of Stanley Druckenmiller at Duquesne Family Office LLC. Kevin received his A.B. from Stanford University, and J.D. from Harvard Law School. He has conducted extensive research in the field of Economics and Finance. Kevin issued an Independent Report to the Bank of England proposing reforms in the conduct of Monetary Policy in the United Kingdom. Parliament adopted the Report's recommendations. Kevin Warsh became the youngest Fed Governor, ever, at 35, and served as a Member of the Board of Governors of the Federal Reserve System from 2006 until 2011, as the Federal Reserve's Representative to the Group of Twenty (G-20), and as the Board's Emissary to the Emerging and Advanced Economies in Asia. In addition, he was Administrative Governor, managing and overseeing the Board's operations, personnel, and financial performance. Prior to his appointment to the Board, from 2002 until 2006, Kevin served as Special Assistant to the President for Economic Policy, and Executive Secretary of the White House National Economic Council. Previously, Kevin was a member of the Mergers & Acquisitions Department at Morgan Stanley & Co., in New York, serving as Vice President and Executive Director. I have known Kevin for a long period of time, and have no doubt that he will go down as one of the GREAT Fed Chairmen, maybe the best. On top of everything else, he is "central casting," and he will never let you down. Congratulations Kevin! PRESIDENT DONALD J. TRUMP

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## What To Watch Today

### Earnings

Monday Feb 2	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
Palantir Technologies <small>PLTR</small>	0.23	0.14		1.32B	827.5M		\$351.47B	Q4	PM
Walt Disney <small>DIS.US</small>	1.57	1.76		25.6B	24.7B		\$194.88B	Q1	AM
Simon Property <small>SPG.US</small>	1.88	1.84		1.49B	1.58B		\$60.13B	Q4	PM
Idexx Laboratories <small>IDXX.US</small>	2.93	2.62		1.07B	954.28M		\$58.31B	Q4	AM
Teradyne <small>TER.US</small>	1.36	0.95		958.17M	753M		\$37.99B	Q4	PM
Tyson Foods <small>TSN.US</small>	0.96	1.14		14.11B	13.62B		\$19.01B	Q1	AM
Woodward <small>WWJD.US</small>	1.68	1.35		874.77M	773M		\$18.09B	Q1	PM
Rambus <small>RMBS.US</small>	0.66	0.58		181.85M	161.1M		\$13.26B	Q4	PM
Healthpeak Properties Inc <small>DX</small>	0.07	0.01		692.97M	697.99M		\$12.22B	Q4	PM

## Economy

Monday February 02 2026	Actual	Previous	Consensus	Forecast
09:20 AM  US NY Fed Bill Purchases 4 to 12 months			\$6.921 billion	
09:45 AM  US S&P Global Manufacturing PMI Final JAN		51.8	51.9	51.9
<b>10:00 AM</b> US ISM Manufacturing PMI JAN		47.9	48.3	48.2
<b>10:00 AM</b> US ISM Manufacturing Employment JAN		44.9		44.8
10:00 AM  US ISM Manufacturing New Orders JAN		47.7		47.9
10:00 AM  US ISM Manufacturing Prices JAN		58.5	60.5	59.9
11:30 AM  US 3-Month Bill Auction		3.580%		
11:30 AM  US 6-Month Bill Auction		3.525%		
<b>12:25 PM</b> US Fed Bostic Speech				
02:00 PM  US Loan Officer Survey				

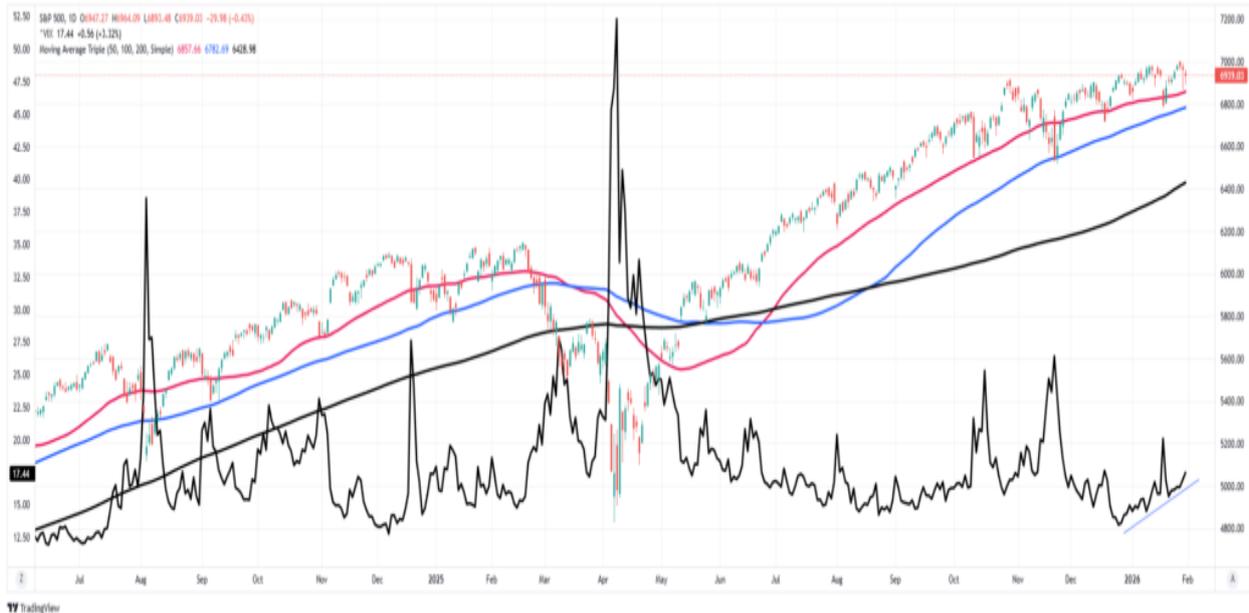
## Market Trading Update

**The S&P 500 closed** the week at 6939, pulling back slightly from the highs it tested earlier in January. Price action remains constructive and in a bullish uptrend. However, recent sessions reflect continued resistance at all-time highs. Furthermore, market internals have softened, with relative strength negatively diverging from the bullish market trend. Such divergences typically precede weaker market outcomes, particularly when leadership has narrowed as earnings reactions from large-cap names have turned more mixed. While the index still holds above its key moving averages, the slope has flattened.



We are also closely monitoring market momentum, which has cooled in recent days, and breadth weakened under the surface. The percentage of S&P 500 stocks trading above their 50-day moving average declined over the past two weeks, while relative strength indexes are trending lower.

Volatility picked up last week, with daily intraday swings widening. The VIX remains suppressed, but skew has risen, suggesting investors are hedging downside risk. Options markets show increased demand for protection heading into this coming Friday's January Employment Report. Technical support now sits near 6857, the 20-day moving average. A decisive break below would shift the short-term bias from neutral to defensive. Resistance remains firm at 7000. That range has rejected the price twice this month. A close above that level would suggest renewed upside momentum, especially if supported by strong earnings and macro data.



For now, the market is range-bound, waiting for confirmation. We have a lot of earnings reports this coming week, which could shift market sentiment. However, weak guidance or a hot jobs number could tilt sentiment more defensive. Positioning remains cautious, and until breadth improves, rallies may struggle for follow-through.

Index/Level	Level (Approximate)	Notes
S&P 500	6939	Month end closing level
Immediate Support	6929	20-day moving average
Intermediate Support	6857	Rising 50-day moving average, structural trendline
Major Support	6782	100-day moving average
Initial Resistance	7000	Psychological level, tested twice in January
Major Resistance	7076	First Fibonacci Extension Zone

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## The Week Ahead

We have another active week ahead with earnings from some large companies and the monthly round of employment data.

Starting with economic data, the ISM manufacturing on Monday and the services survey on Wednesday will provide updates on corporate sentiment and their views on inflation and the labor market. On the labor front, JOLTS on Monday, ADP on Tuesday, and the BLS report on Friday are expected to show slightly better job growth, but still well below the employment-population growth rate. To wit, the BLS is expected to show 70k net new jobs, but the population of employable people is growing by roughly double that.

The top earnings announcements this week are as follows:

- Monday: Palantir and Disney
- Tuesday: AMD, Pepsi, and Merck
- Wednesday: Google, Qualcomm, Lilly, and AbbVie
- Thursday: Amazon

## **Mainstream Expectations: Hope vs Potential Risk**

Mainstream expectations, those from Wall Street, economists, and corporate strategists, have congealed around a bullish economic outlook for 2026. Most forecasts project stronger economic growth, with contained inflation, and continued investment in technology and capital expenditure. As such, many institutional investors interpret this as a year of opportunity for markets and corporate earnings. That was a point we discussed at this year's Investment Summit with the following slide.

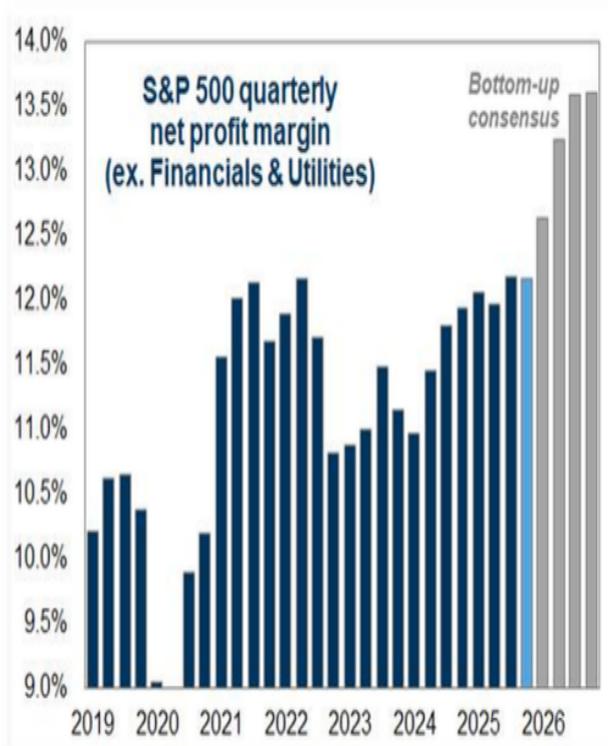


Source: FactSet, Goldman Sachs Global Investment Research



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But it isn't just earnings that are expected to rise, but due to productivity increases (AI = Less Employment) corporate profit margins are expected swell to historic records.



Source: FactSet, Goldman Sachs Global Investment Research

However, whenever I see Wall Street becoming universally bullish, the contrarian investor in me is always reminded of [\*\*Bob Farrell's Rule #9:\*\*](#)

*When all experts agree, something else will happen.*

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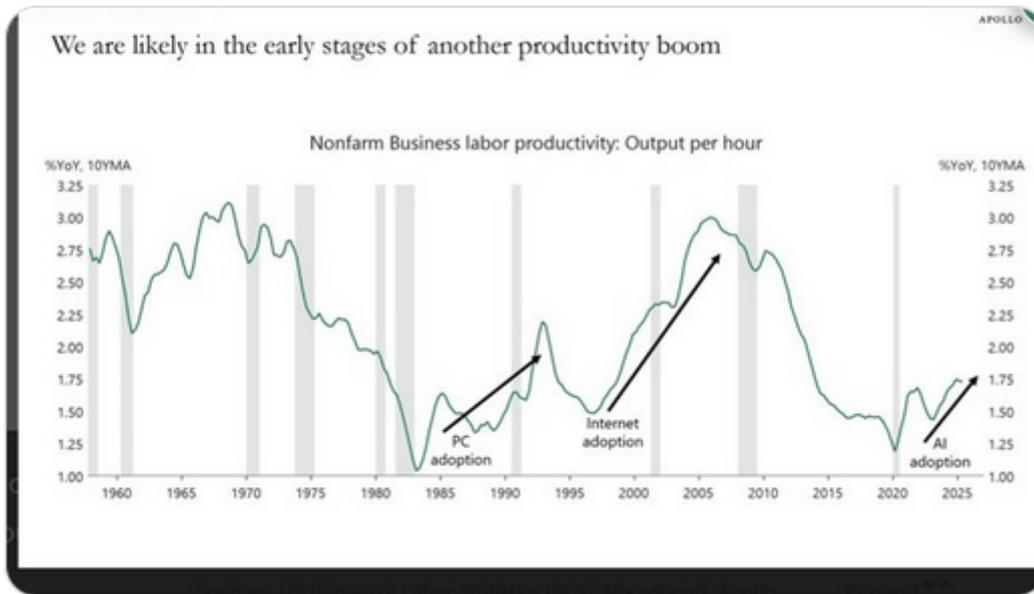
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Apollo's Torsten Slok visualizes that we may be in a productivity boom. This framework is consistent with what Warsh has advocated, a key argument why rates don't need to be high in the context of higher growth.



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