

KEY MARKET DEVELOPMENT

Kevin Warsh Nominated for Fed Chair

JANUARY 2026 | MFS MARKET INSIGHTS TEAM

Key insights

01

Kevin Warsh has been nominated to become the next Fed Chair, effective in May.

02

He has a hawkish reputation but is pragmatic on policy rates.

03

The market impact on rates is likely to be broadly unchanged in the period ahead.

04

While the appointment of a new Fed Chair is a major development for global markets, there are many other factors to consider, especially for an investor with a long-term horizon.

President Donald Trump has nominated former Fed Governor Kevin Warsh to become the next Fed Chair, effective in May when Jerome Powell's term expires. Warsh has considerable experience at the Fed, serving on the Board of Governors from 2006 to 2011, and he played a significant role during the Global Financial Crisis helping former Chair Ben Bernanke formulate the Fed's policy responses during this challenging time. Given his past tenure at the Fed, Warsh is perceived as a credible choice. Like his predecessor, Warsh is a lawyer by training.

Warsh is keen to reform the Fed

The White House may have been drawn to Warsh's enthusiasm for implementing deep-rooted reforms at the Fed. In recent months, Warsh has sharply criticized the current Fed leadership for losing its fight against inflation and damaging its credibility. MFS had the opportunity to listen to Warsh live a few months ago where he blamed the Fed for the current cost-of-living crisis, a message that may have resonated with the White House. Warsh seems to believe that the Fed's mandate should be narrower, another point that might have appealed to the White House. It is worth noting that Warsh is known for his hawkish reputation, which would run counter to the White House's desire for easier monetary policy. One important nuance, however, is that Warsh's hawkish bias mainly pertains to the size of the Fed's balance sheet and his distaste for quantitative easing, and less about interest rate policy. In addition, with Warsh at the helm of the Fed, concerns over Fed independence should abate somewhat.

A broadly unchanged market impact in the near term

We view Warsh as a pragmatic policymaker when it comes to setting rates. He may be open to a few more rate cuts in 2026, but he is unlikely to advocate for aggressive policy easing beyond what the market is currently pricing —*i.e.*, two cuts over the next year. This could be perceived as marginally dovish for front-end rates. If, down the road, Warsh goes ahead with some balance sheet reduction, this could ultimately put upward pressures on long-end rates. At the same time, however, his appointment may lead to a decline in the inflation risk premium. On balance, we think the potential effects of his appointment on market rates is likely to be mixed.

Looking beyond the appointment of a new Fed Chair

While the appointment of a new Fed Chair is a major development for global markets, it is important to note there are many other factors to consider, especially for an investor with a long-term horizon. In credit, we believe that spreads will remain well supported given the resilience of the macro backdrop. Likewise in equities, the robustness of the medium-term growth outlook, together with resilient earnings, continues to act as a strong support for risky assets in the period ahead. 

**FOR ADDITIONAL PERSPECTIVE ON THE MARKETS, VISIT [MFS.COM/INSIGHTS](https://www.mfs.com/insights)
OR CALL US AT 800-343-2829.**

The views expressed herein are those of the MFS Strategy and Insights Group within the MFS distribution unit and may differ from those of MFS portfolio managers and research analysts. These views are subject to change at any time and should not be construed as the Advisor's investment advice, as securities recommendations, or as an indication of trading intent on behalf of MFS. No forecasts can be guaranteed.

Diversification does not guarantee a profit or protect against a loss. Past performance is no guarantee of future results.

GLOBAL DISCLOSURE

Unless otherwise indicated, logos and product and service names are trademarks of MFS® and its affiliates and may be registered in certain countries.

Distributed by:

U.S. – MFS Institutional Advisors, Inc. ("MFSI"), MFS Investment Management and MFS Fund Distributors, Inc., Member SIPC; **Latin America** – MFS International Ltd.; **Canada** – MFS Investment Management Canada Limited.; **Note to UK and Switzerland readers:** Issued in the UK and Switzerland by MFS International (U.K.) Limited ("MIL UK"), a private limited company registered in England and Wales with the company number 03062718, and authorised and regulated in the conduct of investment business by the UK Financial Conduct Authority. MIL UK, an indirect subsidiary of MFS®, has its registered office at One Carter Lane, London, EC4V 5ER.; **Note to Europe (ex UK and Switzerland) readers:** Issued in Europe by MFS Investment Management (Lux) S.à r.l. (MFS Lux) – authorized under Luxembourg law as a management company for Funds domiciled in Luxembourg and which both provide products and investment services to institutional investors and is registered office is at S.a r.l. 4 Rue Albert Borschette, Luxembourg L-1246. Tel: 352 2826 12800. This material shall not be circulated or distributed to any person other than to professional investors (as permitted by local regulations) and should not be relied upon or distributed to persons where such reliance or distribution would be contrary to local regulation; **Singapore** – MFS International Singapore Pte. Ltd. (CRN 201228809M); **Australia/New Zealand** – MFS International Australia Pty Ltd ("MFS Australia") (ABN 68 607 579 537) holds an Australian financial services licence number 485343. MFS Australia is regulated by the Australian Securities and Investments Commission.; **Hong Kong** – MFS International (Hong Kong) Limited ("MIL HK"), a private limited company licensed and regulated by the Hong Kong Securities and Futures Commission (the "SFC"). MIL HK is approved to engage in dealing in securities and asset management regulated activities and may provide certain investment services to "professional investors" as defined in the Securities and Futures Ordinance ("SFO"); **For Professional Investors in China** – MFS Financial Management Consulting (Shanghai) Co., Ltd. 2801-12, 28th Floor, 100 Century Avenue, Shanghai World Financial Center, Shanghai Pilot Free Trade Zone, 200120, China, a Chinese limited liability company registered to provide financial management consulting services.; **Japan** – MFS Investment Management K.K., is registered as a Financial Instruments Business Operator, Kanto Local Finance Bureau (FIBO) No.312, a member of the Investment Trust Association, Japan and the Japan Investment Advisers Association. As fees to be borne by investors vary depending upon circumstances such as products, services, investment period and market conditions, the total amount nor the calculation methods cannot be disclosed in advance. All investments involve risks, including market fluctuation and investors may lose the principal amount invested. Investors should obtain and read the prospectus and/or document set forth in Article 37-3 of Financial Instruments and Exchange Act carefully before making the investments. **For readers in Saudi Arabia, Kuwait, Oman, and UAE (excluding the DIFC and ADGM). In Qatar strictly for sophisticated investors and high net worth individuals only. In Bahrain, for sophisticated institutions only:** The information contained in this document is intended strictly for professional investors. The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of MFS International U.K. Ltd ("MIL UK"). The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public. The information contained in this document, may contain statements that are not purely historical in nature but are "forward-looking statements". These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser. Please note that any materials sent by the issuer (MIL UK) have been sent electronically from offshore. **South Africa** – This document, and the information contained is not intended and does not constitute, a public offer of securities in South Africa and accordingly should not be construed as such. This document is not for general circulation to the public in South Africa. This document has not been approved by the Financial Sector Conduct Authority and neither MFS International (U.K.) Limited nor its funds are registered for public sale in South Africa. Massachusetts Financial Services, Inc.®