

# Harbour Navigator

## Who is Jay Powell?

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As widely expected, this morning President Trump named Jerome (Jay) Powell as his nominee to serve as the next Chair of the US Federal Reserve when Janet Yellen's first term expires in February.

Markets took the news in their stride. After numerous leaks and rumours about who was being interviewed for the role, Jay Powell had become the leading candidate, with the betting agencies putting around an 80% chance of his appointment.

Powell has been a Governor at the Federal Reserve in Washington since 2012. As part of the establishment, he represents continuity and is seen as more dovish than many other external candidates that had been in the running. Indeed, the odds rising for Powell's appointment has been one of the factors that have seen US 10-year government bond yields drifting down over the past week.

It would be fair to say that Powell has kept a relatively low profile during his time at the Federal Reserve. He is not well understood, beyond being a moderate that supported policy led by Janet Yellen. As a trained lawyer, Powell has spent most of his career in law, banking and private equity. There is speculation that as Federal Chair he may try to lower the regulatory burden, especially for small banks; that would mark a change in approach from Yellen and Vice-Chair, Stanley Fischer and this would certainly be President Trump's preference. However, at this early stage there is little concrete evidence of an eminent change to banking regulation.

Following in the footsteps of very strong academic economists, Jay Powell will be the first chair of the US Federal Reserve without an extensive economics background since G William Miller in the late 1970s. As such, the appointment of Powell would see the likes of Bill Dudley (New York Fed President) and John Williams (San Francisco Fed President) rise in prominence as potentially the main thought leaders within the Federal system on monetary policy. Markets will have to follow their speeches even more closely.

Finally, something to also watch out for is the appointment of the US Fed Vice-Chair, given Stanley Fischer is also stepping down. The combination of Chair and Vice Chair will be important for the balance of leadership at the Federal Reserve. There has been some speculation that a hawk and strong critic of the Federal Reserve (such as John Taylor or Kevin Warsh) may be named as Vice Chair, as a counterbalance to the status quo.

So while markets have taken the appointment of Powell in their stride, we still need to learn more about him as Chair, and other senior appointments that will be shaping the US Federal Reserve.

**Harbour Asset Management**

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