

Key Takeaways:

- Powell to step down as Fed Chairman this week.
- Chairmans have two mandates.
- Powell was disappointing on inflation mandate.
- Powell saw a strong labor market.
- Warsh will be independent and no cuts in sight.

Changing of the Guard at the Fed

This Friday (May 15) Jerome Powell will step down as the Federal Reserve Chairman and Kevin Warsh is expected to get Senate approval to replace him this week. The transition to a new Chairman has been a bumpy road and very partisan. The Federal Reserve has two main mandates: price stability and maximum employment. In this weekly insights, we looked over Powell's leadership and compared his tenure to some of our prior Fed Chairmen (i.e. Volcker, Greenspan, Bernanke, Yellen). It is important to note that economic conditions have varied through each Chairman's term and each one was forced to navigate highly difficult and in some cases uncharted territory.

- **Powell and inflation:** Of all the past Fed Chairmen, there is only one other who had to face similar inflation challenge as Powell. Paul Volcker served during the hyper inflation period of the 1980s. Greenspan and Bernanke were able to control inflation and it was lower at the end of their term than when they started (using both headline CPI and core PCE). While Yellen left office with inflation slightly

higher than when she started, Powell is leaving with a worse inflation record. Inflation at both the headline (CPI) and core (PCE) inflation level is over 1% higher than when Powell entered office. While he was successful fighting the worse inflation since the 1908s, he has not been able to reach the Fed's target level (2%) before leaving office.

- **Powell and the labor market:** Historically, Paul Volcker (1979-1987) and Ben Bernanke (2006-2014) had the most difficulty meeting their mandate on full employment. Volcker's double digit unemployment was self inflicted and a result of his anti inflation strategy. It caused two recessions and a double digit Fed funds rate. Bernanke's near double digit unemployment was due to the credit crisis and worst recession since the Great Depression. Bernanke is the only one of the five we analyzed that saw unemployment over 1% higher than when he entered office. Powell has actually scored relatively well. After temporarily surging as a result of

the pandemic, unemployment is low by historical standards (at 4.3%). However, the labor force has shrunk under his tenure.

- **Powell and recessions:** Powell has been strong at keeping the economy from dipping into a recession. While Volcker and Greenspan both resided over two recessions, Powell has only had to endure one, and if it were not for the COVID pandemic, his tenure would have been recession-free.

Bottom Line

Despite the political circus that has surrounded the change in leadership at the Fed (e.g., DOJ case, Powell opting to stay on as Governor) we are optimistic that Kevin Warsh will maintain the independence of the Fed. In fact, given the current resurgence in inflation, we expect Warsh to keep rates unchanged at his first meeting in June and even tilt hawkish on the risk. We will be watching closely to see what changes Warsh makes on how the committee looks at inflation and plans for the Fed's balance sheet.

Weekly Economic Recap –

Jobs market showing signs of accelerating

The ISM Services Index slowed slightly in April but remained in expansion territory (a reading above 50). The weakness in the Index was led by new orders. In contrast employment jumped and the overall business activity component. Prices paid (an inflation indicator) was unchanged but remains at the highest level since 2022.

Job openings as measured by the JOLTS report slowed in March. As a result, the number of Americans unemployed is 373K higher than the number of job openings. This is better than the nearly one million more unemployed at the end of 2025. The quits rate (those leaving their job voluntarily) ticked higher but layoffs rose to a five month high.

New home sales rose to a six month high in March led by strength in the south. The median price of a new home fell for the third consecutive month and to a five year low.

The U.S. economy added 115K nonfarm payrolls in April, the best twomonth gain since 2024. The unemployment rate remained unchanged at 4.3% and average hourly earnings grew 3.6% (YoY). The payroll gains were led by healthcare, leisure/hospitality, trade and goods producing jobs.

The first reading on consumer confidence in May, as measured by the University of Michigan, showed confidence made a new record low. The weakness was led by confidence in current economic conditions as high energy costs strain consumer budgets.

Key Takeaways:

- Service prices remain a concern.
- Labor market improving.
- Consumer confidence makes new record low.
- Tech trade continues to lead global equities.
- Hopes for a peace deal sends yields lower.
- Oil prices drop sharply on U.S./Iran optimism.

Weekly Market Recap –

Global equities rally on tech surge

Equities: The MSCI AC World Index rose for the second consecutive week led by gains in the U.S., Japan and the emerging markets. Within the emerging markets Asia was the leader, led by Korea and Taiwan benefitting from the semiconductor rally. Within the U.S., tech led with the Nasdaq rallying for the sixth consecutive week.

Fixed Income: The Bloomberg Aggregate Index rallied for the first time in the past three weeks. Bonds rallied as crude oil prices dropped on hopes of a U.S./Iran deal. As a result, inflation expectations dropped to a two-month low (using two year inflation breakeven rate). EM bonds and investment grade credit led the gains.

Commodities/FX: The Bloomberg Commodity Index fell the most in four weeks as signs of a peace deal in the Middle East sent crude oil prices substantially lower. Grains also benefitted from hopes of a reopening of the Strait of Hormuz with wheat and corn prices dropping. Gold prices gained on a decline in inflation expectations while copper rose on strong economic data.

Real Wage Growth the Lowest Since 2023



Footnotes: Data is as of April 2026. Real earnings are using CPI YoY.
Data Source: Bloomberg Finance LP, Verdenca Capital Advisors.

Global Equities Surge as Tech Rally Gains Momentum

U.S. Equities								International Equities							
	Current	1WK	1MO	3MO	1YR	YTD		Current	1WK	1MO	3MO	1YR	YTD		
Dow Jones Industrial Average	49,609	0.2%	3.6%	-0.6%	22.0%	3.7%	MSCI AC World (USD)	1,106	2.4%	7.4%	6.5%	32.5%	9.5%		
S&P 500	7,399	2.4%	9.2%	7.1%	32.2%	8.5%	MSCI EAFE (USD)	3,076	1.1%	1.6%	1.7%	25.4%	7.6%		
Russell 1000 Growth	4,976	2.9%	11.6%	8.3%	32.5%	4.6%	MSCI Europe ex UK (USD)	3,364	0.8%	1.9%	0.0%	20.4%	4.4%		
Russell 1000 Value	2,300	1.3%	5.4%	4.6%	28.8%	11.7%	MSCI Japan (USD)	5,424	2.8%	3.4%	5.0%	34.9%	13.9%		
Russell 2500	4,989	2.0%	8.1%	7.3%	38.5%	16.0%	MSCI UK (USD)	1,659	-1.3%	-2.1%	0.1%	27.2%	6.0%		
Russell 2000	2,861	1.7%	9.3%	7.5%	43.2%	15.8%	MSCI EM (USD)	1,711	6.9%	11.3%	14.2%	54.0%	22.5%		
Nasdaq	26,247	4.5%	16.0%	14.2%	47.4%	13.1%	MSCI Asia ex Japan (USD)	1,126	7.7%	13.1%	16.6%	55.9%	23.7%		

Fixed Income								Commodities							
	Current Yield	1WK	1MO	3MO	1YR	YTD		Current	1WK	1MO	3MO	1YR	YTD		
U.S. Aggregate	4.6%	0.3%	0.0%	0.0%	5.5%	0.4%	Bloomberg Commodity Index	353	-1.2%	5.6%	18.4%	41.6%	27.8%		
U.S. Govt/Credit	4.5%	0.3%	0.0%	0.0%	5.0%	0.3%	Crude Oil (USD/bbl)	\$97.6	-8.3%	1.0%	33.0%	36.6%	40.2%		
U.S. 10 Year Treasury	4.4%	0.2%	-0.3%	-0.2%	4.7%	-0.2%	Gold (\$/oz)	\$4,715.3	4.3%	-0.5%	-7.2%	45.7%	9.2%		
U.S. TIPS (1-10YR)	4.2%	0.0%	0.9%	1.3%	5.4%	1.9%	Copper	\$624.9	9.5%	7.8%	6.4%	37.7%	11.7%		
U.S. High Yield	6.9%	0.0%	0.6%	0.8%	8.5%	1.4%	Wheat	\$619.0	-2.1%	8.0%	13.2%	5.6%	18.1%		
EM Bonds (USD)	5.9%	0.4%	1.3%	0.7%	10.3%	1.3%	U.S. Dollar	98	-0.4%	-0.7%	1.2%	-2.4%	-0.4%		
Municipal Bonds	3.7%	0.2%	0.3%	-0.1%	6.3%	1.2%	VIX Index	17.2	1.2%	-18.3%	-3.2%	-23.5%	15.0%		

Footnotes: Data is as of May 8, 2026.

Source: Bloomberg Finance LP, Verdenance Capital Advisors.

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