Central Bank View

US Desk Strategy | Global Markets Americas

2026 Jackson Hole Fed Preview:
A pitstop on the path to no hikes…

August 27, 2026

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2026 Jackson Hole Fed Preview

Warsh to flip the script or just give a mixed message?

Jackson Hole | Markets want frameworks (but will settle for a balanced speech)

- <u>1st off, timing & logistics</u>: Based on past events, the Kansas City Fed (host of the Jackson Hole Economic Policy Symposium) should post this year's agenda on Thursday evening (8/27) around 8pm EST, and chair Warsh should deliver the opening remarks on Friday (8/28). Last year, former chair Powell's remarks were live streamed Friday on YouTube around 10am EST and according to Bloomberg, there won't be any Q&A session after.

Option 1: Keeps it digital (and disappointing)

- **Lack of a Message:** If chair Warsh, were to deliver only a long-term view on how digital finance is impacting the Fed's thinking about the operational aspect of money market plumbing in the future, without offering any specific updates on the evolving macro and rates backdrop, it would be a massive disappoint to market participants at a time when everyone is on edge.
- **Market Implications:** Since the GFC, the price action post Jackson Hole has been asymmetrical (i.e., larger rates rallies and shallower sell-offs). But if there is, once again, very little viewpoint shared, the rates market could come under pressure again. L/T rates could once again reverse, unwind all the latest moves and go back to the recent highs.

Option 2: Balanced speech, macro in passing

- **Mixed Message:** We don't think Warsh wants to turn Jackson Hole into a major market moving event, so he may start off covering digital finance topics and pivot toward the end and say, "lastly, let me turn my attention to current events." He may not present the full Warsh framework for monetary policy but addressing current economic and market conditions could be enough to temper a major market reaction.
- **Market Implications:** Rates have been chopping around in a range but grinding lower in the trading sessions heading into the event. If we get a neutral-ish Jackson Hole outcome, which might be what Warsh wants, markets could give back some recent gains. However, we don't see a big sell-off in rates with month-end just around the corner.

Option 3: Warsh's framework revealed

- **Full on Message:** If Warsh "flips the script" and discloses as much as he can at this stage, it would be welcomed and refreshing. Under this scenario, Warsh could still touch on digital payment systems, but then tie it back to why and how he believe his taskforces will help modernize the Fed. He could use the opening remarks to provide an update on how the taskforces are progressing, which data are being emphasized (e.g., trimmed-mean PCE), and maybe an update on balance-sheet views (given that it was mentioned in the minutes).
- **Market Implications:** Given the last two FOMC press conferences, one can only hope for this much clarity on what is happening at the Fed, but if the framework(s) is revealed, all markets would rally hard into month-end.

Fed | The hawks have been more vocal, but we doubt they sway the full FOMC

FOMC Voting Members Relative Hawkish/Dovish Leaning Based on Most Recent Comments

Michelle Bowman (Board): *"Reacting to temporarily elevated energy price inflation would add unwarranted policy restraint." (May 29)*

John Williams (New York): *"There are encouraging reasons to expect that inflation has peaked…" (Jul 15)*

Jerome Powell (Board): *"We're kind of at the high end of neutral or perhaps mildly restrictive." (Apr 29)*

Philip Jefferson (Board): *"This policy stance should continue to support the labor market while allowing inflation to resume its decline toward our 2% target." (Jul 16)*

Anna Paulson (Philadelphia): *"I am keeping an open mind about where policy goes from here." (Aug 4)*

Michael Barr (Board): *"I am particularly concerned that yet another price shock could increase longer-term inflation expectations." (Mar 26)*

Lisa Cook (Board): *"The FOMC can take its time…to observe more data to understand whether it's really restrictive or not." (Jul 15)*

Christopher Waller (Board): *"When inflation is well above its target and the labor market is near full employment…any serious policy rule calls for raising the policy rate." (Jul 13)*

Neel Kashkari (Minneapolis): *"…I would rather get going now in small steps than wait till later…" (Aug 5)*

Beth Hammack (Cleveland): *"When I'm talking to businesses, I'm not hearing that they're sensing any restraint…based on where interest rates are." (Aug 10)*

Lorie Logan (Dallas): *"…My best judgment is that inflation appears to be heading toward the mid 2's—not all the way back to 2%." (Jul 16)*

Dovish — Neutral — Hawkish

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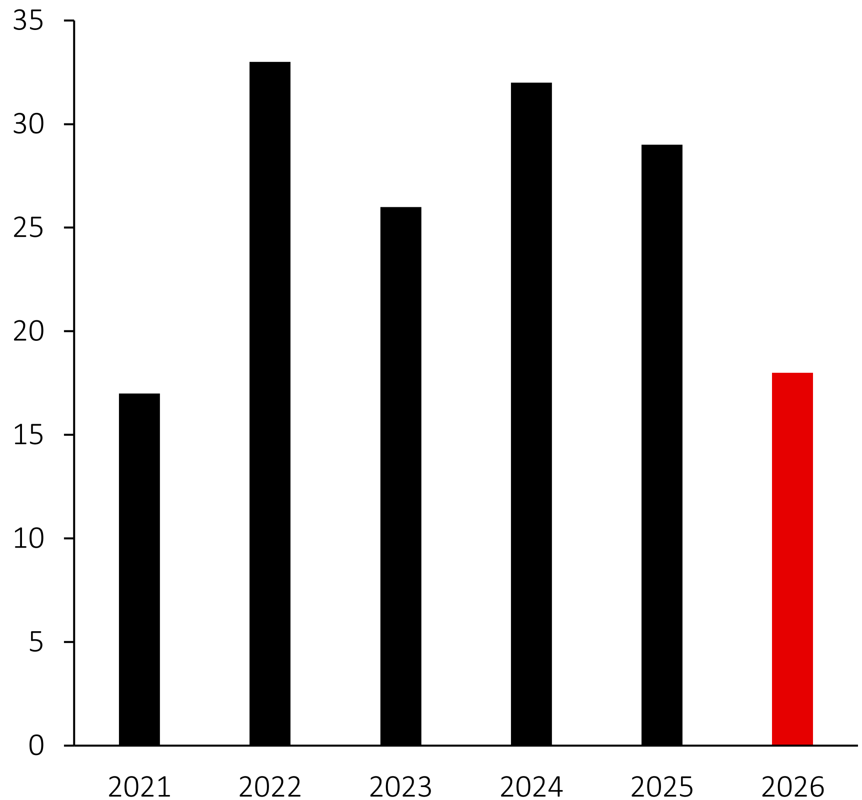
Fed | Overall, FedSpeak has dropped off significantly since Warsh started…

Less FedSpeak, but Hawks dominating the conversation, is also making it seem like the Fed has turned more hawkish lately…

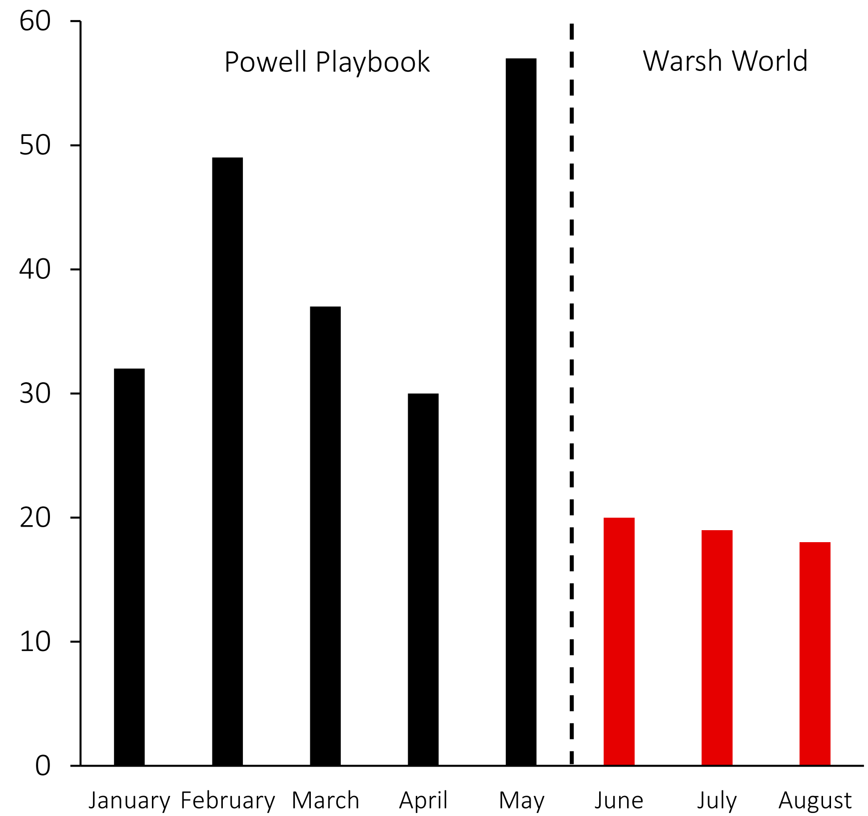
- We went back and counted the Fed communications (as listed on Bloomberg Fed events and Eco page) and observe an interesting development post the start of Warsh as the new chair; there is a marked drop in speeches. The count has been cut more than half, and its not just an August effect.

Historical count of Fed Speeches during only the month of August



Source: Bloomberg and MUFG US Macro Strategy

Count of Fed Speeches YTD 2026: Powell vs Warsh Regimes



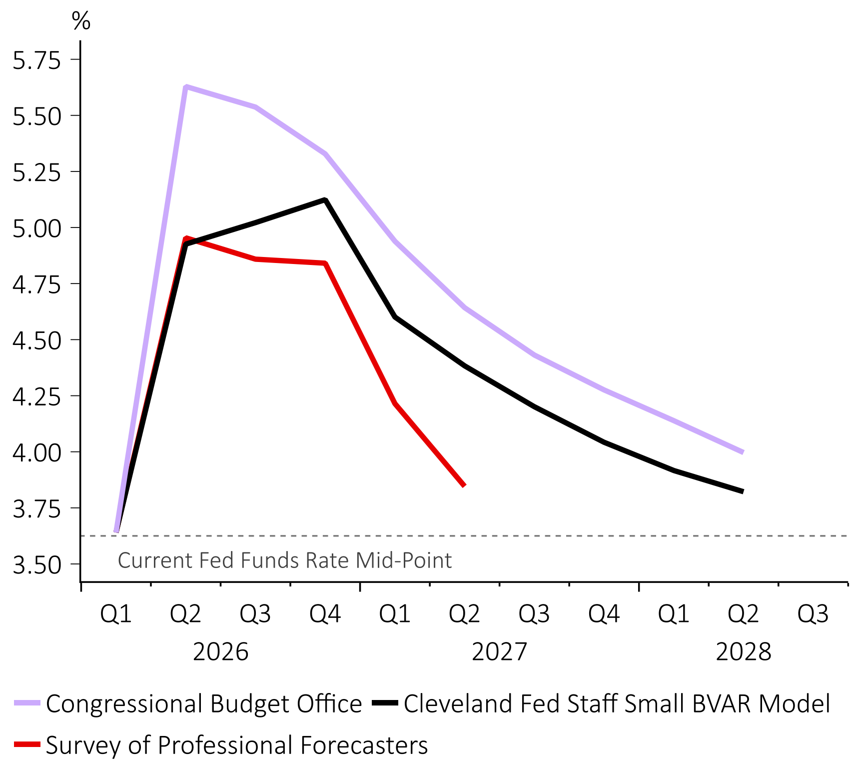
Source: Bloomberg and MUFG US Macro Strategy

Fed | Hawks can point to the Taylor Rule, but too much uncertainty on neutral

Given the great uncertainty on where the neutral rate is, the hawks' risk severely overtightening policy based purely on what the Taylor Rule prescribes

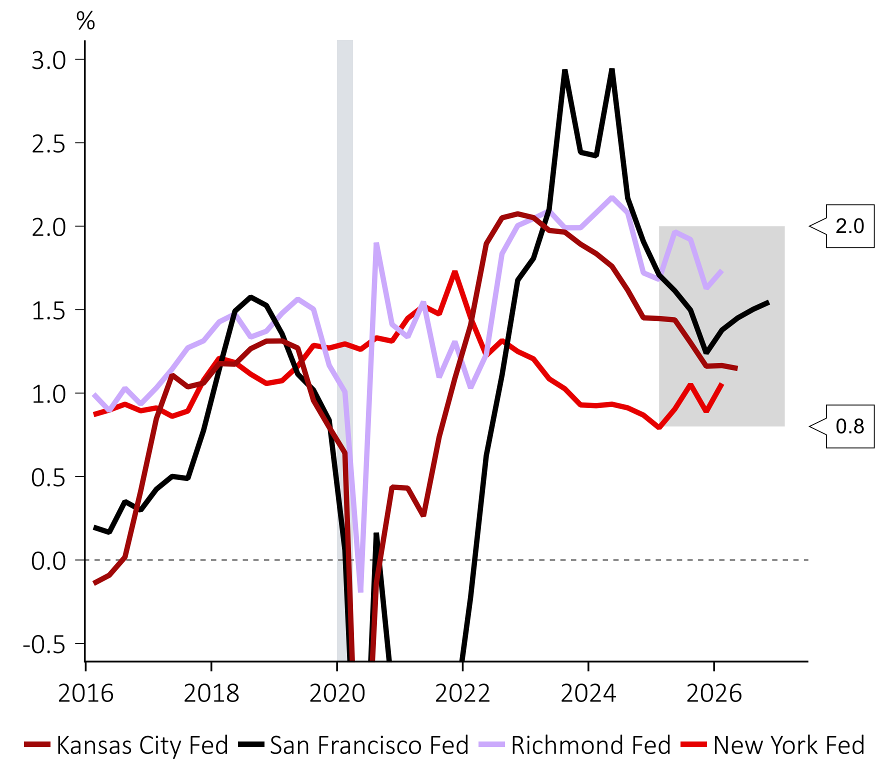
- Fed has never explicitly used the Taylor rule (i.e. how far inflation and labor is from targets) for monetary policy (as there are no hard rules, instead uses a balanced approach for policy shifts) but the closest it ever seemed like the rule was used (or working) was during the late-80s to early-90s.
- As seen in the charts below the Fed Funds rate would need to shift up massively 100-175bps to satisfy different version of the Taylor rule. That would almost guarantee an economic contraction, major market correction or both. That said, if we are wrong and the Fed hikes, one hike won't be enough.

Federal Funds Rate Based on Core Inflation in Taylor (1999) Rule



Source: Cleveland Fed and MUFG US Macro Strategy

Neutral/Natural Rate of Interest Estimates (too wide of a range)



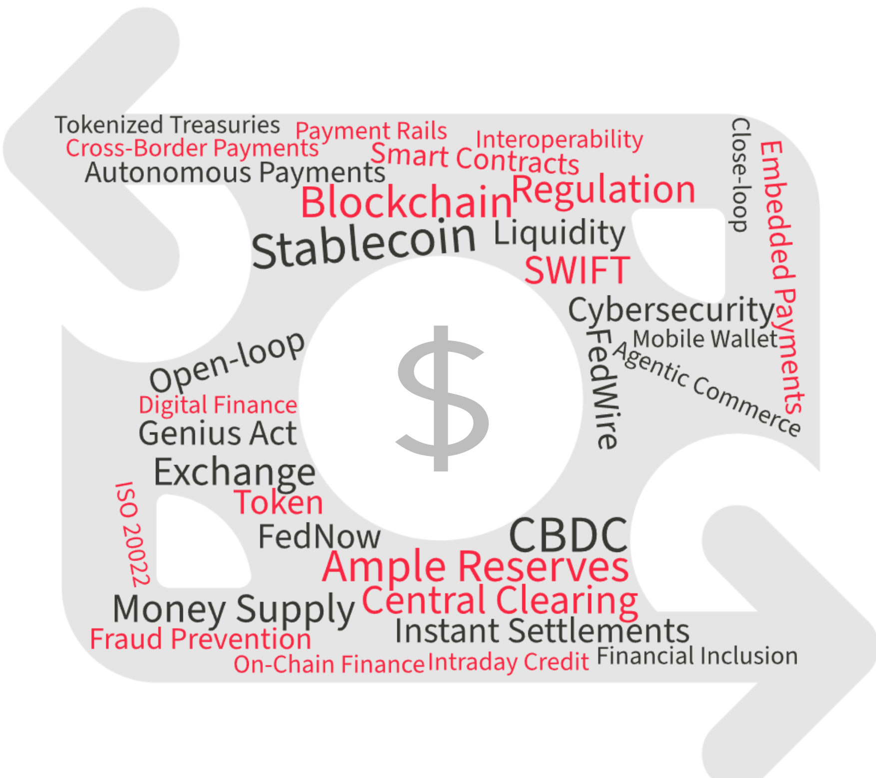
Source: Fed and MUFG US Macro Strategy

Fed | Financial Innovation: Implications for Digital Payments and Fed Policy

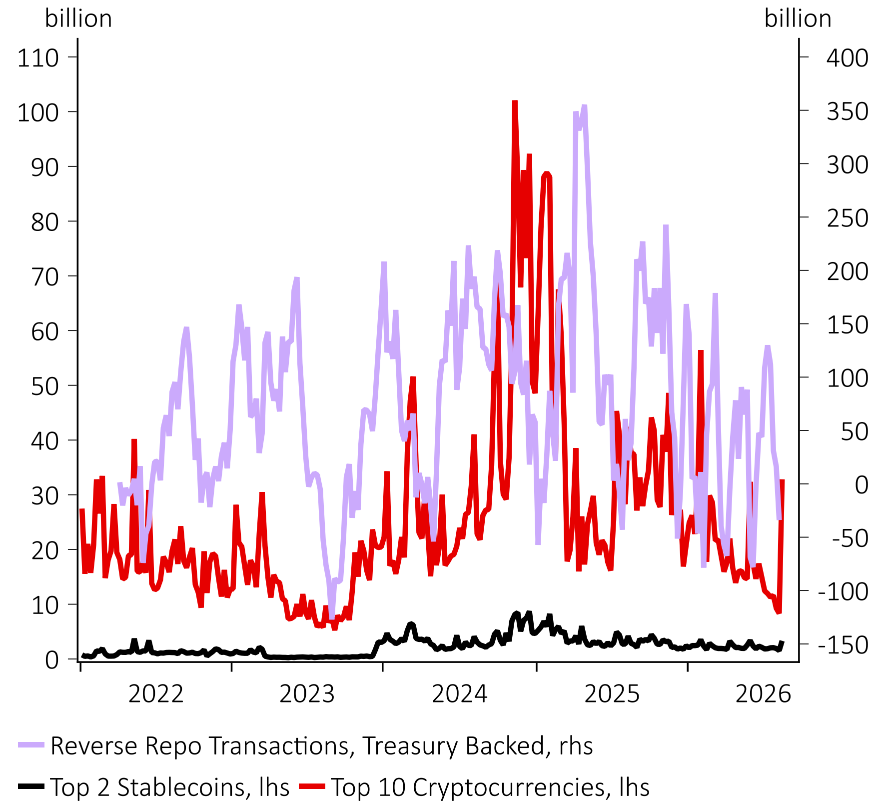
This year's topic at the 2026 Jackson Hole Economic Policy Symposium is called "Financial Innovation: Implications for Payments and Policy."

- With the ever-increasing pace of financial innovation and digitization, this year's event will likely cover emerging financial technologies that are reshaping the payment systems from traditional finance (TraFi) to decentralized finance (DeFi) and the potential interaction with monetary policy.
- Cryptocurrencies and stablecoins have grown significantly over the years but are still small relative to the rest of the money market plumbing.

Digital Finance-related Language We May Hear in Jackson Hole



Trading Volume, Cryptocurrencies to Reverse Repo Transactions



Source: Federal Reserve, Bloomberg, and MUFG US Macro Strategy

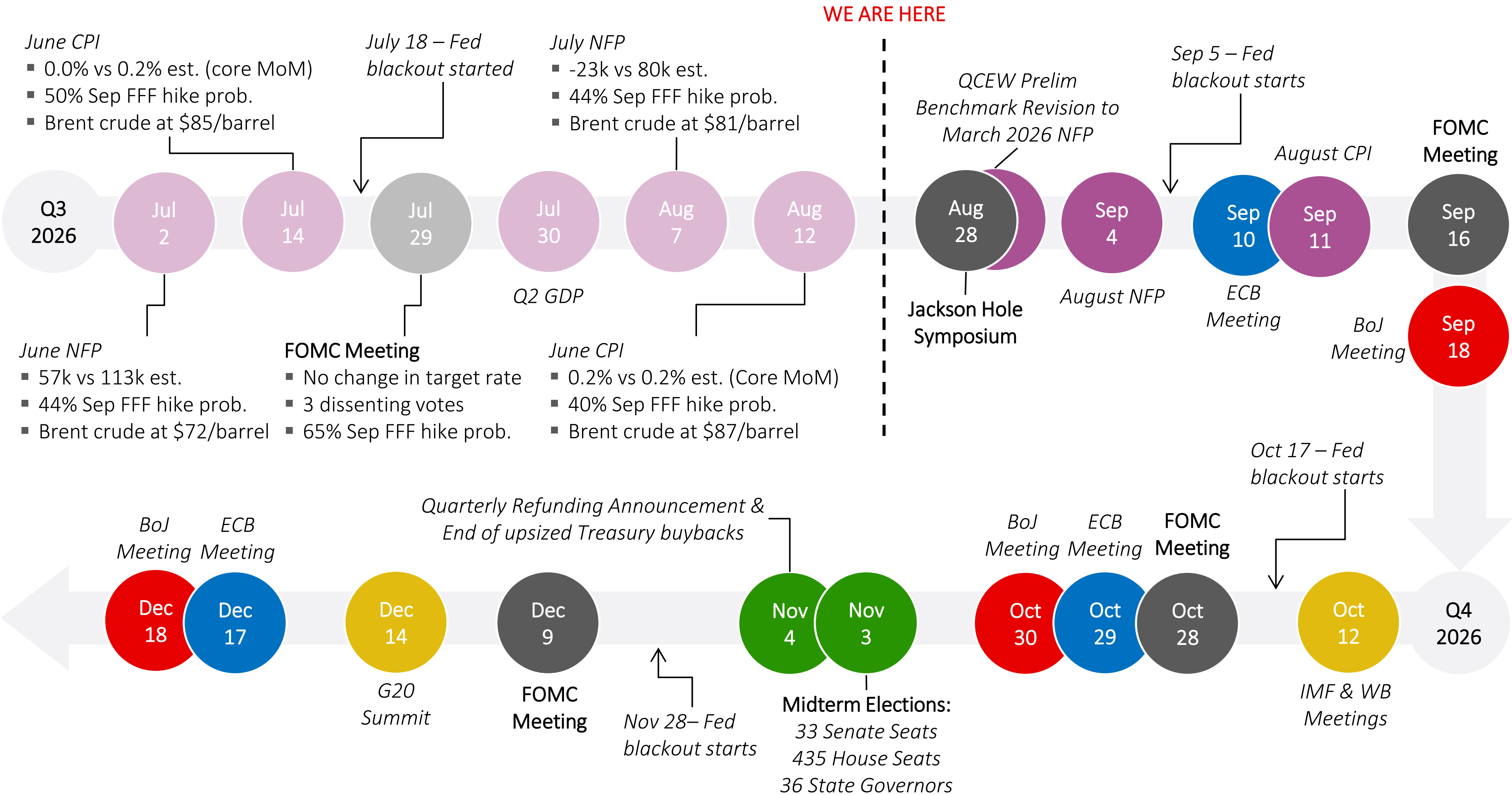
Macro

Data looking notably weaker heading into the event

Macro | Timeline: Another NFP and CPI before the September FOMC meeting

- With 3 FOMC meetings left, the window is closing, or should we say the events and the weak data, is "eclipsing" the potential possibility of rate hikes…

Timeline of Important Data Releases & Events (Q3 & Q4 2026)

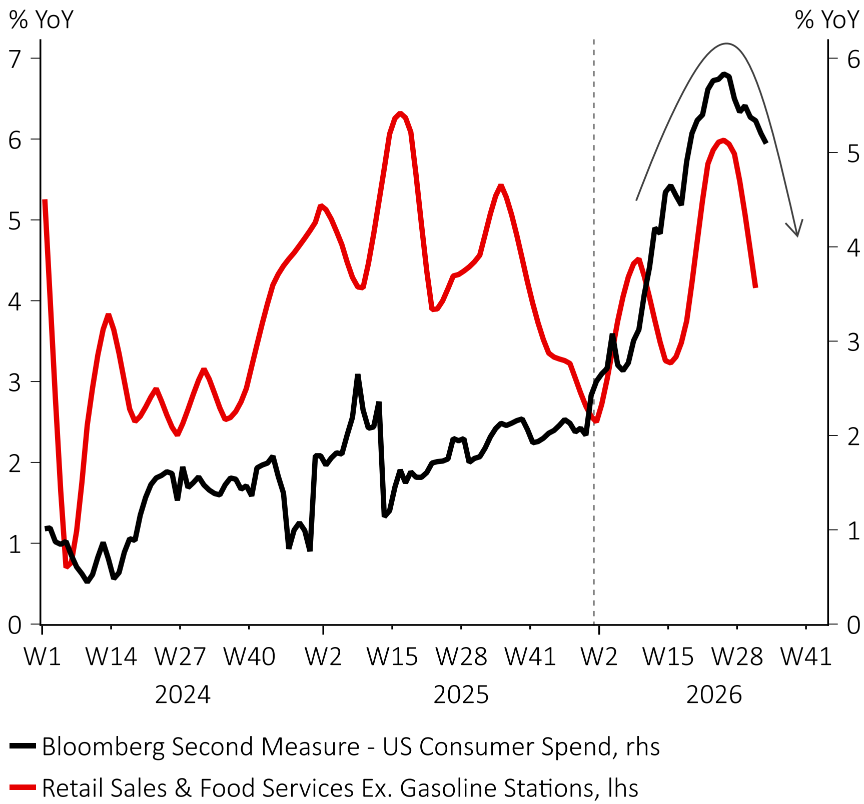


Growth | Retail spending weakness should make the hawks think twice

Retail spending rebounded in Q2 2026, consistent with historically large individual tax refunds, but the momentum appears to have faded

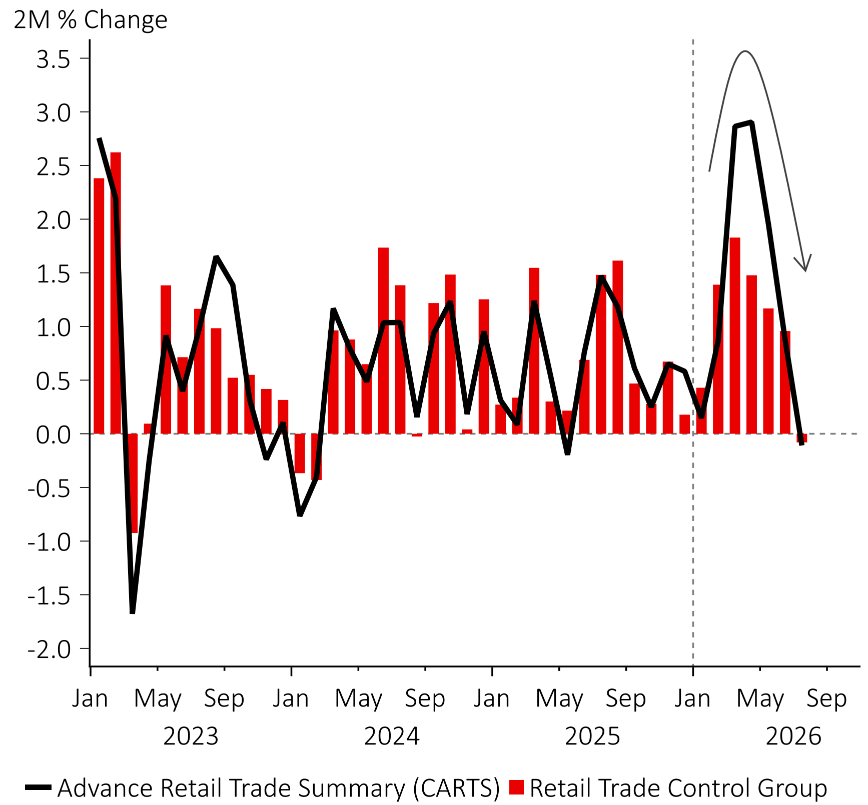
- Retail spending has experienced a pronounced slowdown in July (consistent with Q2 retail sectors earnings reports). This is despite expectations that the 250th 4th of July celebration and World Cup would significantly boost up domestic consumption.
- Though August may show some improvement (the impact of Prime Day and seasonal factors weighed on July growth), the totality of the data, including consumer confidence/buying plans, highlights the fragility of today's consumer heading into the September FOMC.

BBG Second Measure & Retail Sales & Food Services Ex. Gas Stations



Source: Bloomberg, USCB and MUFG US Macro Strategy

Advance Retail Trade Summary (CARTS) & Retail Trade Group



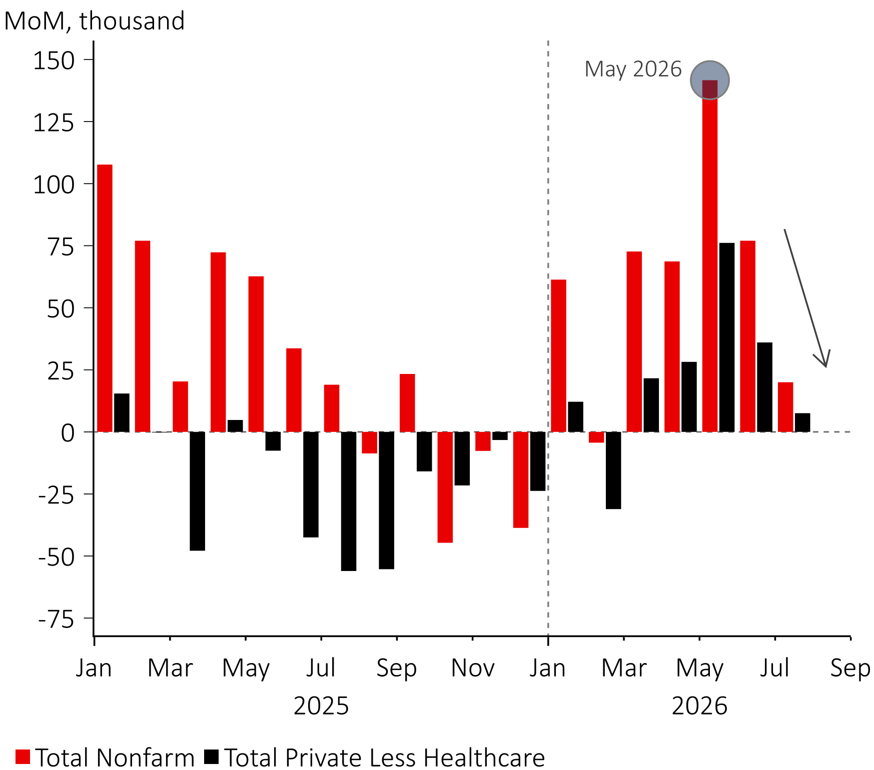
Source: USCB, Chicago Fed and MUFG US Macro Strategy

Labor | The so-called "balanced" labor market is also a very fragile one

The labor market remains a mixed-picture, with the 3-month average growth in NFP quickly falling to 20k, after peaking at around 140k in May

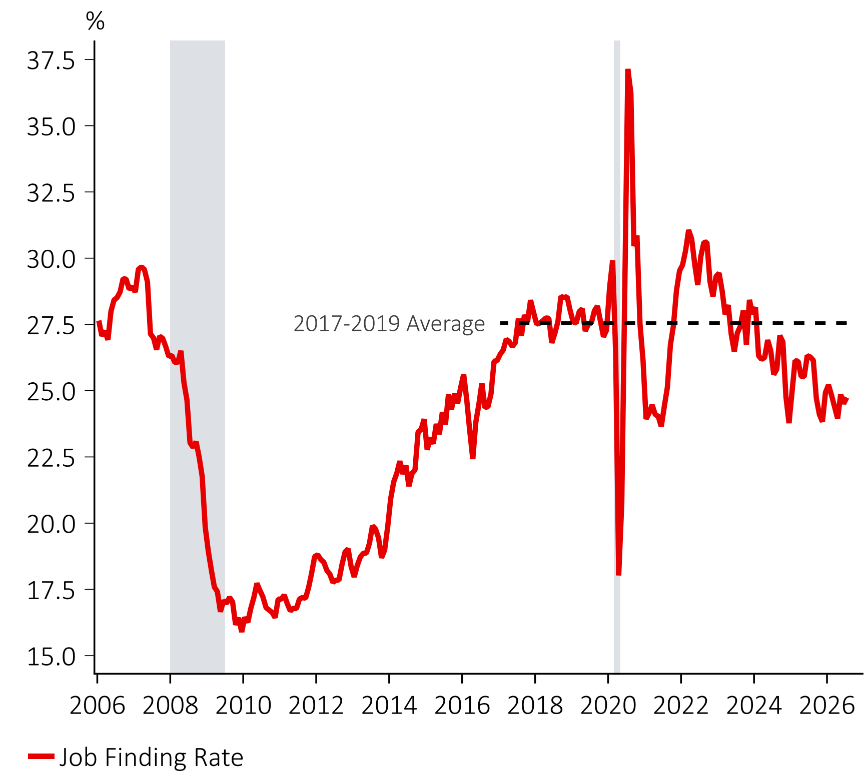
- Though the unemployment rate has appeared optically stable, jobs growth has gotten considerably weak over the summer. The "balanced" labor market narrative is looking increasingly delicate, with the persistently low job finding rate (that FOMC members explicitly referenced in the July FOMC meeting as per the minutes) dispelling the notion that the FOMC can completely shift their focus away from their full employment mandate.

Nonfarm Payroll (NFP) Growth (3-Month Moving Average)



Note: 3-month moving average
Source: BLS and MUFG US Macro Strategy

Job Finding Rate (3-Month Moving Average)



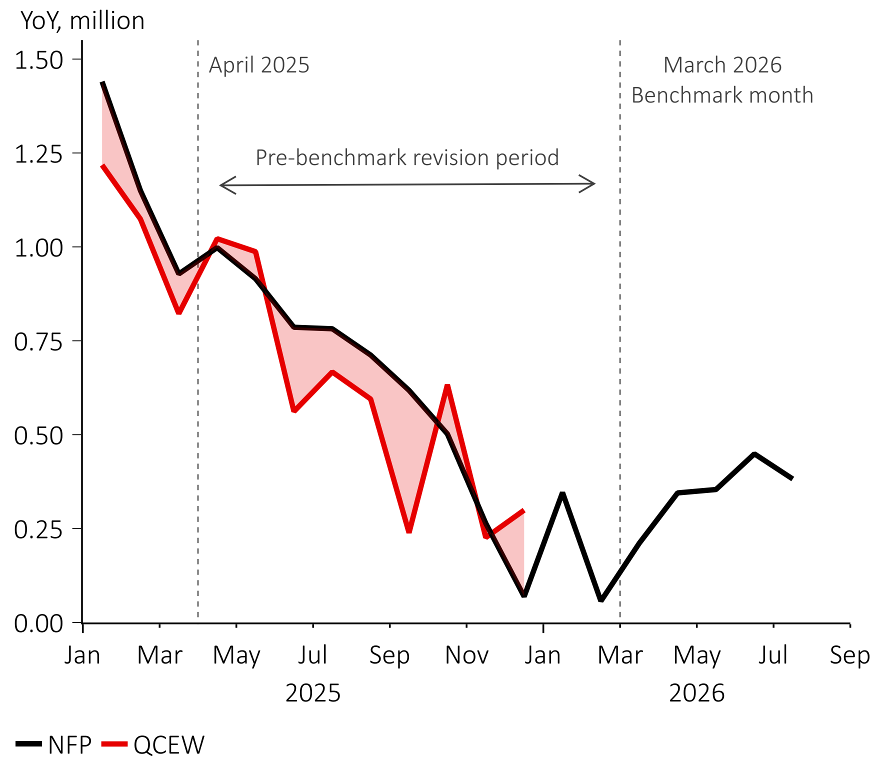
Note: 3-month moving average
Source: BLS and MUFG US Macro Strategy

Labor | The prelim annual benchmark revision not expected to sway opinions

Annual jobs growth from the CES (survey used to calculate nonfarm payrolls) is similar to growth from QCEW over the pre-benchmark period, implying that there may be only a small adjustment for March 2026 (benchmark month), unlike the last couple years where payroll revisions were significantly negative.

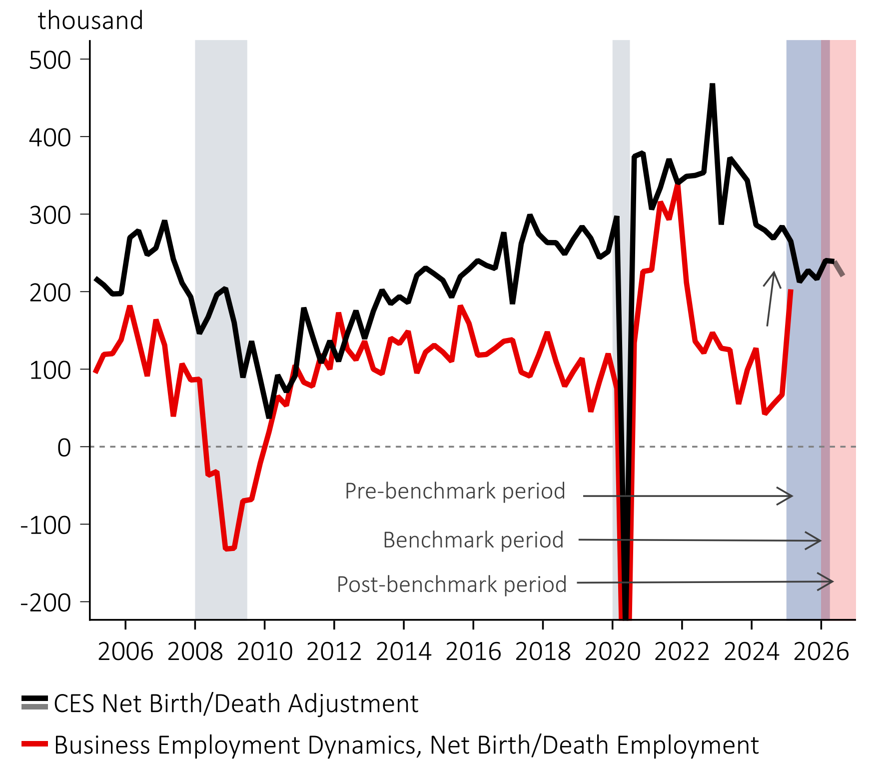
- Since 2020, the BLS birth-death model has meaningfully overestimated net job gains from new/expired firms, but the latest data shows a narrowing gap between the real-time estimate (CES birth/death adjustment) and the actual (Business Employment Dynamics, net birth/death employment), suggesting a smaller benchmark revision for 2026.
- The preliminary revision is released on the same day as the Jackson Hole Symposium, with Warsh, presumably, having seen the figures beforehand.

Nonfarm Payrolls (NFP) & QCEW Employment Growth



Source: BLS and MUFG US Macro Strategy

CES Birth-Death Forecast & BED Net Birth-Death Jobs Growth



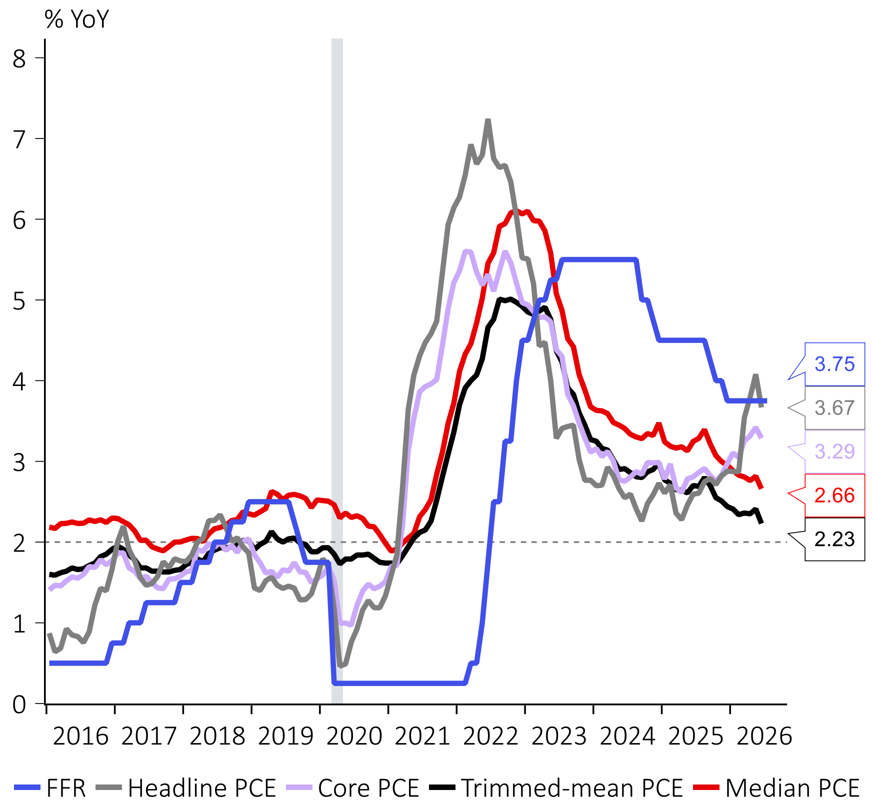
Source: BLS and MUFG US Macro Strategy

Inflation | The inflation forecast path hasn't changed, so why should rates

Warsh's favorite alt-PCE measures (trimmed-mean & median) show inflation at a level much closer to the Fed's 2% target (suggesting FFR is still restrictive)

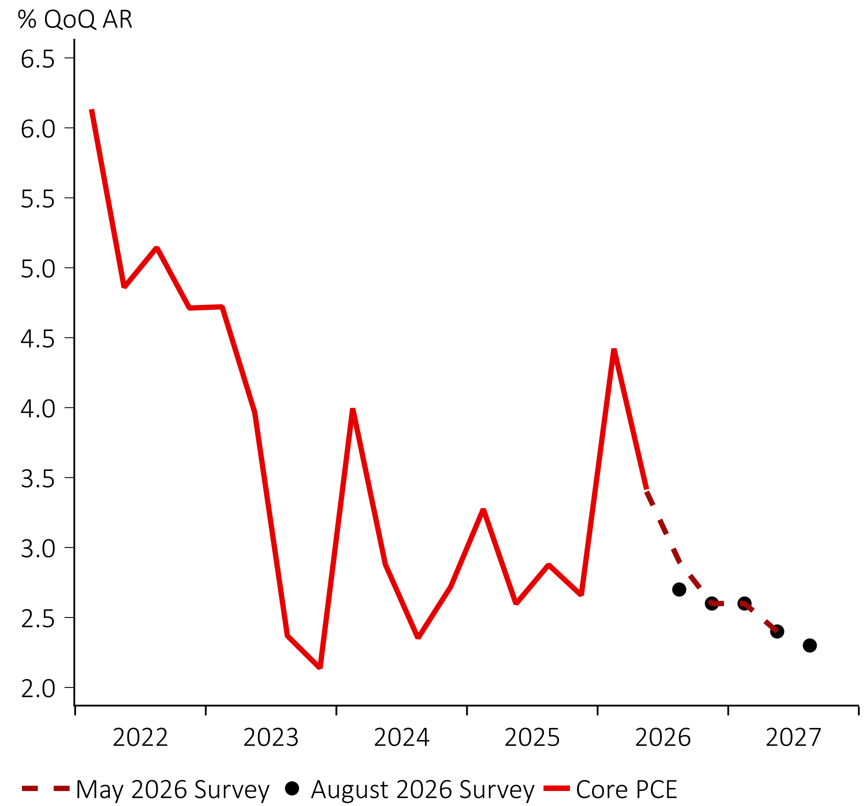
- Though the more traditional core PCE inflation did show an acceleration in H1 2026, price growth is expected to ease in the coming quarters as the supply shocks fade. All the while, forecasts from the Philly Fed survey have changed very little over the past few months, conflicting with the increasingly hawkish rhetoric from some members FOMC calling for an urgent need to hike rates. We see no urgency or an actual need to hike.

PCE Price Index & Federal Funds Target Rate (FFR)



Source: Cleveland Fed, Dallas Fed, BEA, Fed and MUFG US Macro Strategy

Survey of Professional Forecasters, Core PCE



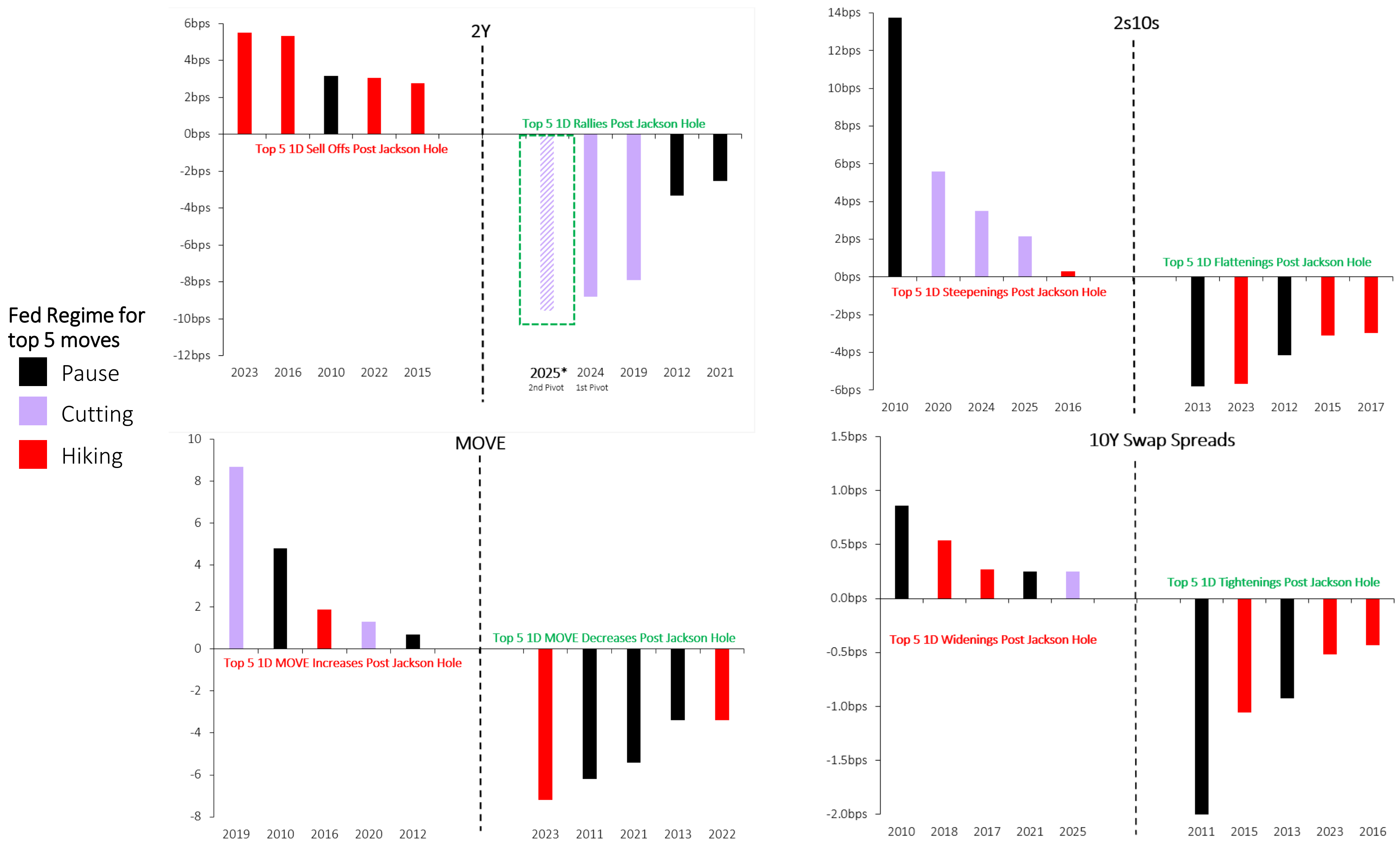
Source: Philadelphia Fed, BEA and MUFG US Macro Strategy

Market Thoughts

Hoping for Warsh’s framework, but settling for a neutral outcome

Markets | Historically price action post Jackson Hole has been asymmetrical

We highlight rates market changes by which regime we are in (Fed on Pause, Cutting or Hiking) but in general rates rallies are usually larger than sell-offs

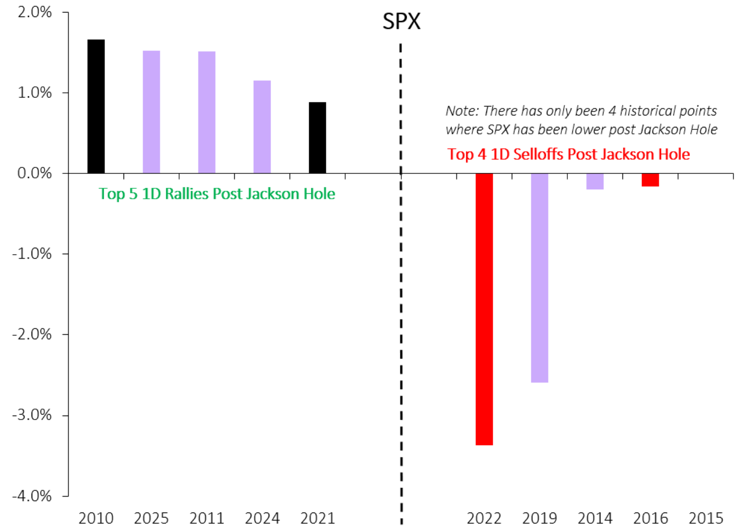


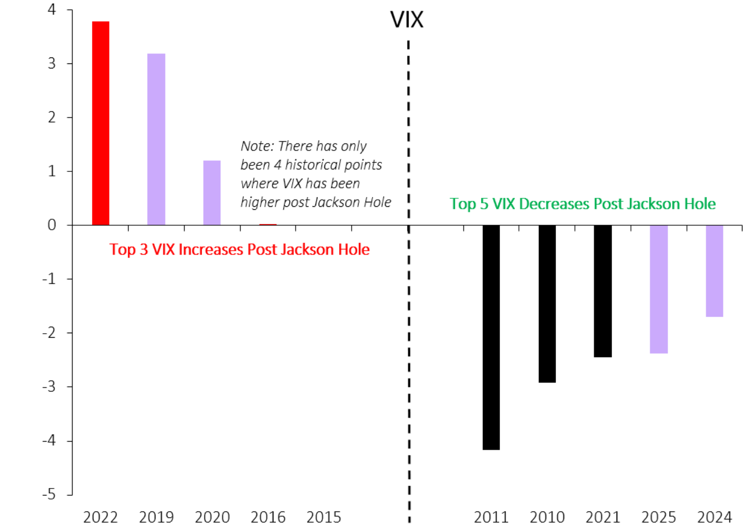
Note: 1 day move post Jackson Hole is calculated as Jackson Hole end of day level minus previous day level from 2010-2025

Source: Bloomberg and MUFG US Macro Strategy

Markets | Unless Fed is hiking, it's rare to see a big risk-off in stocks and credit

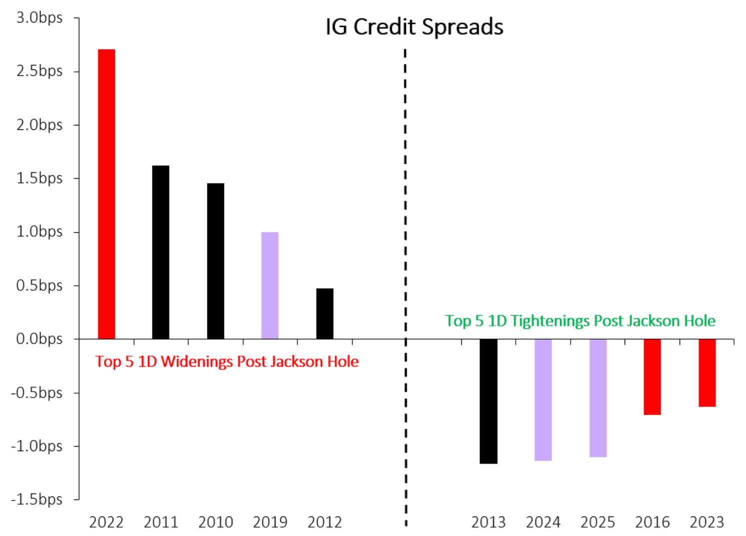
Stocks and credit markets usually have a muted reaction to Jackson Hole Friday news, however when there is a surprise, the moves can be very big

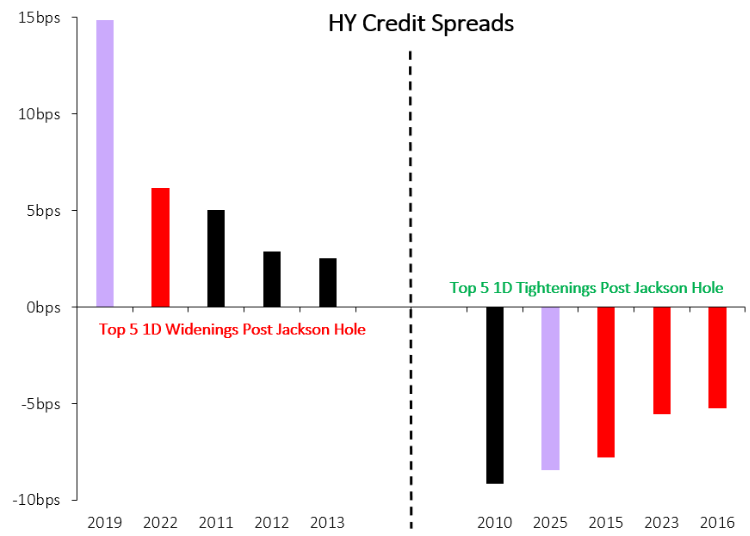




Fed Regime for top 5 moves

- Pause
- Cutting
- Hiking



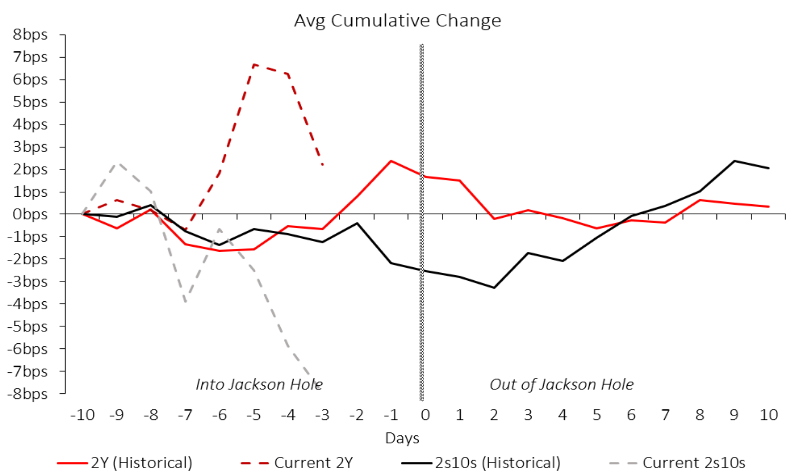


Note: 1 day move post Jackson Hole is calculated as Jackson Hole end of day level minus previous day level from 2010-2025

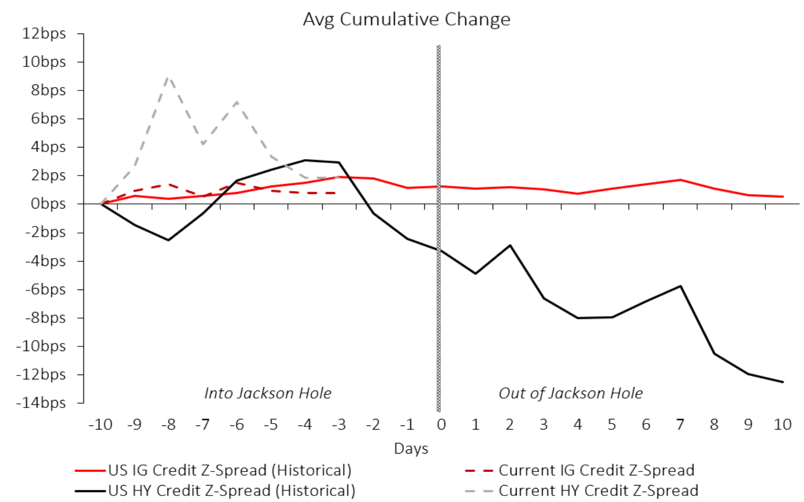
Source: Bloomberg and MUFG US Macro Strategy

Markets | Comparing current price-action vs historical (2010-25) performance

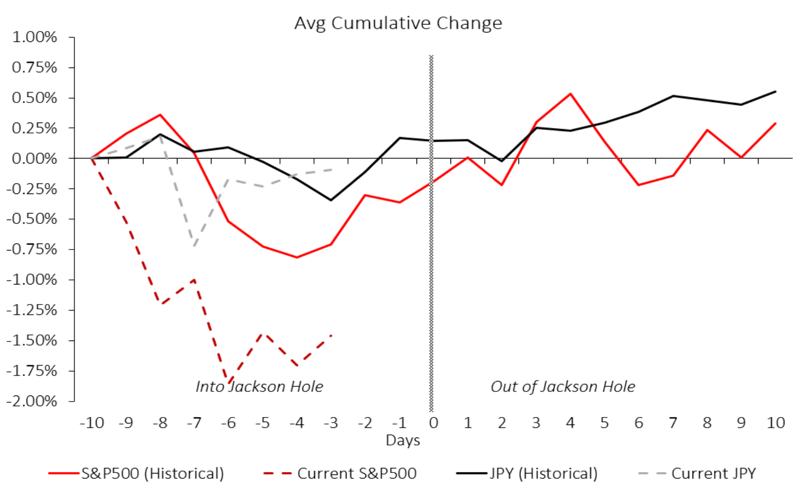
Credit & rates within reason, stocks much softer than past, a big swing is unlikely unless Warsh either totally disappoints or fully delivers a dovish message



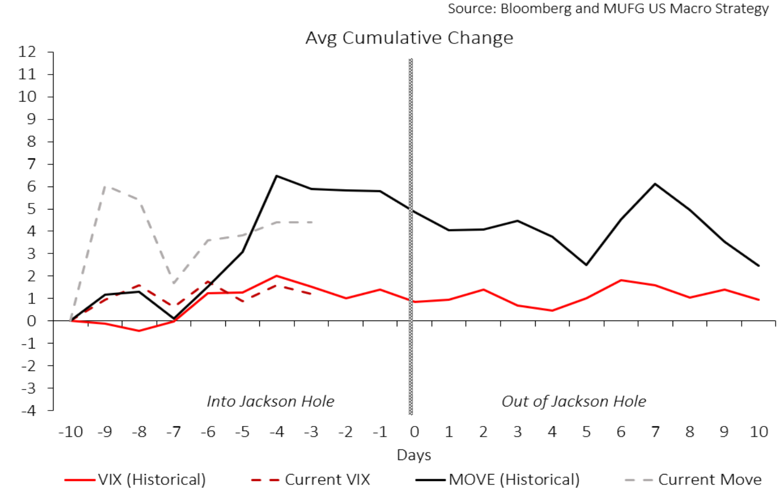
Source: Bloomberg and MUFG US Macro Strategy



Source: Bloomberg and MUFG US Macro Strategy



Source: Bloomberg and MUFG US Macro Strategy



Source: Bloomberg and MUFG US Macro Strategy

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