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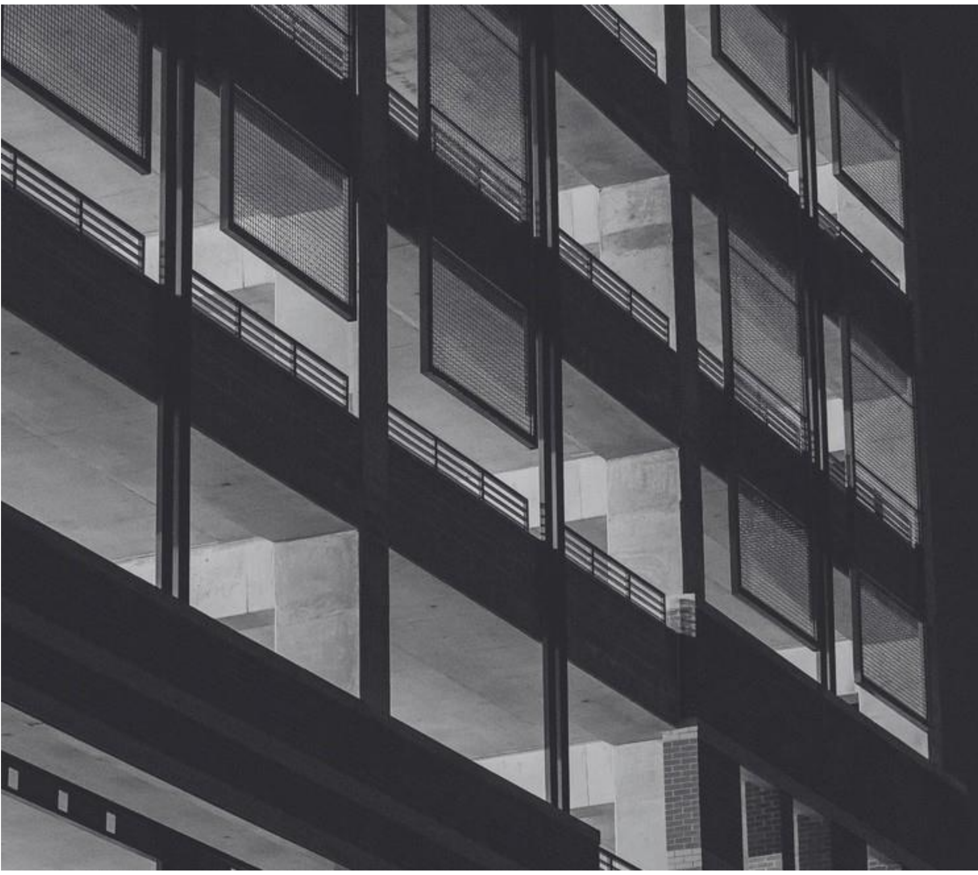

So, when people ask me what I think will happen in the future, my answer is always the same: if we were in the 1990s, I would reduce risk to the maximum. But nowadays, markets are no longer – as a dear colleague of mine says – a mirror of the real economy; rather, they have become primarily a tool for capital allocation within a specific monetary system. And this system, following the 2008 crisis, has changed radically.

Let’s tell it like it is: anyone expecting a “dovish”-style inauguration of Warsh was surely disappointed. The Fed delivered a completely different message compared to the past, like a parent telling their child they’re about to remove the training wheels from their bicycle, and that from now on they’ll have to rely solely on their own abilities.

The statement was particularly concise, but with a clear final reference to price stability, which the new FOMC intends to pursue, given that inflation has been above the 2% target for far too long. As a result, the dot plot immediately moved up by 40 basis points for 2026 and by 50 for 2027, with as many as 9 out of 18 members expecting at least one rate hike this year, 6 of whom indicated two.

Quite a difference compared to four months ago, when the market was still pricing in two rate cuts; and good thing this new governor was chosen by Trump... I would have gladly gone to dinner with Powell that evening to hear what he thought about it.

It should also be added that Warsh has little faith in the dot plot, and in fact he himself did not express any view on it, instead announcing the creation of working groups that will focus on five distinct projects aimed at clarifying central bank procedures and strategies regarding communication, balance sheet, data sources, productivity, labor, and inflation.

In particular, the methods used to calculate inflation will be stripped of all those distortions that arise from short-term shocks.

Markets reacted negatively to Warsh's remarks, but without much emphasis, probably also because in the hours following his speech the reopening of the Strait of Hormuz and the end of hostilities between the US and Iran were announced, even leading to a rebound the following day, just before the holiday.

Obviously, this shift in communication will have to be managed by market participants, who will have to deal with much greater uncertainty than before. It has always been said "never fight the Fed," but if you don't know what they have in mind, it becomes difficult to follow them.

Let's say, then, that another layer of uncertainty is being added to an environment that is already changing day by day.

Just think of the series of announcements related to the war, with equity markets repeatedly celebrating the end of hostilities and normalization of the situation by hitting new record highs (just look at the chart from late March onwards), without this actually happening.

Let's hope this time it's the real one, although I obviously continue to have serious doubts.

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That's why it makes little sense to make short-term forecasts by drastically increasing or reducing risk, or to follow the advice of certain "gurus."

Rather, you should invest with this certainty in mind: corrections come suddenly, like summer storms, and sometimes turn into real tornadoes, so there's no need to panic, because calm always returns eventually. If, however, during lightning, thunder, and 100 km/h gusts of wind, you panic, then it's better to avoid overweighting risky assets, because the duration and frequency of bad weather are unknown both in meteorology and in finance.

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