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### **Trump to Announce Fed Choice This Afternoon**

Love him or hate him, Donald Trump certainly is not behaving like his predecessors when it comes to most things, but definitely not the selection of the most powerful banker on earth. During the campaign, Trump harshly and unfairly criticized Janet Yellen for keeping interest rates too low and creating a "fake stock market". That was until he became president and miraculously embraced low rates and the surging stock market as a referendum and report card on his presidency.

Right after the inauguration, I published a fairly outside the box list of my Top 8 Shocking Surprises Under Donald Trump plus two bonus surprises.

<http://investfortomorrowblog.com/archives/2620>

### **Yellen Earned a Second Term**

Bonus #2 had Trump reappointing Janet Yellen as Fed chair for a second four-year term. When Ben Bernanke, one of my all-time favorites, was not reappointed for a third term by Barack Obama, my choice was the underdog, Janet Yellen. Four years later, I believe she absolutely earned a second term. So I am sticking with her as my choice again although the odds are definitely against her in a huge way.

## **A Very Public List of Finalists**

I don't ever recall such a public list of potential chairs with so many comments. Former Goldman Sachs president and current cabinet member, Gary Cohn, was a shoo-in until his critical comments of President Trump following Charlottesville. Then former Bernanke right hand man, Kevin Warsh, was all the rage until his hawkish (favoring higher rates and less accommodation) stance became too unpopular. Now, current Fed Governor Jerome Powell is the heavy odds on favorite to be appointed by Trump this afternoon with Stanford professor John Taylor and rules based system for choosing interest rates picking up the rear.

### **Jerome (Jay) Powell is Heavy Favorite**

Powell is the choice the markets are expecting. And I guess that if Yellen loses, I am more okay with Powell than anyone else. Taylor or Warsh would cause the most short-term upheaval, but even then, I don't think we would see anything significant. Powell is the most similar of the finalists to Yellen although definitely not as dovish (favoring low rates and accommodation). Some have argued that a Powell/Taylor duo would be very strong. I am not convinced although with Powell in the chair role, Taylor's rules based system would have little chance of implementation.

Don't get me wrong. I am not against rules based systems, especially since we run our 12 investment models that way. I very much support and endorse, non-emotional, well researched, systematic strategies. However, I believe there needs to be more research and stress testing of a system Professor Taylor backs.

The markets like Janet Yellen. She is the known quantity and has done a good job in my opinion. Let's not fix a problem that doesn't exist. It's not like GDP is growing by 5% and Yellen is loathe to cool it down by raising rates. And she is certainly nowhere near the disasters that Alan Greenspan or Arthur Burns were. Now those two men should headline the Fed's Hall of Shame as among the worst chairs in history.

I am sticking with Yellen as my choice although Powell is the one that almost everyone expects to succeed Yellen in February. As always, nothing Trump does or says is perfectly as expected. We'll see in a few hours.

## Post-Fed Trend

In yesterday's update, I discussed the various models and trends from Fed day.

<http://investfortomorrowblog.com/archives/3114>

As we saw at the previous meeting and this one, the most powerful trends were muted because of the strong rally into the Fed meeting. Today, we have a rare trend which calls for stocks to trade lower after the Fed meeting. While it's still only a short-term trade, it does bare watching, especially to see which sectors lead and lag on the downside to properly position for the next leg higher into year-end.

## To Your Financial Success,



**Paul Schatz**  
**President**  
**Heritage Capital LLC**

**1 Bradley Road Suite 202**  
**Woodbridge CT 06525**

**203.389.3553 Phone**  
**203.389.3550 Fax**

**[www.InvestForTomorrow.com](http://www.InvestForTomorrow.com)**

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1 Bradley Road, Suite 202 Woodbridge CT 06525 Phone (203) 389-3553 Fax (203) 389-3550 - [www.InvestForTomorrow.com](http://www.InvestForTomorrow.com)  
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