



Rabobank

Guiding Powell to the Exit

Global Daily

RaboResearch

Global Economics &
Markets
knowledge.rabobank.com

[Philip Marey](#)

Senior US Strategist

Market comments

Treasury Secretary **Scott Bessent** was busy giving Powell forward guidance about his retirement yesterday. On Fox Business, he said that he thinks that it should be up to Jerome Powell whether he serves his term as Fed Chair through May 2026. He said: "There's nothing that tells me that he should step down right now ... His term ends in May. If he wants to see that through, I think he should. If he wants to leave early, I think he should." However, on Bloomberg Television, Bessent added that he thinks that Powell should not stay on the Board after his Chair term ends in May 2026. He said: "Traditionally, the Fed chair also steps down as a governor ... There's been a lot of talk of a shadow Fed chair causing confusion in advance of his or her nomination. And I can tell you, I think it'd be very confusing for the market for a former Fed chair to stay on also." Note that Powell's term on the Board lasts until the end of January 2028 and so far he has avoided giving an answer to the question whether he intends to remain on the Board after his term as Chair ends. Ironically, Bessent actually started this talk about a shadow chair in October last year, as an [alternative plan to firing Powell](#). So now he uses it to argue for Powell's resignation from the Board once his term as Chair expires.

With Adriana Kugler's term as a Governor expiring at the end of January 2026, that would leave two slots on the Board to be filled by President Trump. As we argued in [As the Fed turns](#), that could give Trump-loyalists a majority in the Board of Governors, after Waller and Bowman have turned recently. This is why we now expect the FOMC to step up the pace of rate cuts in 2026, after almost coming to a standstill this year: we expect only one rate cut this year, most likely in September. Regarding Powell's successor, Bessent said that "There's a formal process that's already starting" and "There are a lot of good candidates inside and outside the Federal Reserve." Asked whether Trump has asked Bessent himself to serve as Fed chair, he said, "I am part of the decision-making process."

Meanwhile, at an event with the president of the Philippines, after reaching a trade deal that includes a 19% US tariff on imports from the South East Asian country, **President Trump** accused Powell of being "political" for not cutting rates this year and ignoring his demands to reduce the policy rate by around three percentage points. He said: "Our economy is so strong now, we're blowing through everything, we're setting records ... People aren't able to buy a house because this guy is a numbskull, he keeps the rates too high, and probably is doing it for political reasons." Trump claimed that Mr. Powell had cut rates "just before the election to try to help Kamala, or whoever he was trying to help, he probably didn't know." Asked on Tuesday if the Fed chair should resign, Trump said he thought Powell had done a "bad job, but he's going to be out pretty soon anyway."

Ironically, in an interview on CNBC, **Governor Bowman** was paying lip service to Fed independence. She said that "It's very important that we maintain our independence with respect to monetary policy, I think that's very clear. But with that independence comes an obligation for transparency and accountability." Perhaps she could give us some transparency and accountability about her remarkable conversion from überhawk in September last year, when she voted against a 50 bps rate cut because of inflation concerns, to ultra-dove now, pursuing an early rate cut in July. Does last month's promotion to Vice Chair for Supervision by President Trump have anything to do with it?

Meanwhile in Europe, the **ECB's Bank Lending Survey** indicated that the passthrough of monetary easing continues, albeit at different rates to firms' and households' behaviours. Our ECB watcher Bas van Geffen noted that firms' loan demand improved somewhat, but remains weak. Uncertainty about the economic (trade) outlook remains the main cause cited. By contrast, demand for housing loans continued to increase strongly. Households' loan demand is partially boosted by consumer confidence, but mostly by the decline in borrowing costs. The muted demand from firm's is not entirely a story of weakness. Yes, the actual loan demand from companies was a bit lower in the previous quarter than banks had expected, but this partly seems to be driven by an increase in alternative financing – including more debt issuance. With that in mind, it's not surprising that loan demand from larger companies lagged borrowing by smaller & medium-sized firms. That said, the Bank Lending Survey does support the conclusions from Monday's Survey on Access to Finance of Enterprises: both indicate that fixed investment has been muted in the recent months, but companies remain optimistic about future investment. Turning to banks' willingness to lend, Bas noted that there was a marginal tightening of credit standards for firms – despite monetary easing. This largely has to do with the uncertain economic outlook; funding costs and (fewer) balance sheet constraints helped to ease standards. This was also reflected in the actual terms and conditions for corporate loans: these eased further. Overall, non-interest charges and margins on loans declined substantially, but the margins on riskier loans did increase somewhat.

In trade negotiations, the **US and Japan** reached a deal that would include a 15% reciprocal tariff rate imposed by the US on Japanese imports, which is lower than the 25% in Trump's recent letter to Japan. Japan will also invest \$550 billion in the US. Japan will also open to trade, including cars and trucks, rice and other agricultural products. Our energy strategist Florence Schmit notes that one of the beneficiaries of the US-Japan trade deal could be the \$44bn Alaska LNG project which has been proposed in various forms for decades but made a comeback this year as the US tries to unleash even tighter energy dominance. Japan is the world's second largest LNG buyer and has taken a hit from some Russian LNG sanctions already. Next week's China-US negotiations might also discuss China's demand for Iranian and Russian oil according to Bloomberg. Overall a muted reaction on energy so far today, crude still pretty rangebound in the high 60s and TTF is back above €33/MWh after the short drop to 32 yesterday.

Day ahead

This morning, the [Japan Times](#) is reporting that PM Ishiba is to announce his resignation at the end of August. Three days ago, his LDP-Komeito coalition lost a majority in the Upper House election. More details could follow later. Today, we also get Eurozone consumer confidence for July and US existing home sales for June.

[For an overview of our macro-economic and financial markets forecasts please click here.](#)

RaboResearch

Global Economics & Markets
mr.rabobank.com

Global Head

Jan Lambregts

+44 20 7664 9669
Jan.Lambregts@Rabobank.com

Macro Strategy

Global

Michael Every

Senior Macro Strategist
Michael.Every@Rabobank.com

Europe

Elwin de Groot

Head Macro Strategy
Eurozone, ECB
+31 30 712 1322
Elwin.de.Groot@Rabobank.com

Bas van Geffen

Senior Macro Strategist
ECB, Eurozone
+31 30 712 1046
Bas.van.Geffen@Rabobank.com

Stefan Koopman

Senior Macro Strategist
UK, Eurozone
+31 30 712 1328
Stefan.Koopman@Rabobank.com

Maartje Wijffelaars

Senior Economist
Italy, Spain, Eurozone
+31 88 721 8329
Maartje.Wijffelaars@Rabobank.nl

Americas

Philip Marey

Senior Macro Strategist
United States, Fed
+31 30 712 1437
Philip.Marey@Rabobank.com

Christian Lawrence

Head of Cross-Asset Strategy
Canada, Mexico
+1 212 808 6923
Christian.Lawrence@Rabobank.com

Mauricio Une

Senior Macro Strategist
Brazil, Chile, Peru
+55 11 5503 7347
Mauricio.Une@Rabobank.com

Renan Alves

Macro Strategist
Brazil
+55 11 5503 7288
Renan.Alves@Rabobank.com

Molly Schwartz

Cross-Asset Strategist
+1 516 640 7372
Molly.Schwartz@Rabobank.com

Asia, Australia & New Zealand

Teeuwe Mevissen

Senior Macro Strategist
China
+31 30 712 1509
Teeuwe.Mevissen@Rabobank.com

Benjamin Picton

Senior Macro Strategist
Australia, New Zealand
+61 2 8115 3123
Benjamin.Picton@Rabobank.com

FX Strategy

Jane Foley

Head FX Strategy

G10 FX

+44 20 7809 4776

Jane.Foley@Rabobank.com

Rates Strategy

Richard McGuire

Head Rates Strategy

+44 20 7664 9730

Richard.McGuire@Rabobank.com

Lyn Graham-Taylor

Senior Rates Strategist

+44 20 7664 9732

Lyn.Graham-Taylor@Rabobank.com

Credit Strategy & Regulation

Matt Cairns

Head Credit Strategy & Regulation

Covered Bonds, SSAs

+44 20 7664 9502

Matt.Cairns@Rabobank.com

Bas van Zanden

Senior Analyst

Pension funds, Regulation

+31 30 712 1869

Bas.van.Zanden@Rabobank.com

Cas Bonsema

Senior Analyst

Financials

+31 6 127 66 642

Cas.Bonsema@Rabobank.com

Maartje Schriever

Analyst

ABS

+31 6 251 43 873

Maartje.Schriever@Rabobank.com

Agri Commodity Markets

Carlos Mera

Head of ACMR

+44 20 7664 9512

Carlos.Mera@Rabobank.com

Charles Hart

Senior Commodity Analyst

+44 20 7809 4245

Charles.Hart@Rabobank.com

Oran van Dort

Commodity Analyst

+31 6 423 80 964

Oran.van.Dort@Rabobank.com

Andrick Payen

RaboResearch Analyst

+1 212 808 6808

Andrick.Payen@Rabobank.com

Energy Markets

Joe DeLaura

Senior Energy Strategist

+1 212 916 7874

Joe.DeLaura@Rabobank.com

Florence Schmit

Energy Strategist

+44 20 7809 3832

Florence.Schmit@Rabobank.com

Client coverage

Wholesale Corporate Clients

| | | | |
|------------------|------------------------|------------------|-------------------------------|
| Martijn Sorber | Global Head | +31 30 712 3578 | Martijn.Sorber@Rabobank.com |
| Hans Deusing | Europe | +31 30 216 9045 | Hans.Deusing@Rabobank.com |
| Neil Williamson | North America | +1 212 808 6966 | Neil.Williamson@Rabobank.com |
| Adam Vanderstelt | Australia, New Zealand | +61 2 8115 3102 | Adam.Vanderstelt@rabobank.com |
| Ethan Sheng | Asia | +852 2103 2688 | Ethan.Sheng@Rabobank.com |
| Ricardo Rosa | Brazil | +55 11 5503 7150 | Ricardo.Rosa@Rabobank.com |

Financial Institutions

Short-term Interest Rates

| | | | |
|-----------------|-------------|-----------------|------------------------------|
| Marcel de Bever | Global Head | +31 30 216 9740 | Marcel.de.Bever@Rabobank.com |
|-----------------|-------------|-----------------|------------------------------|

Bonds & Interest Rate Derivatives

| | | | |
|----------------|--------------------------|-----------------|-----------------------------|
| Henk Rozendaal | Global Head Fixed Income | +31 30 216 9423 | Henk.Rozendaal@Rabobank.com |
|----------------|--------------------------|-----------------|-----------------------------|

Solutions

| | | | |
|-----------------|-------------|-----------------|------------------------------|
| Sjoerd van Peer | Global Head | +31 30 216 9072 | Sjoerd.van.Peer@Rabobank.com |
|-----------------|-------------|-----------------|------------------------------|

Relationship Management

| | | | |
|--------------------------|----------------|-----------------|--------------------------------------|
| Rogier Everwijn | Global Head | +31 30 712 2440 | Rogier.Everwijn@Rabobank.com |
| Rob Eilering | Banks | +31 30 712 2162 | Rob.Eilering@Rabobank.com |
| Petra Schuchard | Insurers | | Petra.Schuchard@Rabobank.com |
| Frank Dekkers | Asset Managers | | Frank.Dekkers@Rabobank.com |
| Javier Alvarez de Eerens | MDB | +31 30 712 1015 | Javier.Alvarez@Rabobank.com |
| Christel Kleinhaarhuis | Fintech | | Christel.Klein.Haarhuis@Rabobank.com |

Capital Markets

| | | | |
|------------------------|------------------------------------|------------------|-------------------------------------|
| Laura Bijl | Global Head | +31 88 726 3254 | Laura.Bijl@Rabobank.com |
| Christopher Hartofilis | Capital Markets USA | +1 212 808 6890 | Christopher.Hartofilis@Rabobank.com |
| Ian Baggott | Capital Markets Asia | +852 2103 2629 | Ian.Baggott@Rabobank.com |
| Adriana Gouveia | Capital Markets Brazil | +55 11 5503 7305 | Adriana.Gouveia@rabobank.com |
| Willem Kröner | Global Head ECM | +31 30 712 4783 | Willem.Kroner@Rabobank.com |
| Harman Dhami | DCM Syndicate | +44 20 7664 9738 | Harman.Dhami@Rabobank.com |
| Crispijn Kooijmans | DCM FIs & SSAs | +31 30 216 9028 | Crispijn.Kooijmans@Rabobank.com |
| Bjorn Alink | DCM Securitisation & Covered Bonds | +31 30 216 9393 | Bjorn.Alink@Rabobank.com |
| Othmar ter Waarbeek | DCM Corporate Bonds | +31 30 216 9022 | Othmar.ter.Waarbeek@Rabobank.com |
| Joris Reijnders | DCM Corporate Loans | +31 30 216 9510 | Joris.Reijnders@Rabobank.com |
| Brian Percival | DCM Leveraged Finance | +44 20 7809 3156 | Brian.Percival@Rabobank.com |

Disclaimer

Non-Independent Research

This document is issued by Coöperatieve Rabobank U.A. incorporated in the Netherlands, trading as "Rabobank" ("Rabobank") a cooperative with excluded liability. The liability of its members is limited. Authorised by De Nederlandsche Bank in the Netherlands and regulated by the Autoriteit Financiële Markten. Rabobank London Branch (RL) is authorised by De Nederlandsche Bank, the Netherlands and the Prudential Regulation Authority, and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Further details are available on request. RL is registered in England and Wales under Company no. FC 11780 and under Branch No. BR002630. This document is directed exclusively to Eligible Counterparties and Professional Clients. It is not directed at Retail Clients.

This document does not purport to be impartial research and has not been prepared in accordance with legal requirements designed to promote the independence of Investment Research and is not subject to any prohibition on dealing ahead of the dissemination of Investment Research. This document does NOT purport to be an impartial assessment of the value or prospects of its subject matter and it must not be relied upon by any recipient as an impartial assessment of the value or prospects of its subject matter. No reliance may be placed by a recipient on any representations or statements made outside this document (oral or written) by any person which state or imply (or may be reasonably viewed as stating or implying) any such impartiality.

This document is for information purposes only and is not, and should not be construed as, an offer or a commitment by RL or any of its affiliates to enter into a transaction. This document does not constitute investment advice and nor is any information provided intended to offer sufficient information such that is should be relied upon for the purposes of making a decision in relation to whether to acquire any financial products. The information and opinions contained in this document have been compiled or arrived at from sources believed to be reliable, but no representation or warranty, express or implied, is made as to their accuracy, completeness or correctness.

The information contained in this document is not to be relied upon by the recipient as authoritative or taken in substitution for the exercise of judgement by any recipient. Any opinions, forecasts or estimates herein constitute a judgement of RL as at the date of this document, and there can be no assurance that future results or events will be consistent with any such opinions, forecasts or estimates. All opinions expressed in this document are subject to change without notice.

To the extent permitted by law, neither RL, nor other legal entities in the group to which it belongs accept any liability whatsoever for any direct or consequential loss howsoever arising from any use of this document or its contents or otherwise arising in connection therewith.

Insofar as permitted by applicable laws and regulations, RL or other legal entities in the group to which it belongs, their directors, officers and/or employees may have had or have a long or short position or act as a market maker and may have traded or acted as principal in the securities described within this document (or related investments) or may otherwise have conflicting interests. This may include hedging transactions carried out by RL or other legal entities in the group, and such hedging transactions may affect the value and/or liquidity of the securities described in this document. Further it may have or have had a relationship with or may provide or have provided corporate finance or other services to companies whose securities (or related investments) are described in this document. Further, internal and external publications may have been issued prior to this publication where strategies may conflict according to market conditions at the time of each publication.

This document may not be reproduced, distributed or published, in whole or in part, for any purpose, except with the prior written consent of RL. By accepting this document you agree to be bound by the foregoing restrictions. The distribution of this document in other jurisdictions may be restricted by law and recipients of this document should inform themselves about, and observe any such restrictions.

A summary of the methodology can be found on our [website](#)

© Rabobank London, 60 London Wall, London, EC2M 5AA +44(0) 207 809 3000