

Kevin Warsh Sets Agenda for Quiet Fed Revolution

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Investment Musings

DAILY BRIEF – MARKETS, MACRO & NARRATIVE

Mon, 22 Jun 2026



"The four most dangerous words in investing are: 'this time it's different.' "

– John Templeton

S&P 500 **7,500.58** +1.08% Nasdaq 100 **30,406.19** +2.48% UST 10Y **4.490%** +6.0 bp

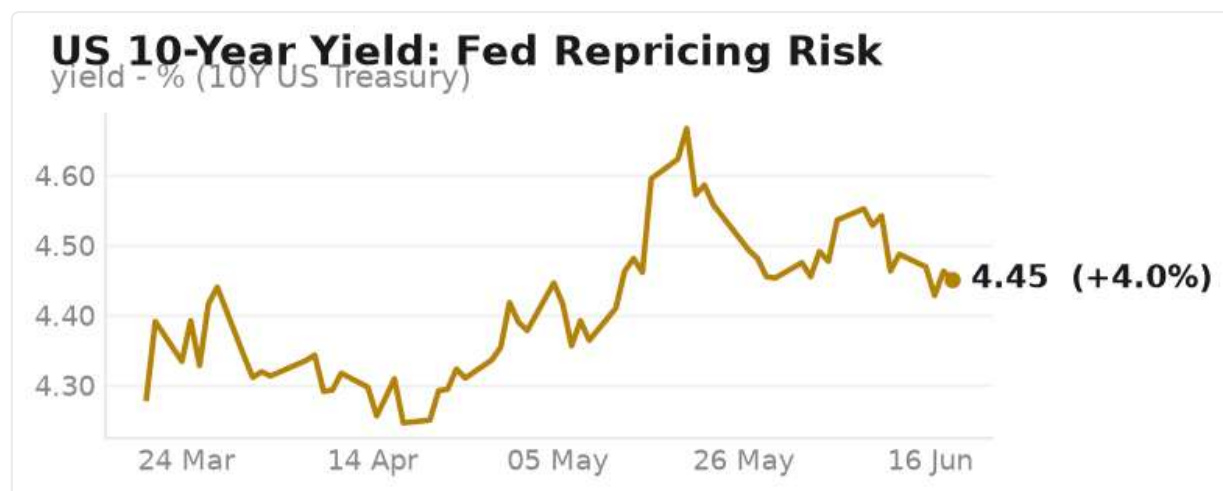
Brent **79.38** +0.62% EUR/USD **1.1463** -0.05%

ECONOMIC CALENDAR

PORTUGAL – LATEST PRINTS

Inflação (IHPC, homóloga)	2.4%	2025-12
Taxa de desemprego	5.7%	2026-04
PIB (real, trimestral)	0.0%	2026-Q1

CHART OF THE DAY



Warsh's structural overhaul of the Fed's reaction function, combined with 4.2% CPI and an withheld dot-plot, makes the 10-year yield the clearest visual proxy for how markets are repricing the terminal rate and Fed credibility.

Source: Yahoo Finance - ticker ^TNX

TODAY'S STORY

Kevin Warsh Sets Agenda for Quiet Fed Revolution

– Trump Pressure on Federal Reserve Independence – day 6

Warsh is moving faster than markets expected. Task forces across virtually every Fed function signal this is not cosmetic—it targets communications, supervision, and potentially the balance sheet framework. Trump said "I love the inflation" after the Bureau of Labor Statistics reported that CPI rose 4.2% year-on-year in May 2026, expressing comfort with the figure on the grounds that it would fall once the U.S.-Iran war ended; separately, Fed Chair Kevin Warsh withheld his dot-plot entry at his first FOMC meeting on June 17, 2026, citing a preference against individual rate projections rather than any alignment with White House preferences. The real rate and terminal rate pricing embedded in the 2s10s curve will need to reprice if the Fed's reaction function itself is being rewritten.

CNBC

US-Iran Peace Talks Open in Switzerland With 'Encouraging Progress' – US-Iran Military

Confrontation and Nuclear Talks

BBC World – Bloomberg Markets – CNBC – NYT World

A 60-day roadmap is real progress structurally, but the scope—nuclear, Lebanon, sanctions, Hormuz—means any single issue can collapse the timeline. Qatar and Pakistan as mediators adds credibility; neither has incentive to misrepresent progress. The market is pricing a durable deal too aggressively given the core-risks assessment in the parallel story. Oil vol should stay elevated even as spot drifts lower.

Israel Orders Military Restraint in Lebanon as Tensions Persist – US-Iran Military Confrontation and Nuclear Talks

NYT World

Israel's restraint directive is tactical, not strategic—issued to protect the Switzerland process rather than reflecting a changed posture on Lebanon. The caveat that it may not hold is the operative clause. A single serious incident in southern Lebanon resets the diplomatic calendar and spikes the geopolitical risk premium across MENA assets.

China Imposes Export Controls on US Rare Earth and Tech Firms – US-China Technology and Investment Rivalry

Bloomberg Markets – CNBC

Targeting US rare earth producers directly is a material escalation. MP Materials (MP) and Energy Fuels (UUUU) face supply chain disruption risk to the extent their processing inputs or customers are China-dependent. More broadly, Beijing is demonstrating it will use the 1260H list as a reciprocal trigger—every future Pentagon blacklist update now carries an explicit retaliation cost. Defense supply chain equities and rare earth ETFs (REMX) warrant a risk premium.

Qatar Ras Laffan Plant Blast Leaves 18 Missing

Bloomberg Markets

Ras Laffan is the world's largest LNG export hub. Eighteen missing persons during a startup event is a serious operational incident, not a minor flare. QatarEnergy's LNG offtake contracts are long-term and largely unaffected by a single plant disruption, but spot LNG prices in Asia will react if any production train is offline. Watch JKM front-month for the market's damage assessment.

Iran Threat Assessment: War and Deal Leave Core Risks Intact – US-Iran Military Confrontation and Nuclear Talks

NYT World

The analytic consensus here is correct and underpriced by markets. Iran's centrifuge infrastructure was not destroyed, and Hezbollah's logistical networks remain intact. A deal that delivers sanctions relief without verified nuclear rollback is a premium-preserving outcome for oil options buyers. Treat any further crude selloff on diplomacy headlines as a buying opportunity on tail-risk hedges.

Iranian Crude Exports Through Hormuz Surge as Prices Slashed – Oil Markets and Middle East

Geopolitical Risk

Bloomberg Markets

Iranian barrels are clearing through price, not volume restraint—discounts to Chinese buyers confirm sellers are competing for market share, not managing supply. Goldman Sachs published a June 17, 2026 report projecting that Strait of Hormuz flows may stabilise at approximately 70% of pre-war levels as a structural ceiling due to producers rerouting via alternative export infrastructure, not as a near-term recovery ceiling from last week; China's strategic and commercial reserves, while large, were still expanding as of late 2025 and are not reported as full. Brent's downside bias is intact; the floor is now a function of OPEC+ discipline, which has already been tested.

Oil Slides as US-Iran Talks Advance, Trump Threats Inject Volatility – Oil Markets and Middle

East Geopolitical Risk

Bloomberg Markets – CNBC

Trump's intraday threats pushing Treasury yields higher is the signal worth watching—markets are treating his rhetoric as an inflation event, not just noise. If diplomatic progress and military threats continue to coexist, the crude vol surface steepens further, and the correlation between oil and long-end Treasuries stays positive, complicating duration positioning. WTI/Brent spreads remain a proxy for how seriously traders weigh the threat.

China's Oil Demand Structurally Impaired; Full Import Recovery Unlikely – Iran Conflict

Accelerates Energy Import Diversification

Bloomberg Markets – NYT World

This reframes the Hormuz reopening trade. If China's structural shift away from gasoline and diesel is permanent—EVs now represent over 50% of new car sales in China—the marginal demand recovery from any peace deal is smaller than the supply increase. The result is a structurally lower clearing price for Middle East crude, with Chinese refiners holding pricing leverage they did not have pre-conflict.

Chinese Steel Market Plateaus as Property Slump Offset by Exports – China Economic

Slowdown and Property Sector Stress

Bloomberg Markets

A plateau is better than the cliff the bears were pricing, but it does not rescue iron ore at sub-\$100. Chinese steel exports displacing domestic consumption provide no incremental demand signal for seaborne iron ore—the tonne consumed in a Vietnamese factory was not imported through Pilbara. For BHP (BHP) and Rio Tinto (RIO), the read-through is flat-to-down earnings revisions, not a recovery catalyst.

Pound Near 2026 Low as Starmer Exit Timeline Looms – UK Political Uncertainty and Sterling

Pressure

Bloomberg Markets

Sterling near its 2026 low on a prime ministerial departure timeline is a shallow but real risk-off signal for GBP/USD and gilts. The more important question is who follows Starmer—a continuity Chancellor versus a leftward Labour shift carries a 50-100bp spread difference on 10-year gilts.

Until the succession is clearer, GBP/USD support at 1.26 will be tested. Short-dated gilt vol is the cheapest hedge.

TECHNOLOGY

Chinese AI Stocks Rally on Policy Support and Global Demand – China AI Equity Rally and Policy Tailwinds

Bloomberg Markets

Beijing's policy pivot is providing a floor for names like Alibaba (9988 HK), Tencent (700 HK), and the AI hardware proxies. The rally is not purely speculative—it tracks the regulatory easing cycle that began late 2024. The rotation story in the adjacent fund piece adds institutional weight. Watch KWEB and CQQQ for confirmation of sustained inflows rather than a single-session pop.

Tech Fund Doubles China Exposure, Rotates Out of US Names – US-China Technology and Investment Rivalry

Bloomberg Markets

One fund's rotation is an anecdote; the valuation argument is not. Chinese internet majors trade at 12-15x forward earnings versus 25-30x for comparable US large-cap tech. The thread shows CSRC actively deepening domestic capital markets to support listings—policy and valuation are aligned for the first time in three years. The risk is the rare earth retaliation story running concurrently, which could trigger fresh US restrictions and reverse the thesis.

Ireland's EU Presidency to Confront Big Tech Regulation Dilemma – Ireland's EU Presidency and Big Tech Regulation

Politico EU

Ireland hosts European headquarters for Apple, Meta, Google, and Microsoft, making its DSA and DMA enforcement posture a direct conflict of interest for the presidency. Brussels will watch whether Dublin uses the presidency role to soften implementation timelines or enforcement thresholds. Expect lobbying intensity to spike; the practical question is whether Ireland can credibly chair negotiations it has a structural incentive to slow.

Korea Weighs Curbs on Leveraged Samsung and SK Hynix ETFs – Leveraged ETF Boom in AI and Tech Stocks

Bloomberg Markets

A regulator examining curbs on a \$14.4 billion single-stock leveraged ETF is flagging systemic rebalancing risk, not niche retail concern. The CSOP SK Hynix product alone can generate forced buying of hundreds of millions of dollars in 000660 KS on any given up-day, and symmetric forced selling on down-days. This amplification dynamic contributed to the sharp Korean equity unwind in early June. Regulatory caps, if imposed, reduce volatility in both directions—a net positive for institutional holders of the underlying.

DEVIL'S ADVOCATE

The dominant consensus treats the US-Iran peace process as a net negative for oil prices, with markets selling crude on each diplomatic headline. This is wrong. Iran's nuclear infrastructure

is intact, Israel's restraint directive is explicitly tactical, and the 60-day roadmap covers issues—Lebanon, sanctions verification, Hormuz status—where a single breakdown is probable, not tail-risk. Simultaneously, Warsh withholding his dot-plot entry while the Fed undergoes structural overhaul means the Fed's reaction function to a renewed oil spike is genuinely unknown. Markets are pricing a clean de-escalation path while the conditions for a disorderly reversal—unverified nuclear rollback, fragile Lebanon ceasefire, a Fed of uncertain independence—are all present at once. The complacency is in crude vol compression and duration positioning that assumes the oil-Treasury correlation normalises.

On watch:

- Israel-Lebanon incident risk: any serious clash in southern Lebanon collapses the Switzerland timeline and reprices MENA risk premium within hours
- Warsh Fed reaction function: first test comes if CPI remains above 4% and oil spikes—does the restructured Fed tighten, hold, or defer to White House comfort with inflation
- Chinese crude import data: if strategic reserve builds slow and commercial purchases do not recover despite Iranian discounts, the structural demand impairment thesis is confirmed and Middle East producer revenues face a floor problem OPEC+ cannot discipline away

MARKETS

EQUITY	S&P 500	7,500.58	+1.08%	Nasdaq 100	30,406.19	+2.48%	DAX	24,985.82	+0.00%
	IBEX 35	19,347.40	-0.29%	PSI 20	9,102.60	+0.69%			
FX	EUR/USD	1.1463	-0.05%	EUR/BRL	5.9046	-0.02%	EUR/GBP	0.8676	+0.12%
RATES	Euribor 1M	2.278%	-0.7 bp	Euribor 3M	2.330%	-5.6 bp	SOFR 1M	3.612%	+0.3 bp
	SOFR 3M	3.636%	+0.0 bp	EUR Swap 3Y	2.791%		EUR Swap 5Y	2.818%	
	Euro 10Y AAA	2.985%	-0.0 bp	UST 10Y	4.490%	+6.0 bp			
COMMODITIES	Gold	4,237.70	-0.39%	Silver	66.01	-1.62%	Copper	6.39	+0.61%
	Brent	79.38	+0.62%						
CRYPTO	Bitcoin	64,057.69	+1.29%						

TOP MOVERS

S&P 500

GAINERS

Sandisk	+11.54%
Corning Inc.	+11.13%
Intel	+10.64%
Supermicro	+10.37%
KLA Corporation	+8.73%

LOSERS

Accenture	-17.97%
EPAM Systems	-12.61%
Cognizant	-10.49%
Kroger	-8.43%
Steel Dynamics	-7.49%

EuroStoxx 50

GAINERS

LOSERS

Eni	+2.37%	Adyen	-3.10%
ING Group	+1.58%	Prosus	-2.24%
Argenx	+1.44%	Ferrari	-1.87%
Nordea Bank	+1.15%	Inditex	-1.35%
Wolters Kluwer	+1.13%	ASML Holding	-1.09%

PSI 20

GAINERS

Teixeira Duarte	+4.63%
REN - Redes Energéticas Nacionais	+2.27%
Ibersol	+1.66%
Mota-Engil	+1.13%
Galp Energia	+1.12%

LOSERS

Corticeira Amorim	-0.91%
The Navigator Company	+0.06%
Jerónimo Martins	+0.12%
CTT - Correios de Portugal	+0.17%
Altri	+0.20%

As of last close.

Investment Musings

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