Jackson Hole Recap: Grounded but not predictable

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Marketing communication: This document is a marketing presentation. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research; and it is not subject to any prohibition on dealing ahead of the dissemination of investment research. 28 August 2026 US M ACRO I NSIGHTS WRITTEN BY Christopher HODGE Tel. +1 212 891 1917 christopher.hodge@natixis.com Selin AKER Tel. +1 929 688 6923 selin.aker@natixis.com Discover more on our Website Jackson Hole Recap: Grounded but not predictable “I’ll give you my assessment, call it a trail map. But please don’t call it forward guidance.” – Fed Chair Kevin Warsh In his first Jackson Hole speech as Chair, Kevin Warsh presented an unambiguously hawkish message, while also (as usual), not including any forward guidance about what the Fed will do next. Warsh noted that disinflationary progress has not been sufficient and with growth solid, employment stable and financial conditions loose, his diagnosis leans clearly toward holding rates higher, and potentially raising them if inflation fails to improve. In the near-term, we think policy will hinge on incoming inflation data that will affirm or contradict the softer inflation prints received this summer. According to markets, a hike in September is slightly more likely than not. We think September’s decision will be a very close call, but lean toward softer labor and inflation data as the basis for another hold.

US M ACRO I NSIGHTS 2 Content of Warsh’s speech Preparing for Future Policy Conjunctures As we anticipated, Warsh’s central theme was that a rapidly changing economy requires the Fed to rethink how it gathers information, communicates, and makes policy. AI sits at the center of that story. He believes it could become a new factor of production, raising productivity and potential growth while reshaping investment, market structure and employment. For now, however, he offers more questions than answers — a reasonable approach given that the AI boom is still easier to see in capex and equity valuations than in economy-wide productivity data. Forward Guidance and Its Stand-ins The more consequential institutional argument concerns forward guidance. Warsh believes a tool created for the financial crisis has “overstayed its welcome” in normal times. In his view, excessive guidance can constrain the Fed, encourage investors to trade the central bank rather than the economy and create a hall of mirrors in which policymakers and markets take signals from one another. In practice, Warsh wants a quieter Fed that absorbs information from markets without attempting to choreograph them. That may improve policy flexibility. It also means more uncertainty for investors — an outcome he appears perfectly willing to accept. Characterization of Inflation Dynamics Warsh was typically direct about the inflation problem and atypically direct about how the Fed will address inflation if it remains elevated. According to Warsh, policymakers must be confident that underlying inflation is moving toward 2% “clearly and at sufficient speed.” Better than expected, summer inflation readings do not meet that standard, in his view, because they have not demonstrated a meaningful improvement in the underlying trend. Warsh said that, because labor markets are consistent with full employment and broad financial conditions do not appear restrictive, the Fed must be ready to act if inflation does not improve. Importantly, Warsh clarified that the policy rate would be the appropriate tool to address inflation, if needed. In his speech, Warsh specifically noted that “Unconventional policies to spur economic activity may suit genuine crises but should otherwise be used sparingly, if at all.” What remains unanswered is precisely how much evidence would be enough. He does not define “sufficient speed,” specify an acceptable inflation path, or explain how he would weigh a renewed supply shock against resilient demand. That ambiguity is deliberate as Warsh rejects a mechanical Taylor rule and believes an explicit rate path would recreate the shortcomings of forward guidance. Investors therefore received a clearer assessment of the current state of play, but not the predictable reaction function many wanted. Implications on Fed policy This speech today was broadly in line with our expectations so we don’t think there was a lot of new information presented, but clarifying some items from July was helpful. The speech was received as hawkish, and appropriately so. The odds of a September hike went from 36% at yesterday’s close to 57% at the time of this writing, but we thought 35% was too low. September’s rate decision will hinge on CPI data for August, coming out on September 11. If that print is cool, that could help to solidify the disinflation narrative and avoid a hike. That is indeed our view.

US M ACRO I NSIGHTS 3 The odds of a September hike jumped around 20 percentage points Source: Natixis, Bloomberg What is clear is that the path of least resistance is to hike and burden of proof is on the inflation data to improve to avoid hiking. While many questions still remain, the near-term path of inflation is still the most salient.

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