

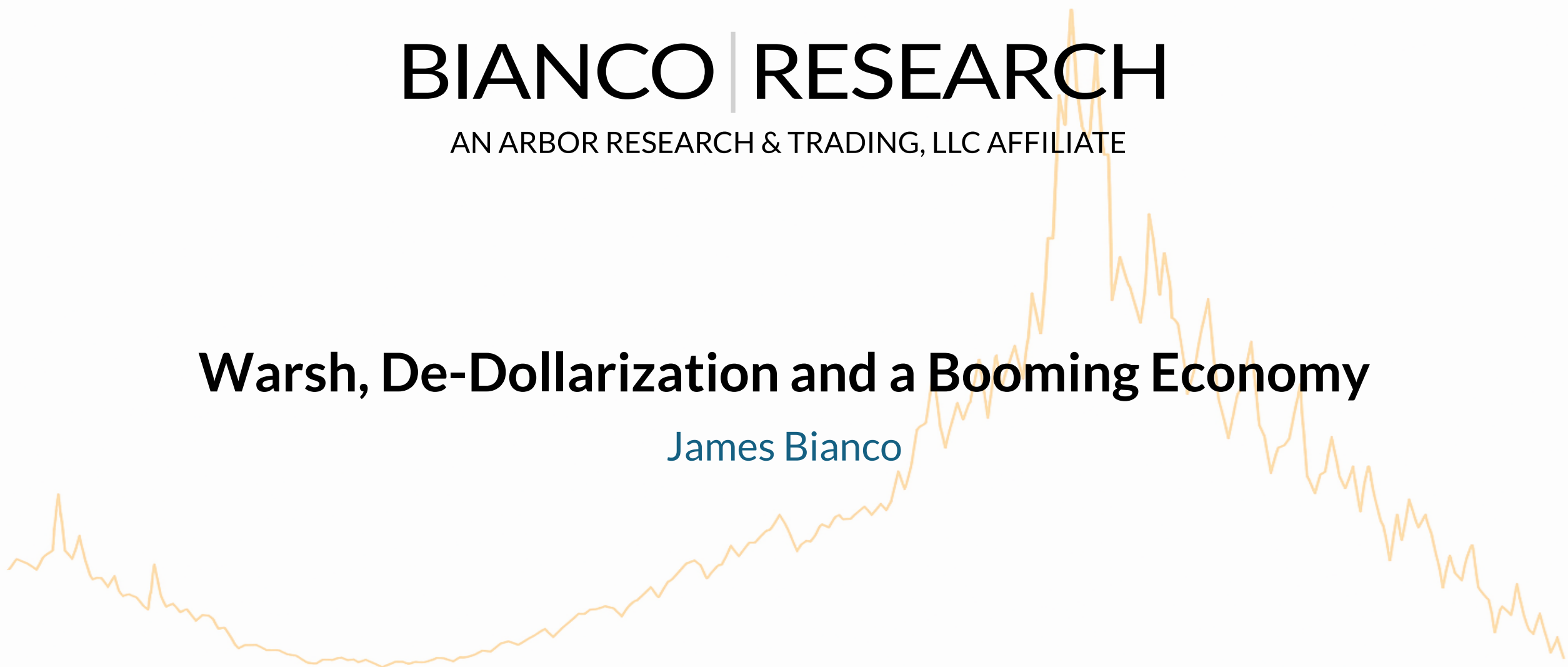
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AN ARBOR RESEARCH & TRADING, LLC AFFILIATE

Warsh, De-Dollarization and a Booming Economy

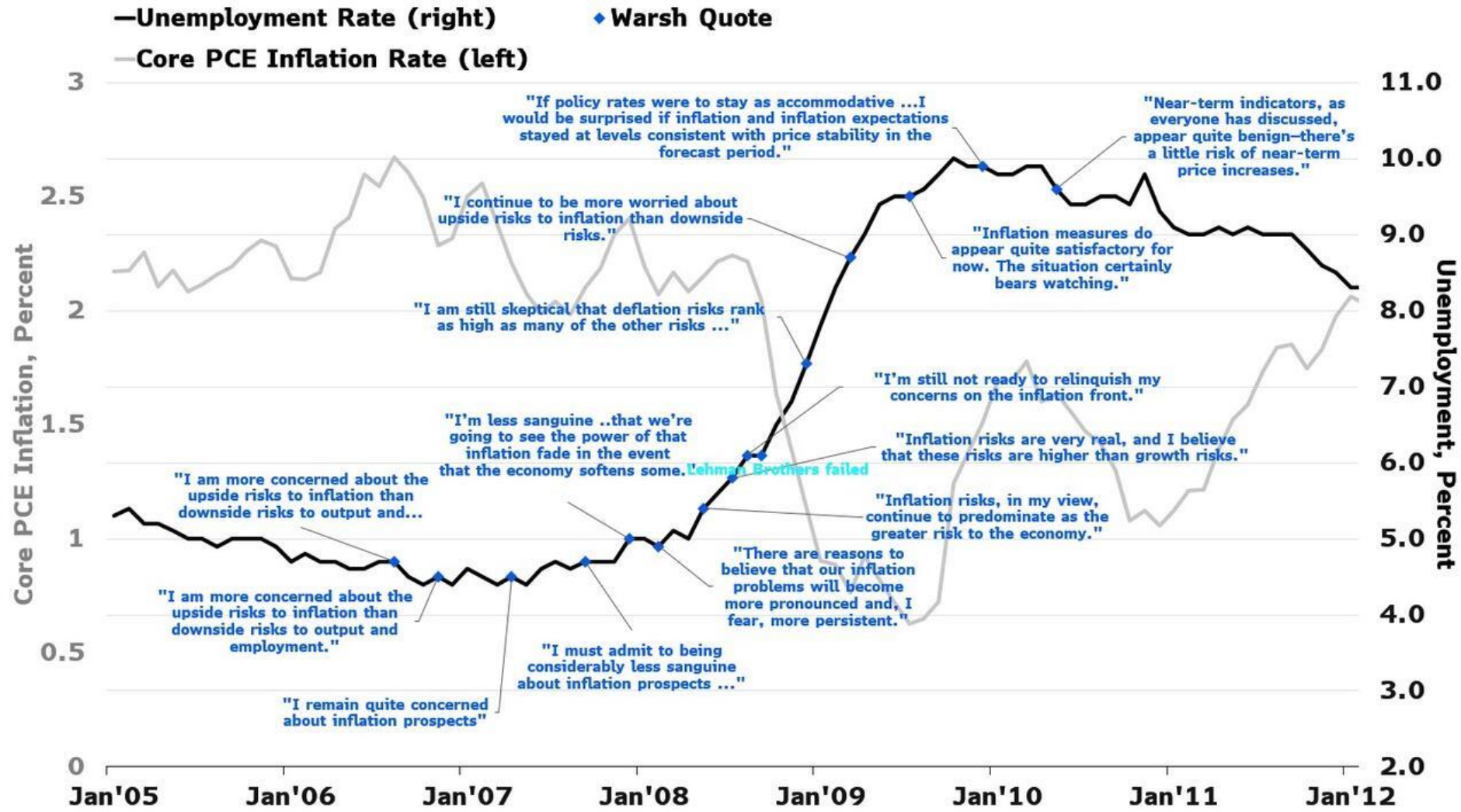
James Bianco

February 4, 2025



Discussion Topics

- It's not about Kevin Warsh's words from 20 years ago; It's whether he has six other votes today.
- It is not about dollar debasement; it's about interest rates.
- Truly a post-COVID economy
- Why is the public so down on the economy even though it's okay?
- Did labor supply "halt"?
- Bitcoin average purchase update



"I think I've cast the perfect person for the role of Fed chair... but if he doesn't lower interest rates, I'm going to file a lawsuit against him." – President Trump, January 31, 2026

After his Alfalfa Club dinner speech, while traveling aboard Air Force One on Saturday, January 31, 2026, Donald Trump was asked directly whether he had extracted a commitment from Kevin Warsh to lower interest rates before nominating him.

"No, because I don't want to do that. I could do that, I guess, if I wanted, but I didn't do it."

Bloomberg Economics Federal Reserve Sentiment Natural Language Processing Model

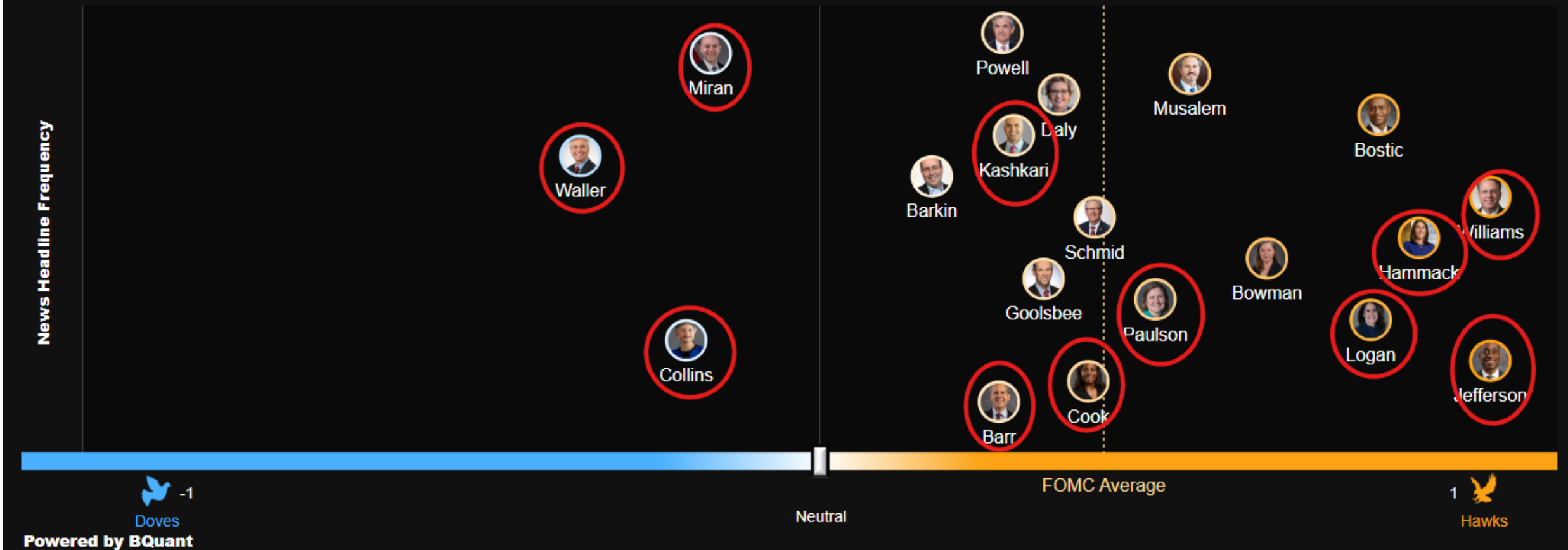


Source: Bloomberg

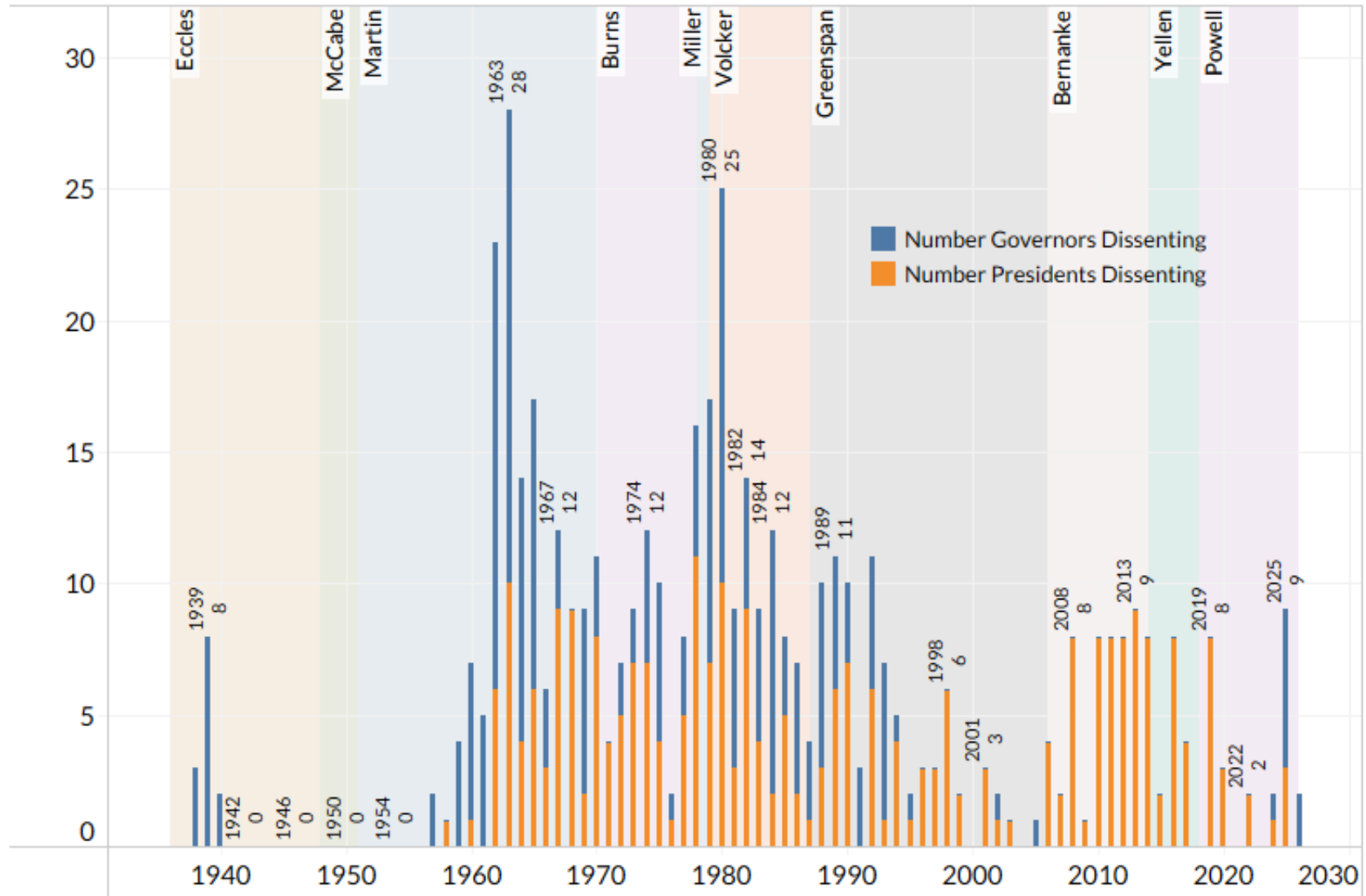
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Red Circle = 2026 Voter

FOMC Participants: Hawks & Doves (January 30, 2026)



Tracking the Number of FOMC Dissents by Year

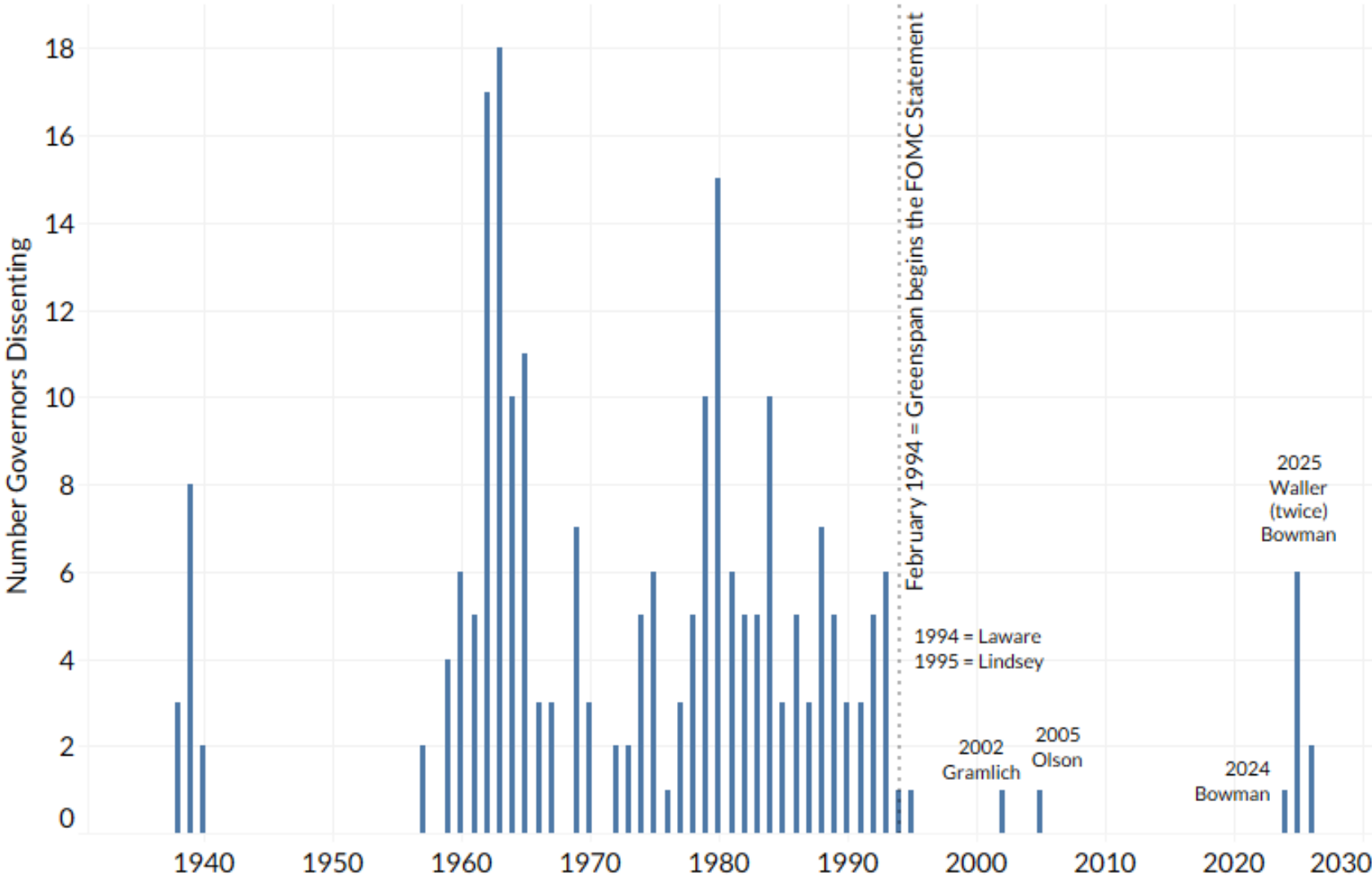


Source: The St. Louis Federal Reserve

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Did the FOMC Statement Stifle Fed Governors?

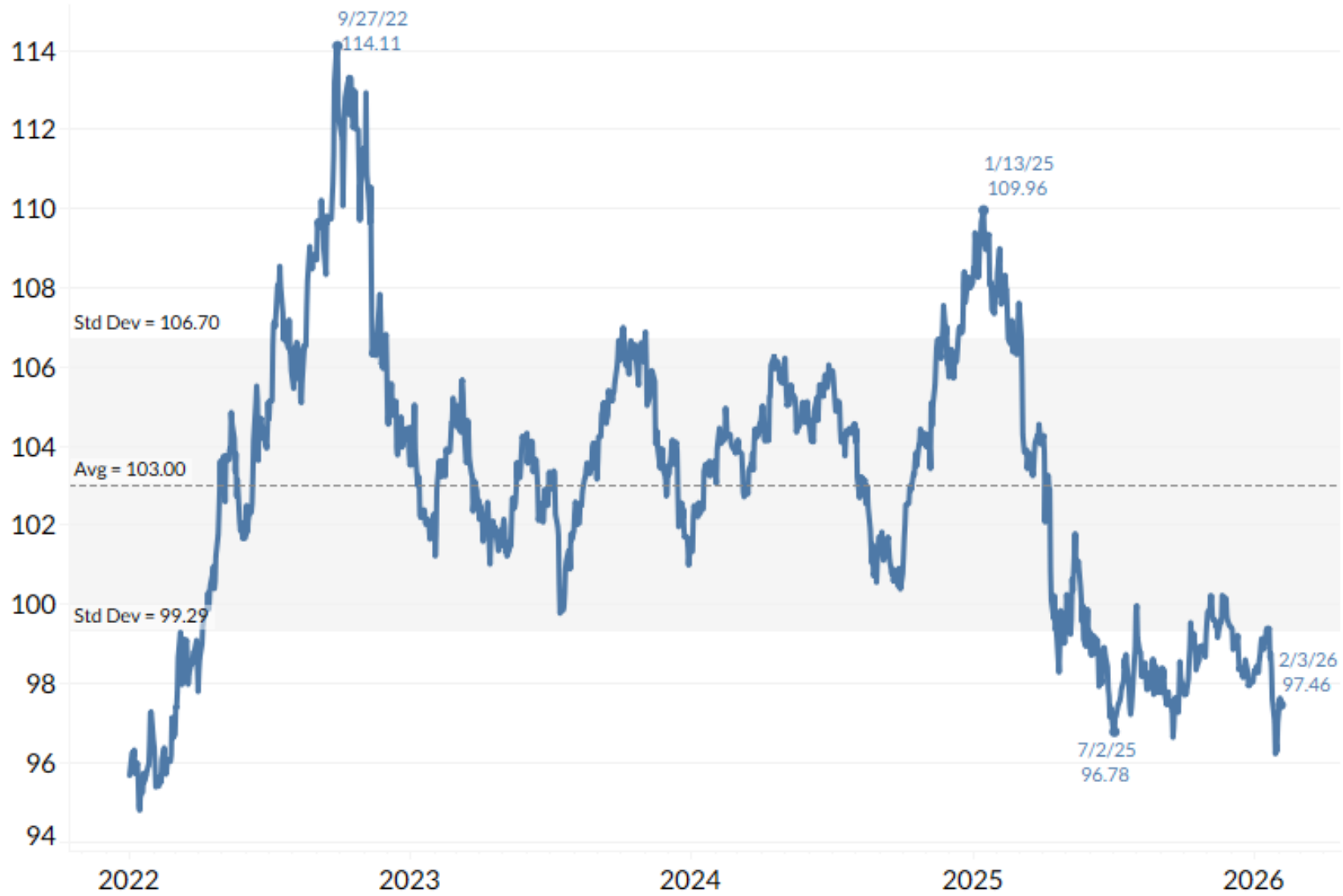
Number of Governor Only Dissents by Year



Source: The St. Louis Federal Reserve

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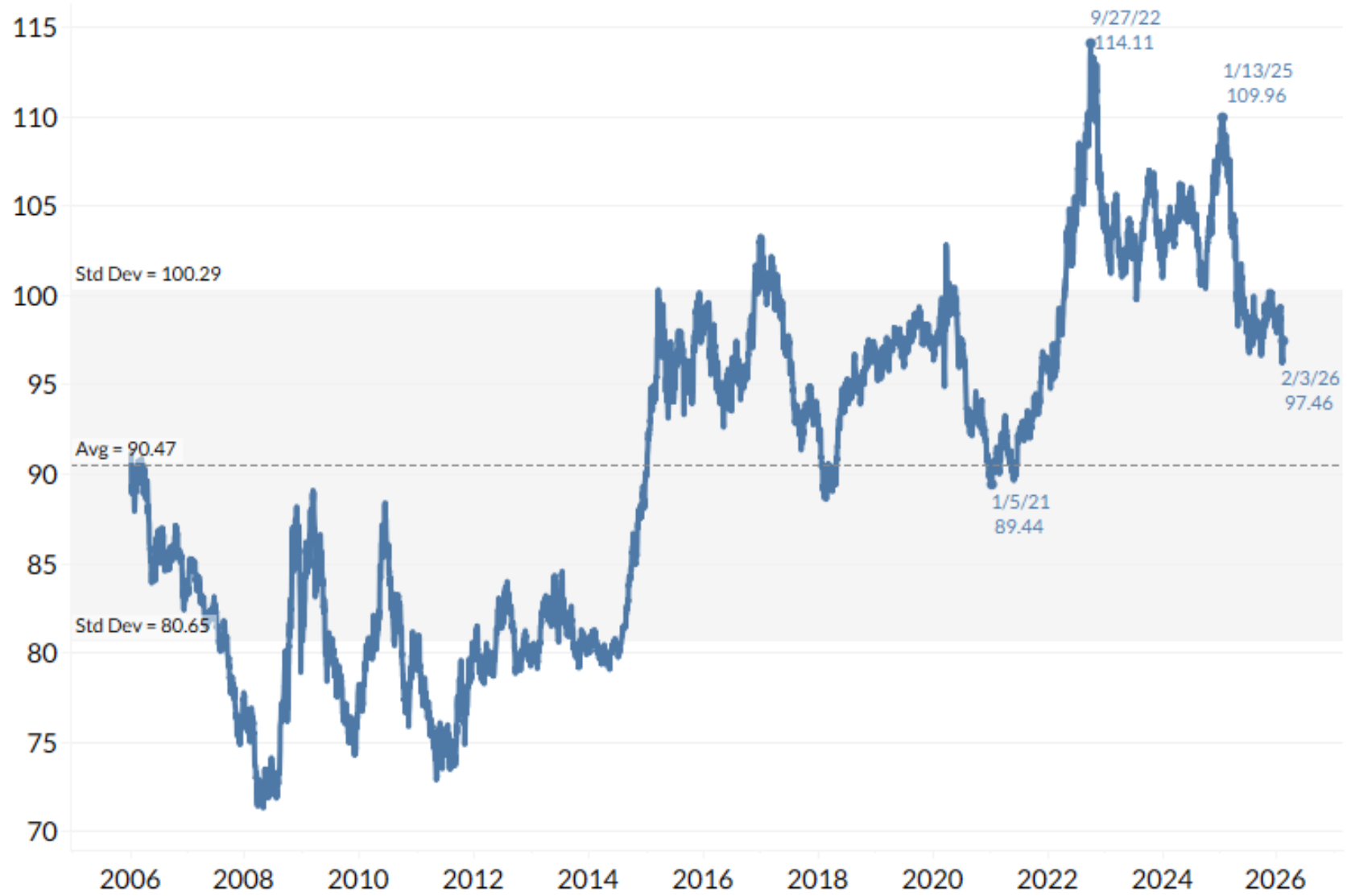
The Dollar Index (DXY)



Data Source: Bloomberg

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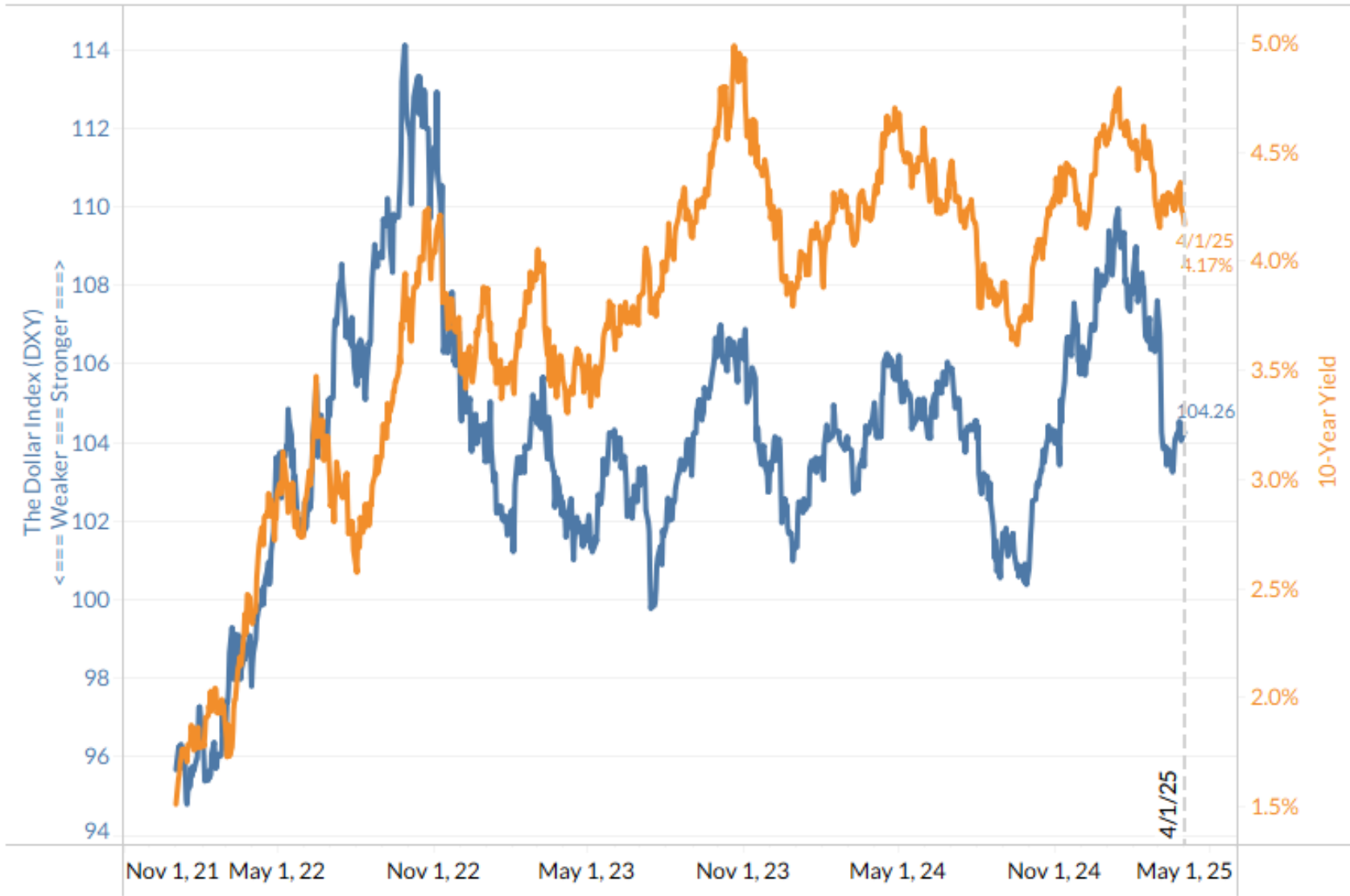
The Dollar Index (DXY)



Data Source: Bloomberg

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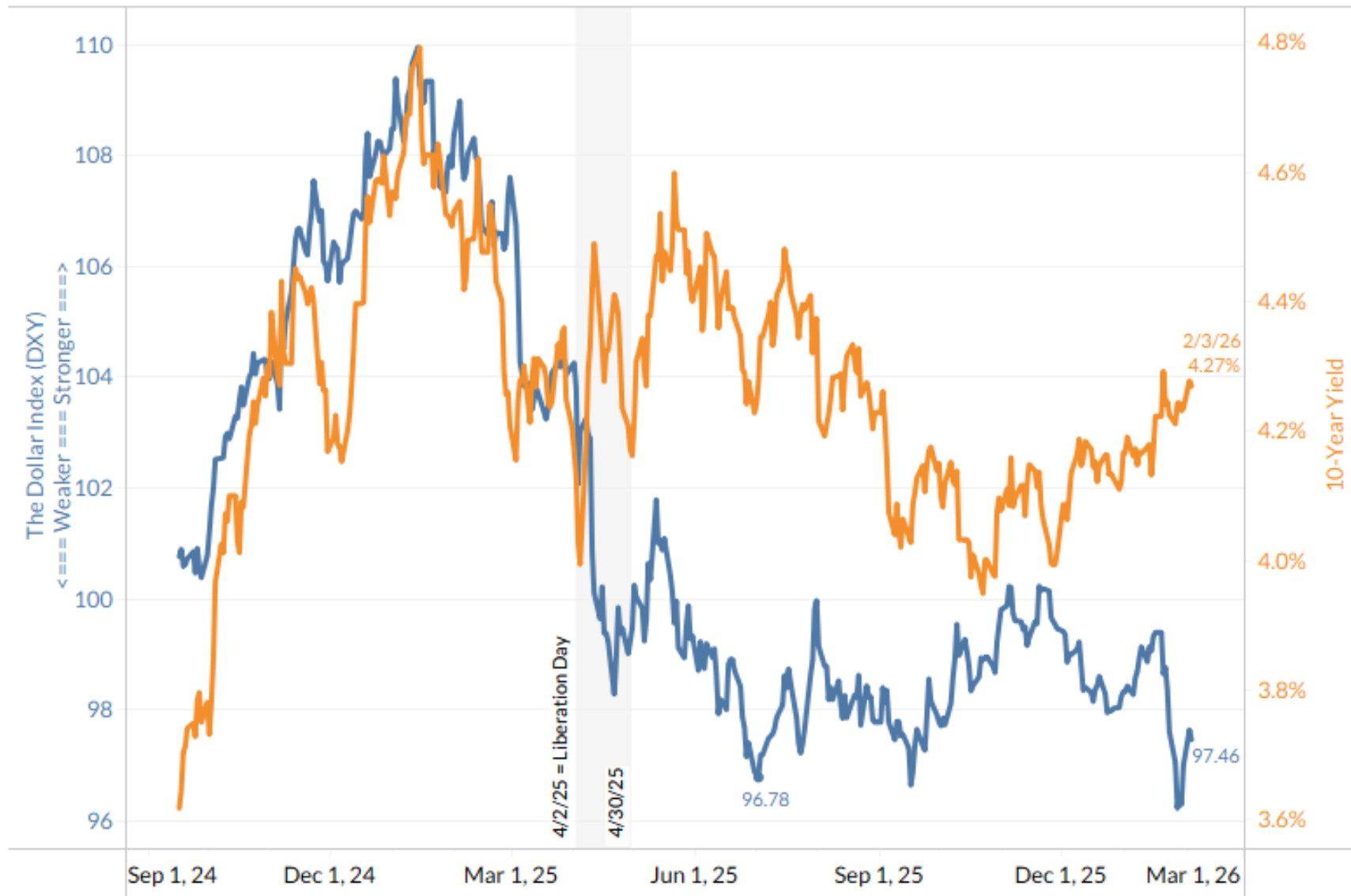
The Dollar Index (DXY) and U.S. 10-Year Yields



Data Source: Bloomberg

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The Dollar Index (DXY) and U.S. 10-Year Yields



Data Source: Bloomberg

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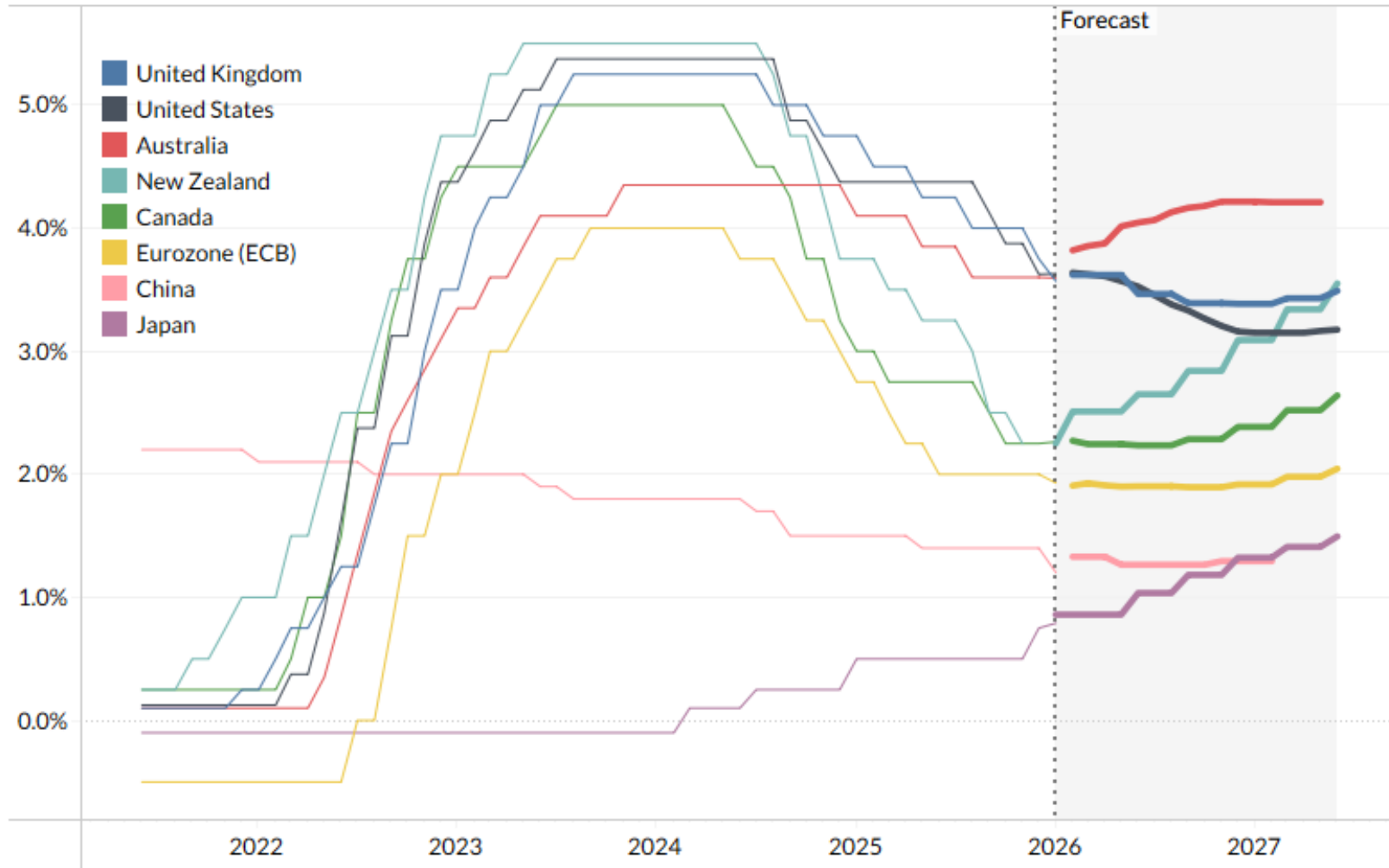
February 3, 2026

*RBA RAISES CASH RATE TARGET BY 25BPS TO 3.85%; EST. 3.85%

*AUSSIE EXTENDS GAIN TO 1% AFTER HAWKISH RBA RATE HIKE

Most Central Banks Look to Hike Rates in 2026

Official Central Bank Rates



Source: Bloomberg

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Spot Gold Prices

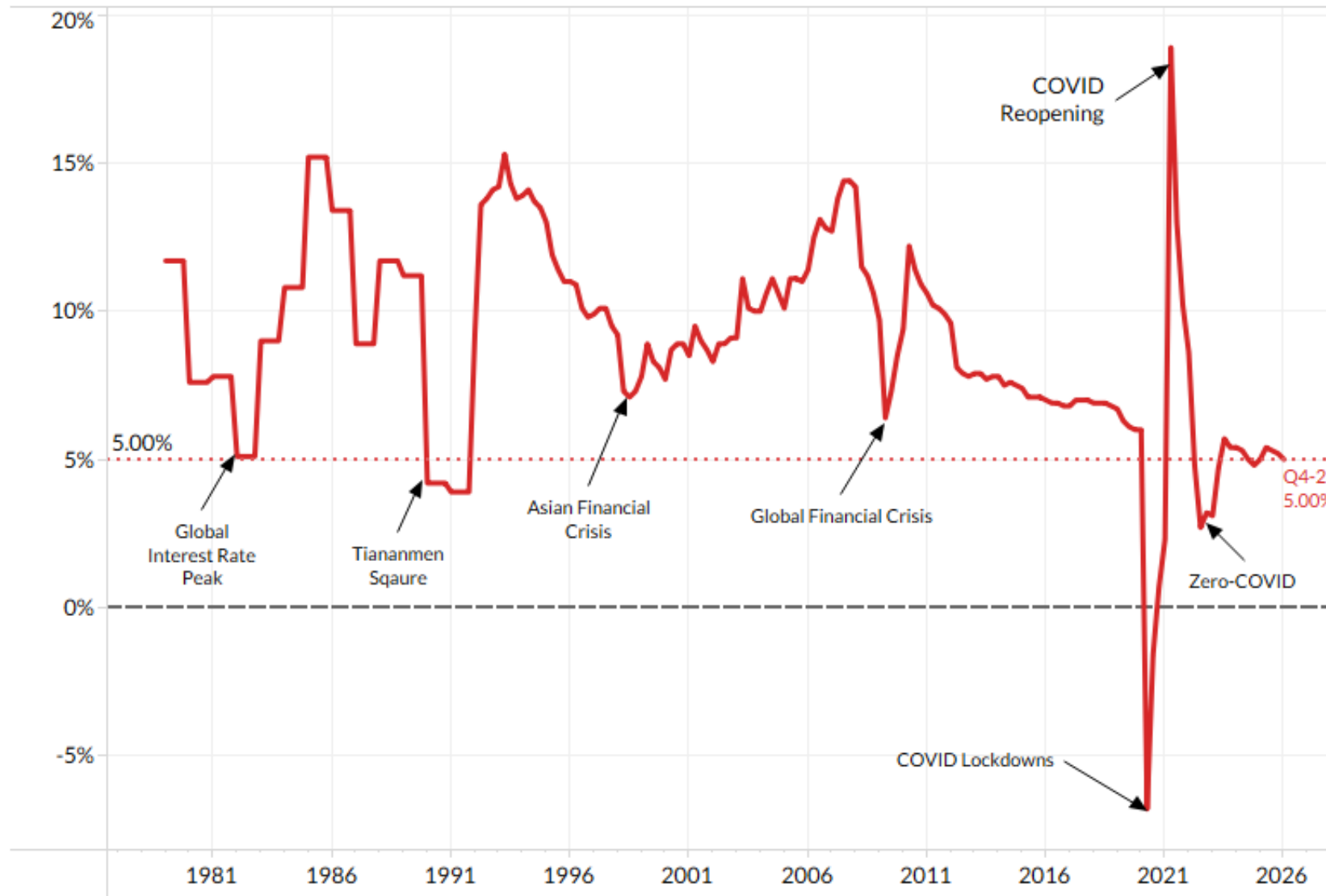


Data Source: Bloomberg

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China Constant GDP - Year-over-Year



Data Source: Bloomberg, China National Bureau of Statistics

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Shanghai Shenzhen CSI 300 Index



Data Source: Bloomberg

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Japan 10-Year Yield



Source: Bloomberg

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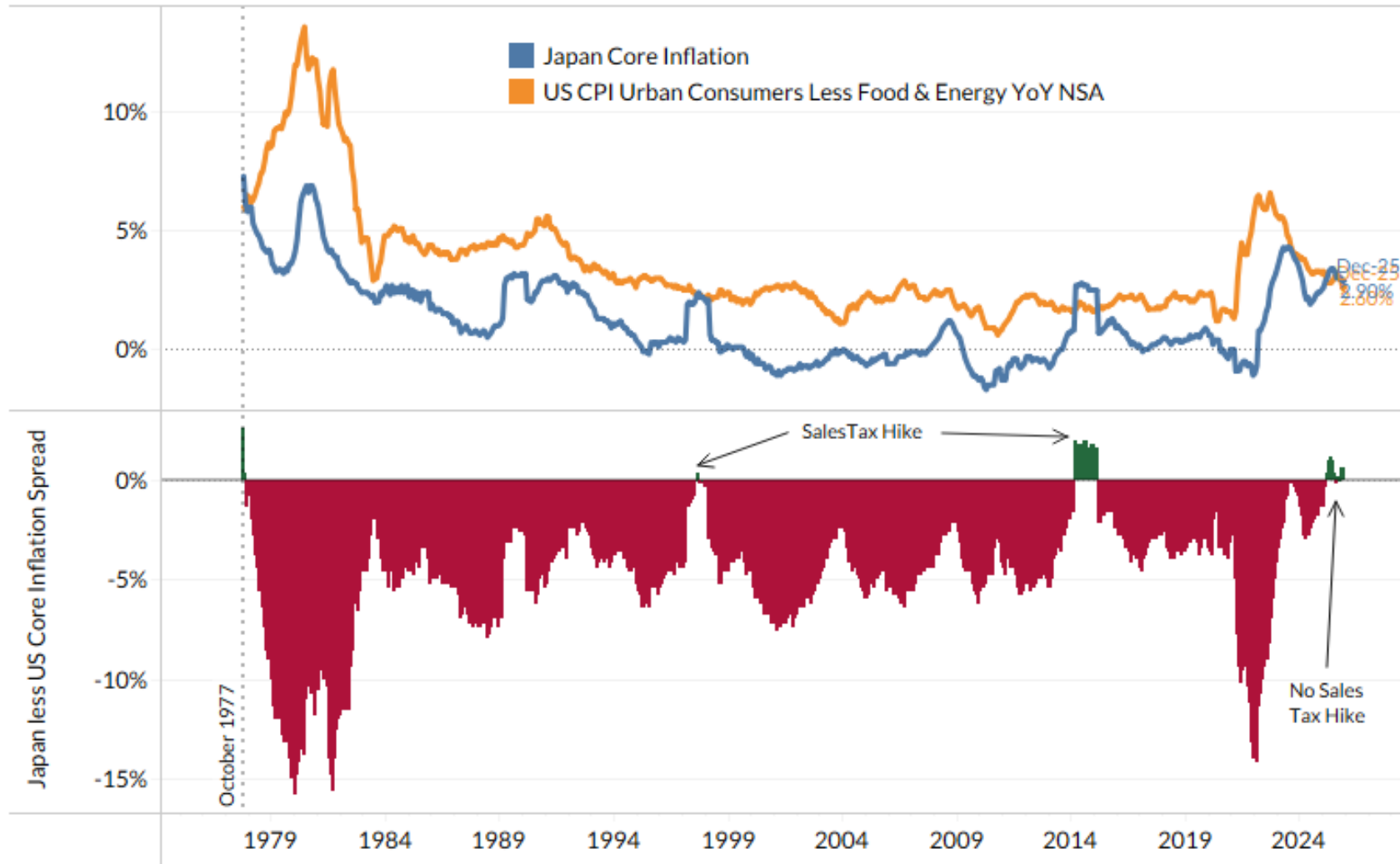
Japanese Yield Curve Control Era 10-Year Yield



Source: Bloomberg

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Comparing US and Japan Core Inflation



Note that Japan includes Valued-Added Taxes (VAT), or national sales taxes in its inflation calculations. The US does not.

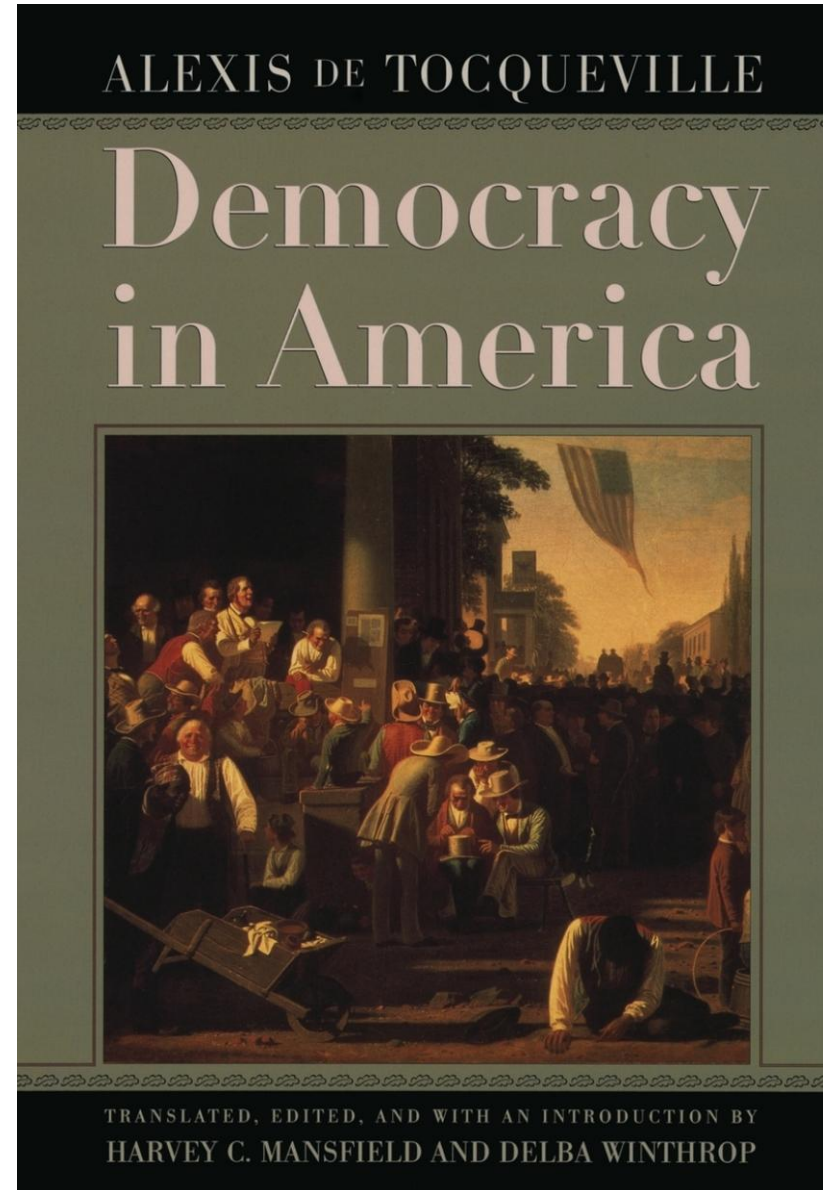
Source: Bloomberg, Statistics Korea

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"The situation of the Americans is therefore entirely exceptional, and it may be believed that no democratic people will ever be placed in a similar one."

In 1835 (when it was first published), "exceptionalism" was rooted in **uniqueness**. It was a neutral observation that America didn't follow the "rules" of the Old World.

Today, the term is often used (both by its champions and its critics) to imply **superiority** or **exemption**.



The New York Times (February 3, 2026)

The Global Economy's Warning Signals Are Broken

From markets to spending to debt, usually reliable indicators that forecast where the economy is headed are proving deeply fallible.

The general bewilderment that bedevils the economic mandarins these days was captured by a recent World Bank note: “Global Growth Defies Expectations.” Forecasts that turn out to be wrong — or defy expectations — are as routine as a heartbeat.

But now something is up. Familiar guideposts to how businesses, consumers, investors and workers have historically responded to economic slings and arrows have turned out to be less reliable.

The Covid-19 pandemic delivered a major shock to the global economic system. And now the unpredictable volatility has been further supercharged with the transformation of the world's economy and geopolitical order that President Trump has pushed forward. The cooperative system of trade based on rules is giving way to great power aggression and mercantilism. With so much change happening so fast, historical patterns are cracking. Usually reliable indicators that signal a recession is starting have also gone kerflooey. A sudden and marked rise in unemployment, for instance, has historically been remarkably successful in predicting recessions.

Consumer expectations and new orders continued to weigh heavily on the LEI

The Conference Board Leading Economic Index® and Component Contributions (Percent)

Nov '25

6 months ending in Nov '25



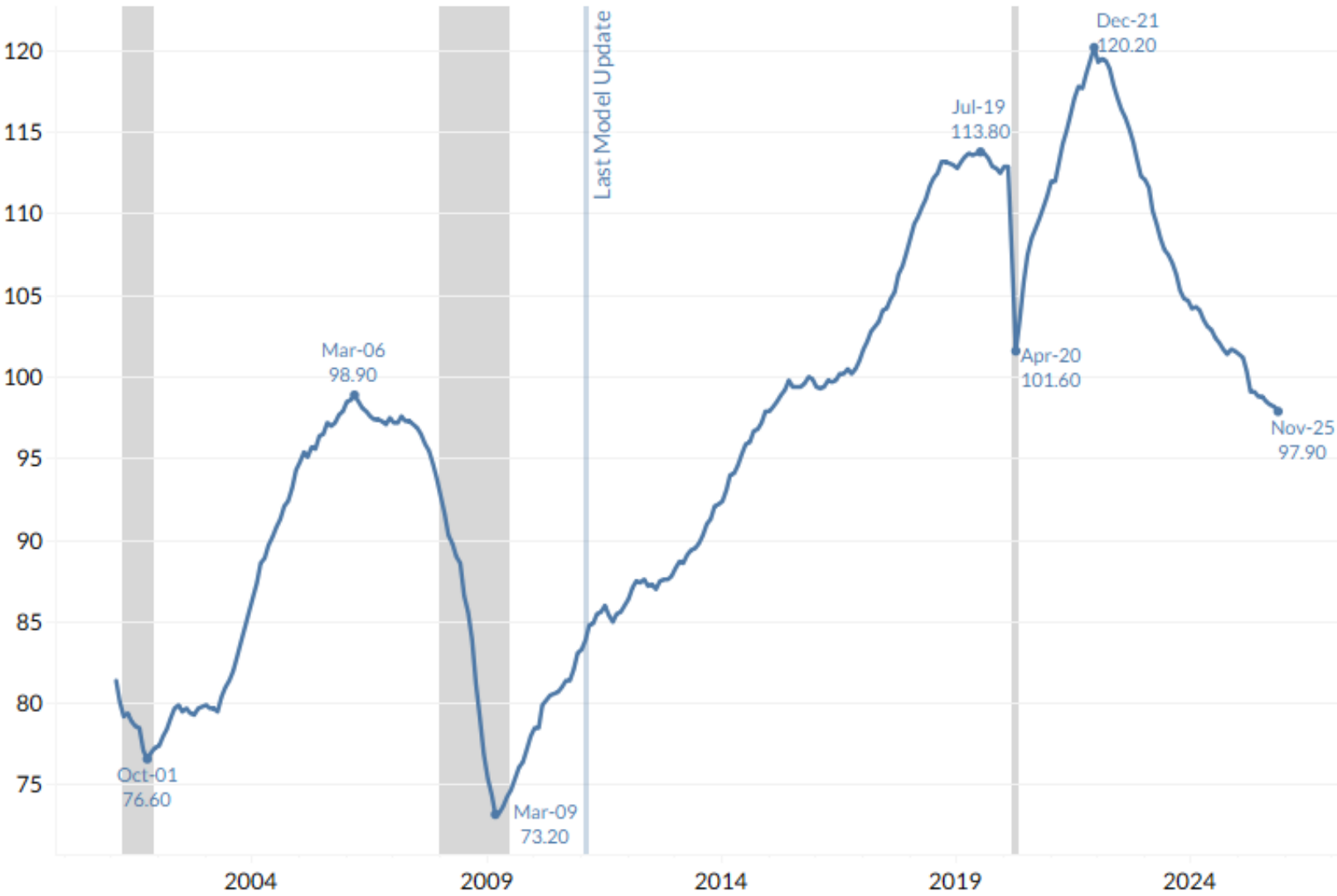
Source: The Conference Board

* Inverted series; a negative change in this component makes a positive contribution.

** Statistical Imputation

LEI change might not equal sum of its contributions due to application of trend adjustment factor

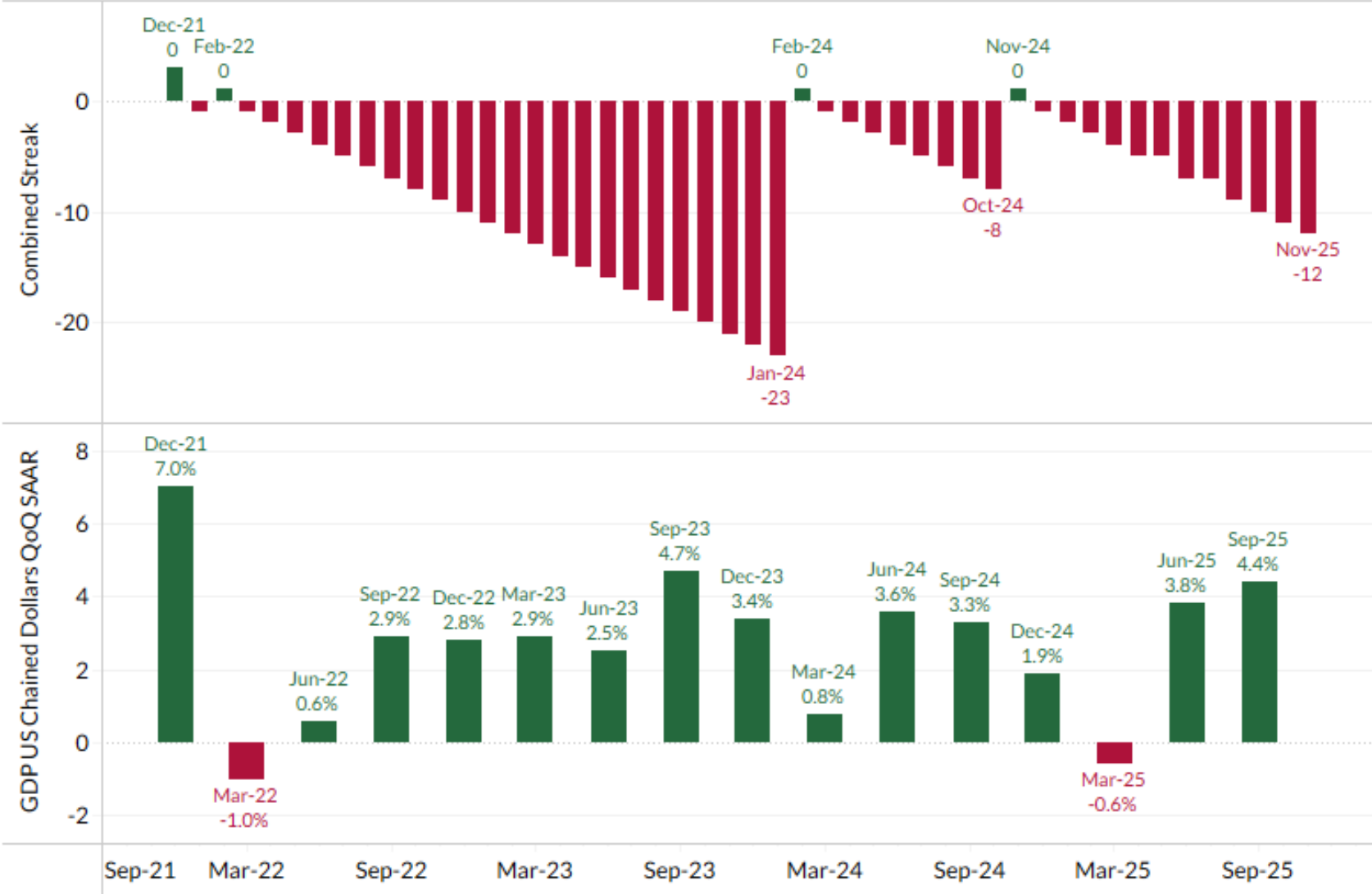
Conference Board US Leading Index Ten Economic Indicators



Source: Bloomberg, Conference Board

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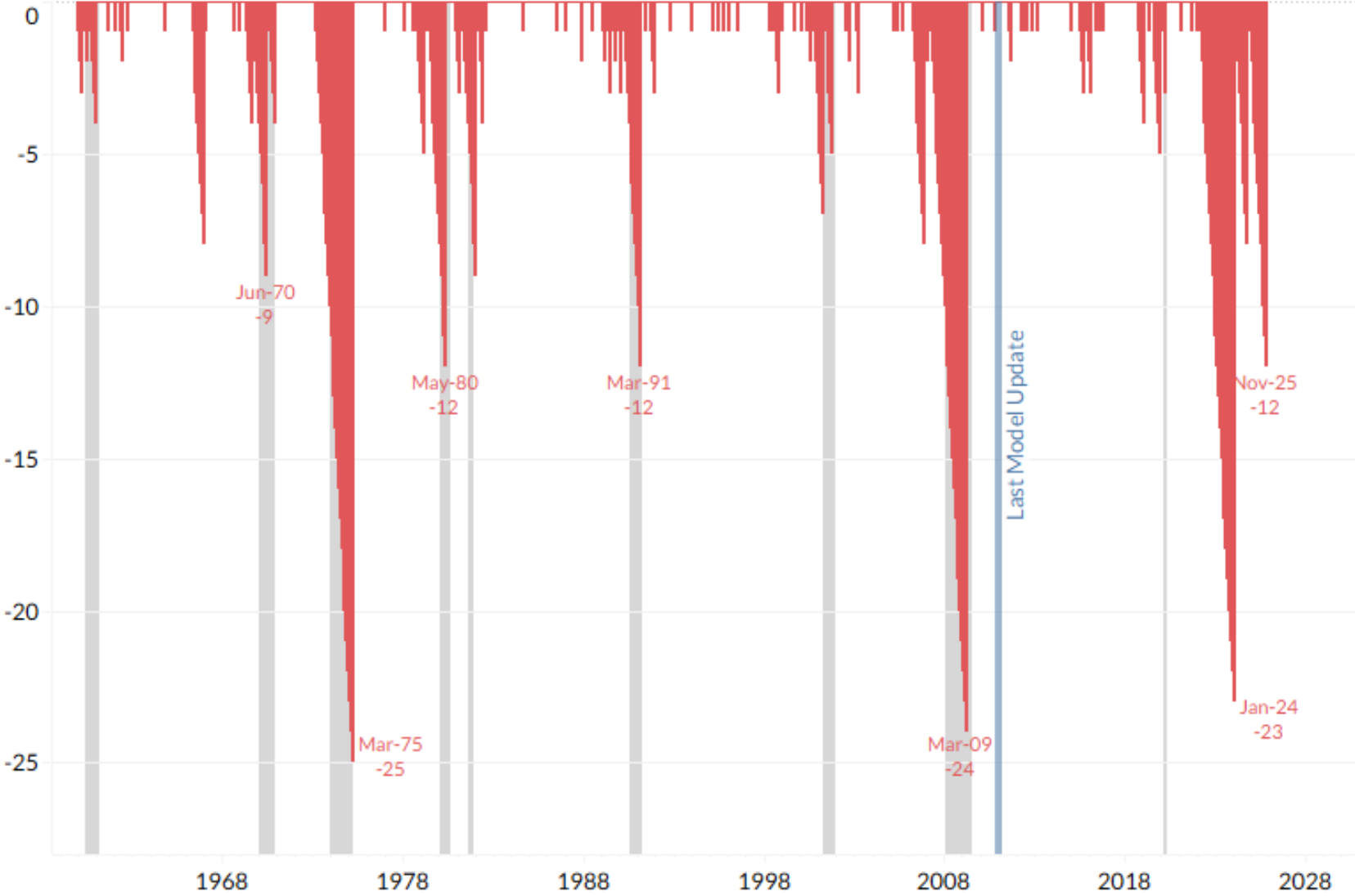
LEI Is Not Working!



Source: Bloomberg, Conference Board

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Consecutive Monthly Declines in the Conference Board's LEI Index

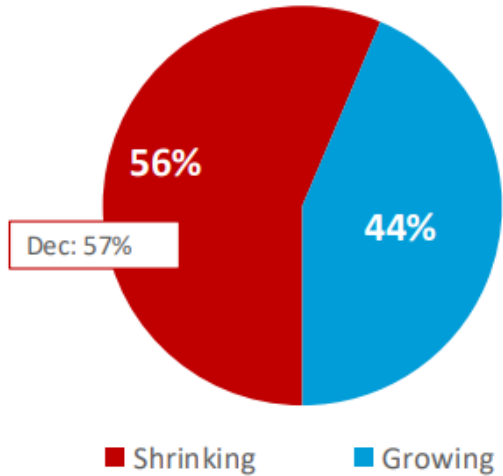


Source: Bloomberg, Conference Board

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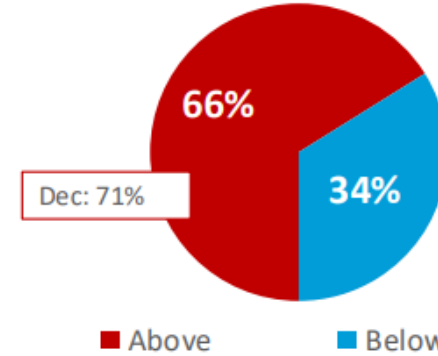
OVER HALF OF VOTERS CONTINUE TO FEEL THE ECONOMY IS SHRINKING AND 2 IN 3 SAY INFLATION IS ABOVE 3%

Do you think the economy is shrinking or growing?



Column %	DEM	GOP	IND/OTH
Shrinking	80%	28%	63%
Growing	20%	72%	37%

Do you think inflation is above or below 3 per cent a year right now?



Column %	DEM	GOP	IND/OTH
Above	76%	57%	65%
Below	24%	43%	35%

What do you think inflation is right now? (Median)

Median	DEM	GOP	IND/OTH	NET
What do you think inflation is right now?	5	4	5	4

TE11: Do you think the economy is shrinking or growing?

TE12: Do you think inflation is above or below 3 per cent a year right now?

TE12B: What do you think inflation is right now?

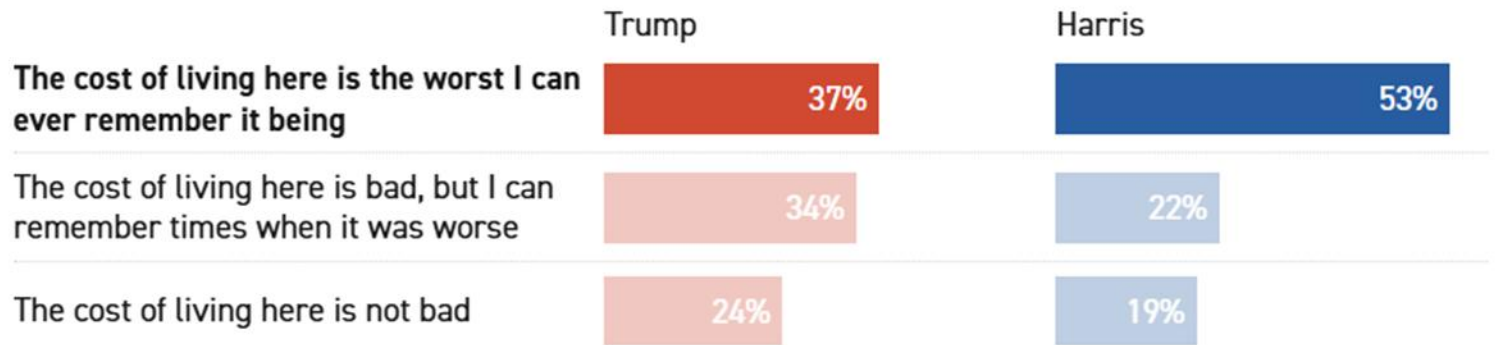
Poll: Trump's own voters begin blaming him for affordability crisis

Americans continue to say affordability is out of control, and they place the responsibility on Trump, The POLITICO Poll found.

Almost half — 46 percent — say the cost of living in the U.S. is the worst they can ever remember it being, a view held by 37 percent of 2024 Trump voters. Americans also say that the affordability crisis is Trump's responsibility, with 46 percent saying it is his economy now and his administration is responsible for the costs they struggle with.,

Many Americans say cost of living is the worst they've ever seen

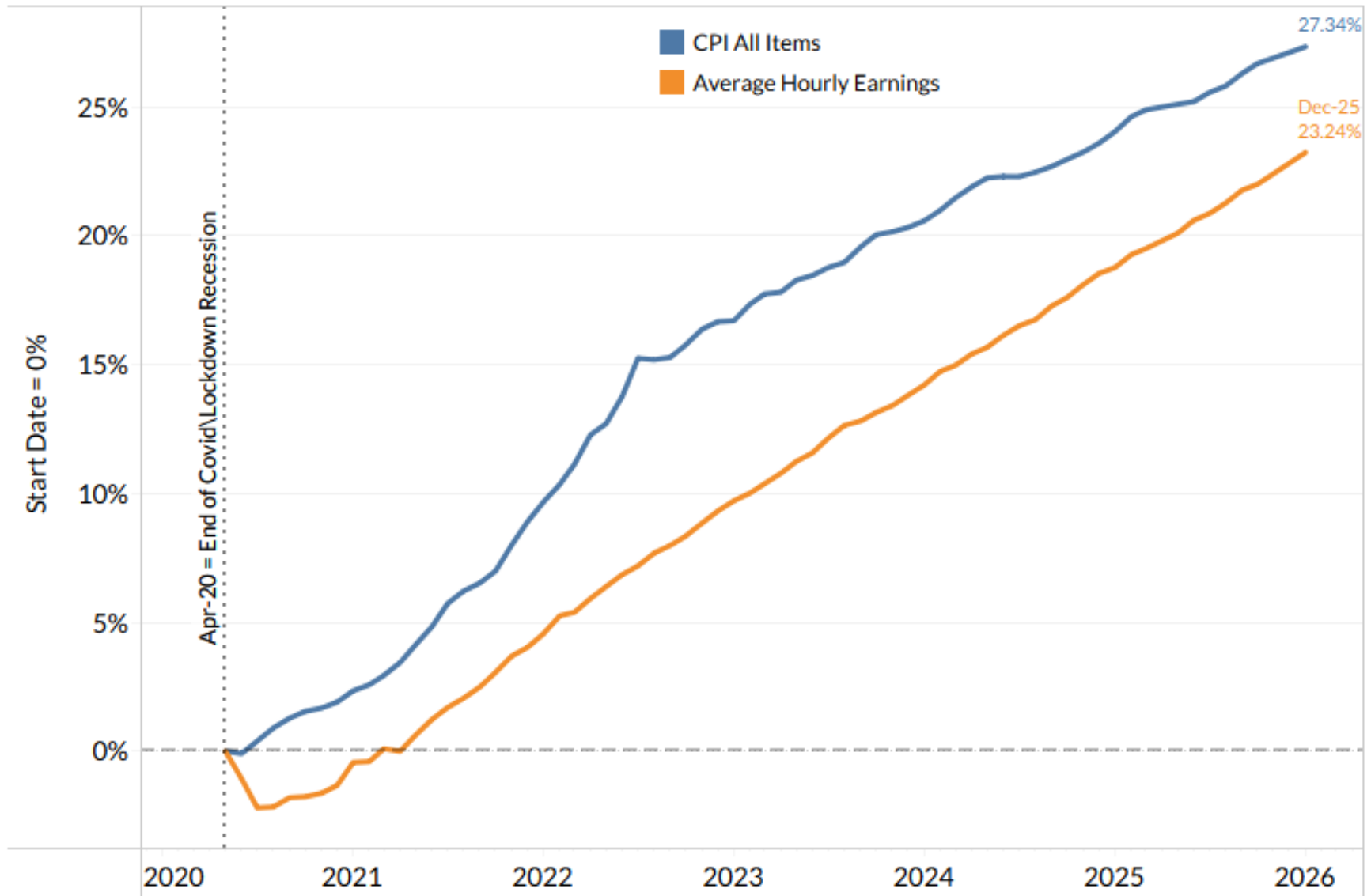
Percentage of Americans, based on their vote in the 2024 general election, who say...



Note: The poll surveyed 2,098 U.S. adults online from Nov. 14 to 17. Results were weighted by age, race, gender, geography and educational attainment and have an overall margin of sampling error of ± 2 percentage points. Partisan results reflect voters who currently plan to back the Republican or Democratic candidate in 2026, or are undecided.

Source: The Politico Poll with Public First
Erin Doherty, Anna Wiederkehr/POLITICO

Cumulative Gains in Inflation & Wages

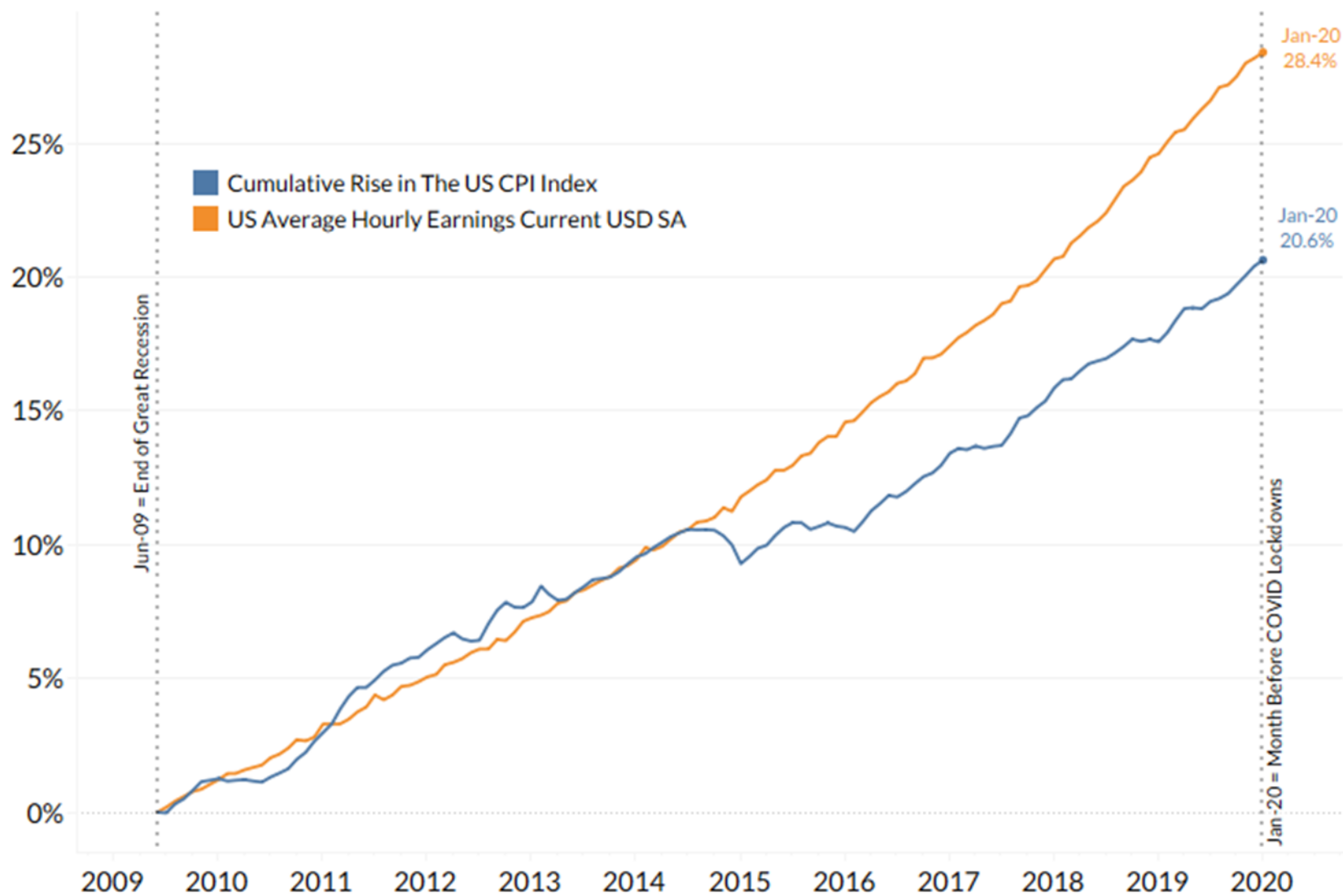


Source: The Bureau of Labor Statistics

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Cumulative Gain in Inflation and Wages

Jun-09 to Jan-20

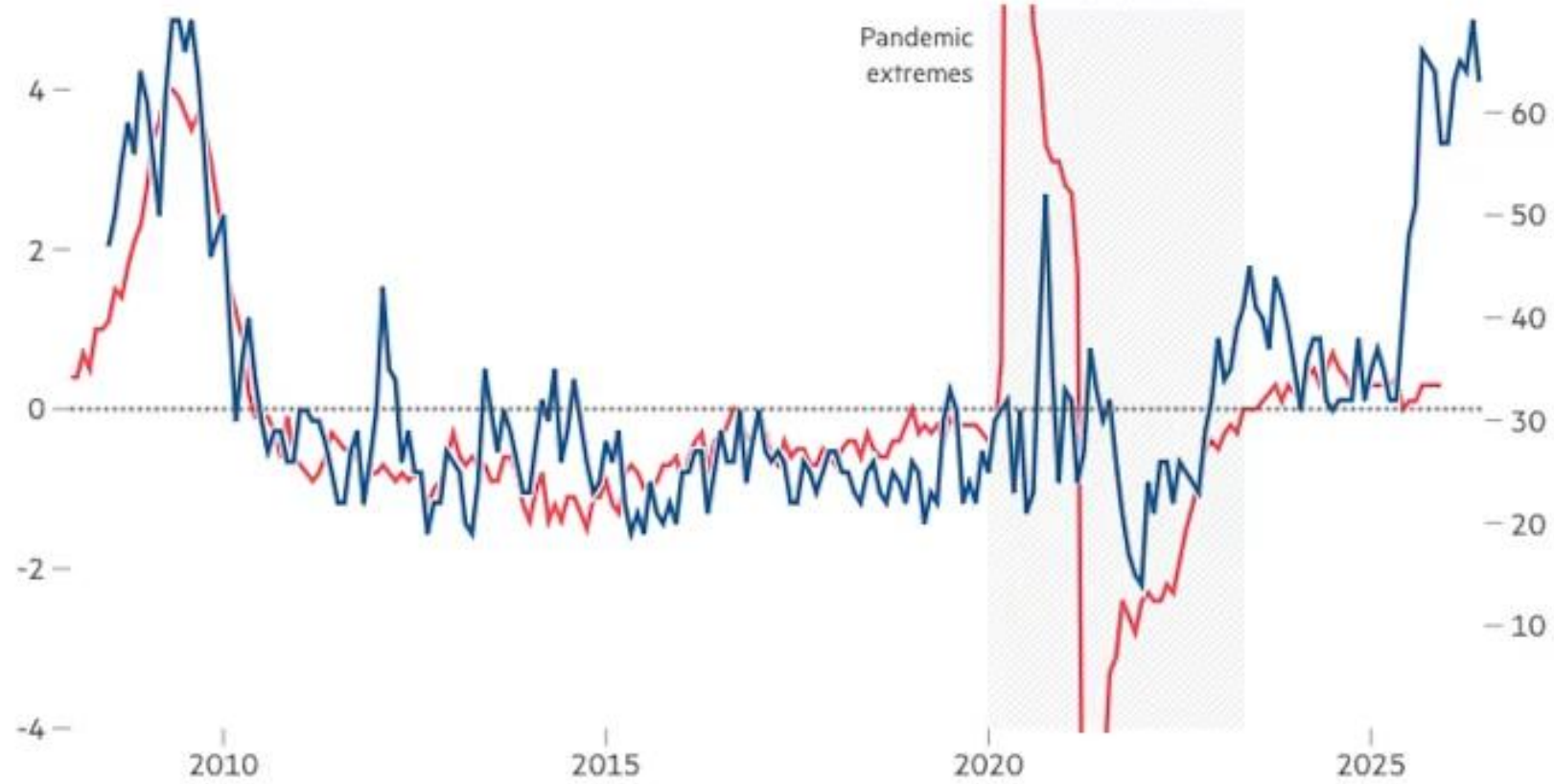


Source: The Bureau of Labor Statistics, Bloomberg

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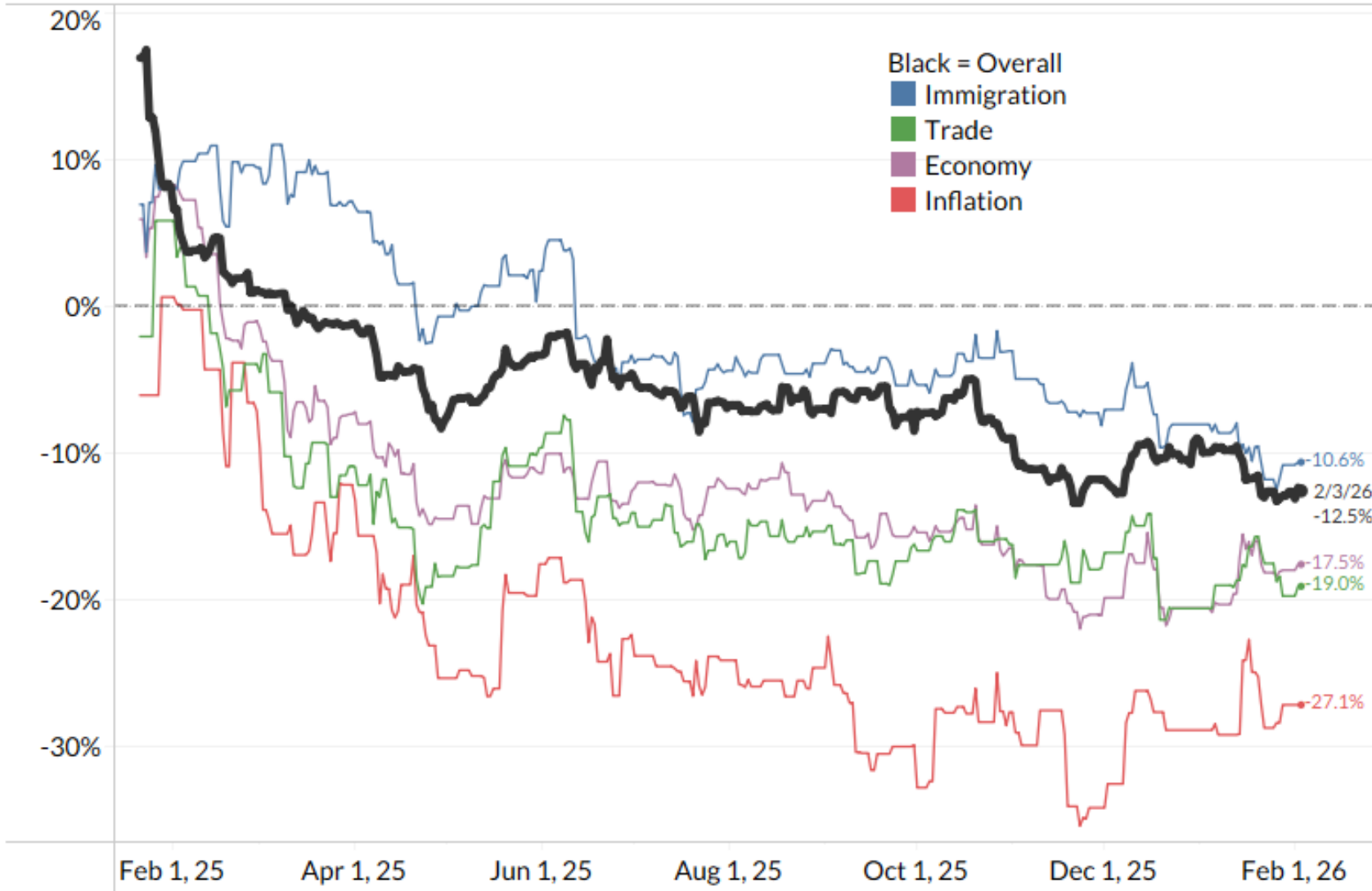
Survey data suggest Americans braced for higher unemployment

■ University of Michigan unemployment expectations for next 12 months, forward six months
■ US unemployment rate (change from year ago, %), ppts



©FT Source: University of Michigan, US Bureau of Labor Statistics

Trump's Net Approval on the Issues



Source: Silver Bulletin

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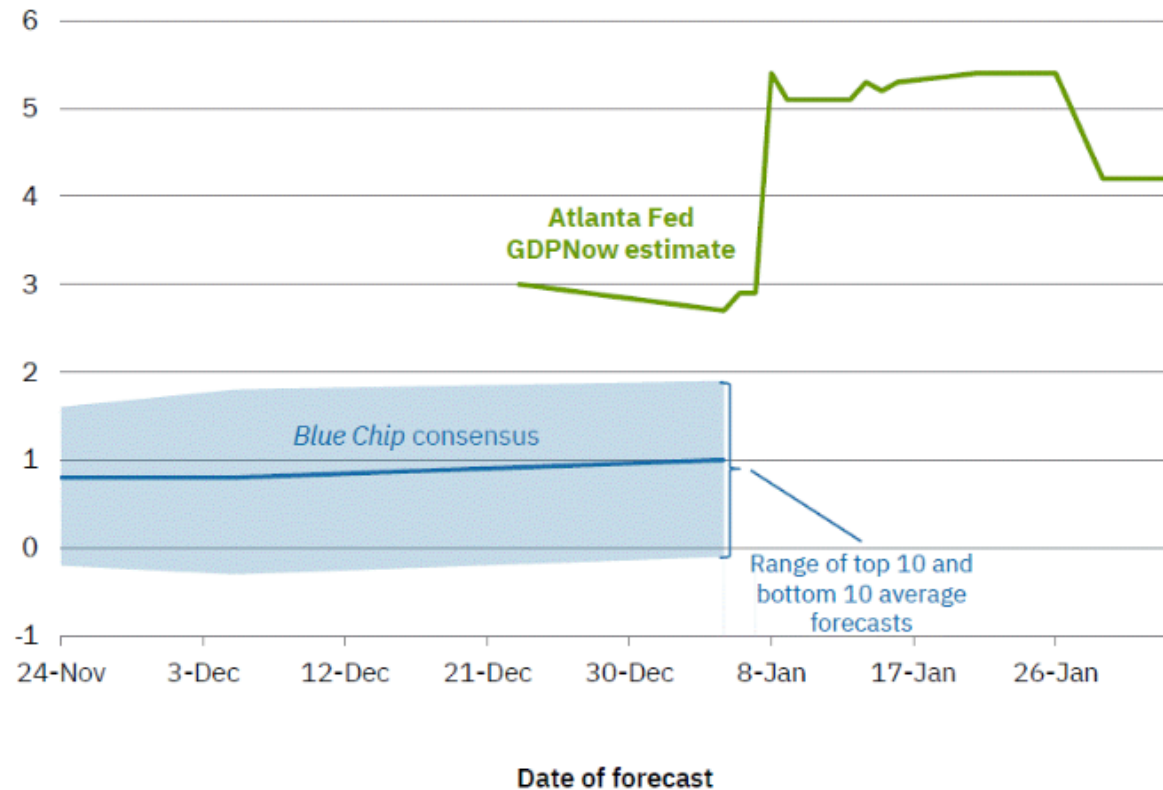
Latest estimate: 4.2 percent — February 02, 2026

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the fourth quarter of 2025 is **4.2 percent** on February 2, unchanged from January 29 after rounding. After recent releases from the US Bureau of Labor Statistics and the Institute for Supply Management, the nowcast of fourth-quarter real nonresidential equipment investment growth decreased from 3.7 percent to 3.6 percent.

The next GDPNow update is **Tuesday, February 10**. Please see the "Release Dates" tab below for a list of upcoming releases.

Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q4

Quarterly percent change (SAAR)



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

Bloomberg US Surprise Index



Data Source: Bloomberg

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Transcript of Chair Powell’s Press Conference January 28, 2026

ARCHIE HALL. Archie. Archie Hall from The Economist. On that sort of stabilization of the labor market question, how much do you see the weakening we saw over the past six months, year, as the kind of data mirage around immigration, the government shutdown, and so on, that’s now resolved? Or how much have we seen a kind of real underlying firming up in the state of the labor market, do you think?

CHAIR POWELL. Well, part of it is, to your point, part of it just is that—that labor supply—**growth in labor supply has come to essentially a halt from a fairly fast clip of growth over the last couple of years, driven by immigration.** And then the halt being driven by a very sudden stop in immigration. So, many outcomes were possible with that, supply came way down.

It turns out that demand for labor also came down a very similar amount, maybe just a little bit more, which is why the unemployment rate has gone up. So, I don't know whether that's a coincidence or not, but that's what's happened with that part.

In a sense it is. If demand and supply are in—are in balance, you could say that's full employment. At the same time, is it—do we really feel like that's—that's a maximum employment economy? It's a challenging—it's very challenging and quite unusual situation.



Table 1: Potential monthly employment growth

	Under Low Immigration Projections	Under High Immigration Projections
2022	120,000 – 200,000	
2023	150,000 – 220,000	
2024	120,000 – 160,000	
2025	90,000 – 120,000	100,000 – 130,000
First half	170,000 – 200,000	180,000 – 210,000
Second half	20,000 – 50,000	20,000 – 50,000
2026	-20,000 – 20,000	10,000 – 50,000
First half	-20,000 – 20,000	10,000 – 50,000
Second half	-20,000 – 20,000	10,000 – 50,000

Source: Authors' estimates, assessing the effects of the unexpected changes in immigration since 2020 relative to the prior range of potential employment growth estimates from the Bureau of Labor Statistics (2017, 2019) the Congressional Budget Office (2019, 2020), and the Social Security Administration (2019).

Note: Low immigration and high immigration projections for 2025 and 2026 are described in the main text. While CBO estimates potential employment growth, BLS and SSA do not. Pre-2020 projected employment growth from BLS and SSA for years 2022 to 2026 were published long enough before 2022 that those projections are interpreted to include only noncyclical factors. To estimate SSA projections, we use the BLS (2019) baseline number in 2019 and SSA's stated labor force growth rate of 0.8 percent annually from 2018 to 2026. The estimates assume a quick ramp-up in labor force participation among recent immigrants in the first half of 2025.

BROOKINGS

January 30, 2026

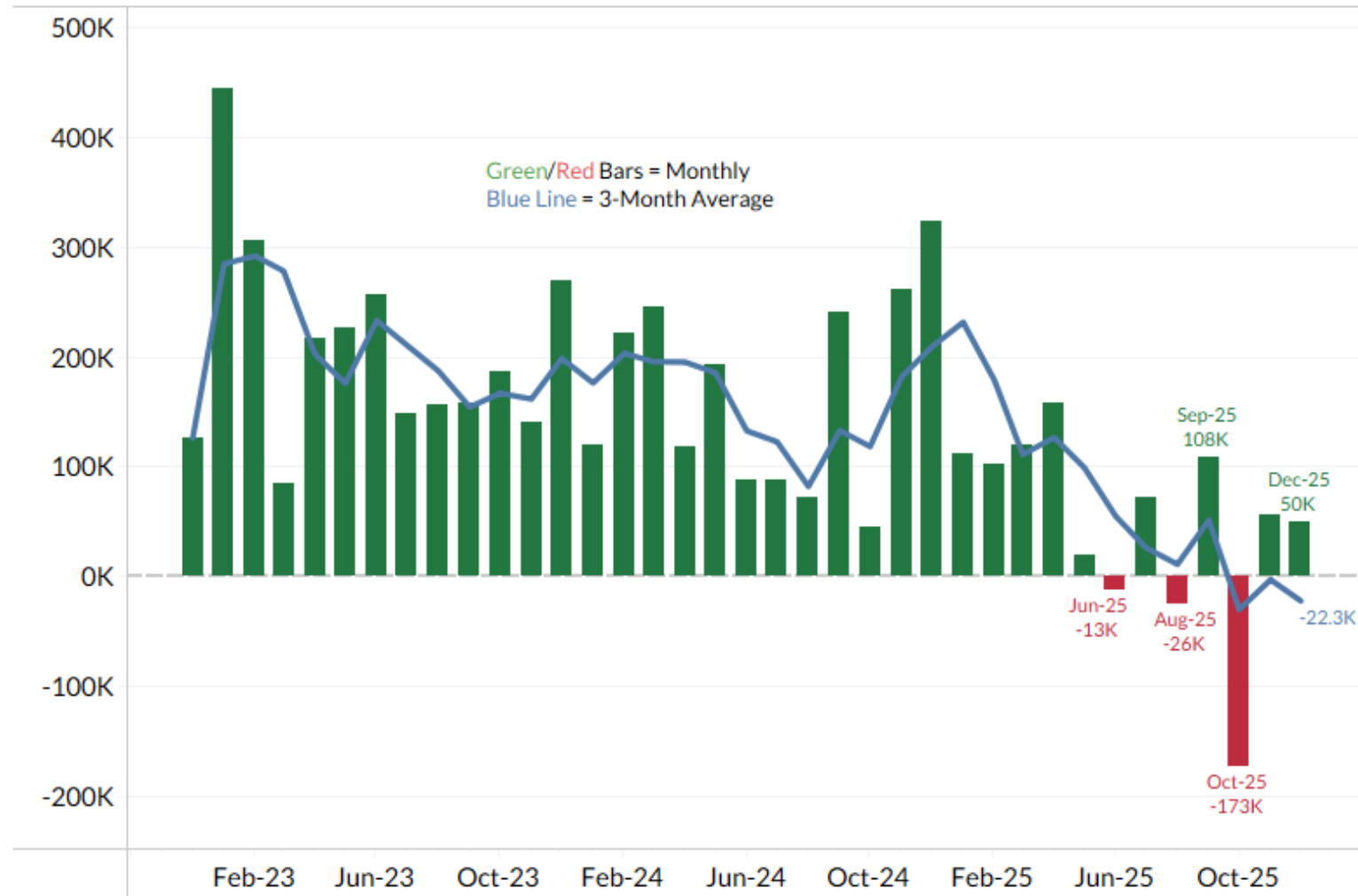
Statement by Governor Christopher J. Waller

I dissented at the most recent meeting of the Federal Open Market Committee (FOMC) after concluding that cutting the policy rate by 25 basis points was the appropriate stance of policy. Three cuts to the policy rate last year have moved it closer to a neutral setting but monetary policy is still restricting economic activity, and economic data make it clear to me further easing is needed.

First, in contrast to the continued solid growth in economic activity, the labor market remains weak. **Despite ticking down in its most recent reading, the unemployment rate has risen since the middle of last year.** Payroll gains in 2025 were very weak. Compared to the prior ten-year average of about 1.9 million jobs created per year, payrolls increased just under 600,000 for 2025. And, last year's data will be revised downward soon to likely show that there was virtually no growth in payroll employment in 2025. Zero. Zip. Nada.

Let this sink in for a moment—zero job growth versus an average of almost 2 million for the 10 years prior to 2025. This does not remotely look like a healthy labor market. While lower labor supply was surely a factor, it also indicates considerable weakness in labor demand. Employers are reluctant to fire workers, but also very reluctant to hire. I have heard in multiple outreach meetings of planned layoffs in 2026. This indicates to me that there is considerable doubt about future employment growth and suggests that a substantial deterioration in the labor market is a significant risk.

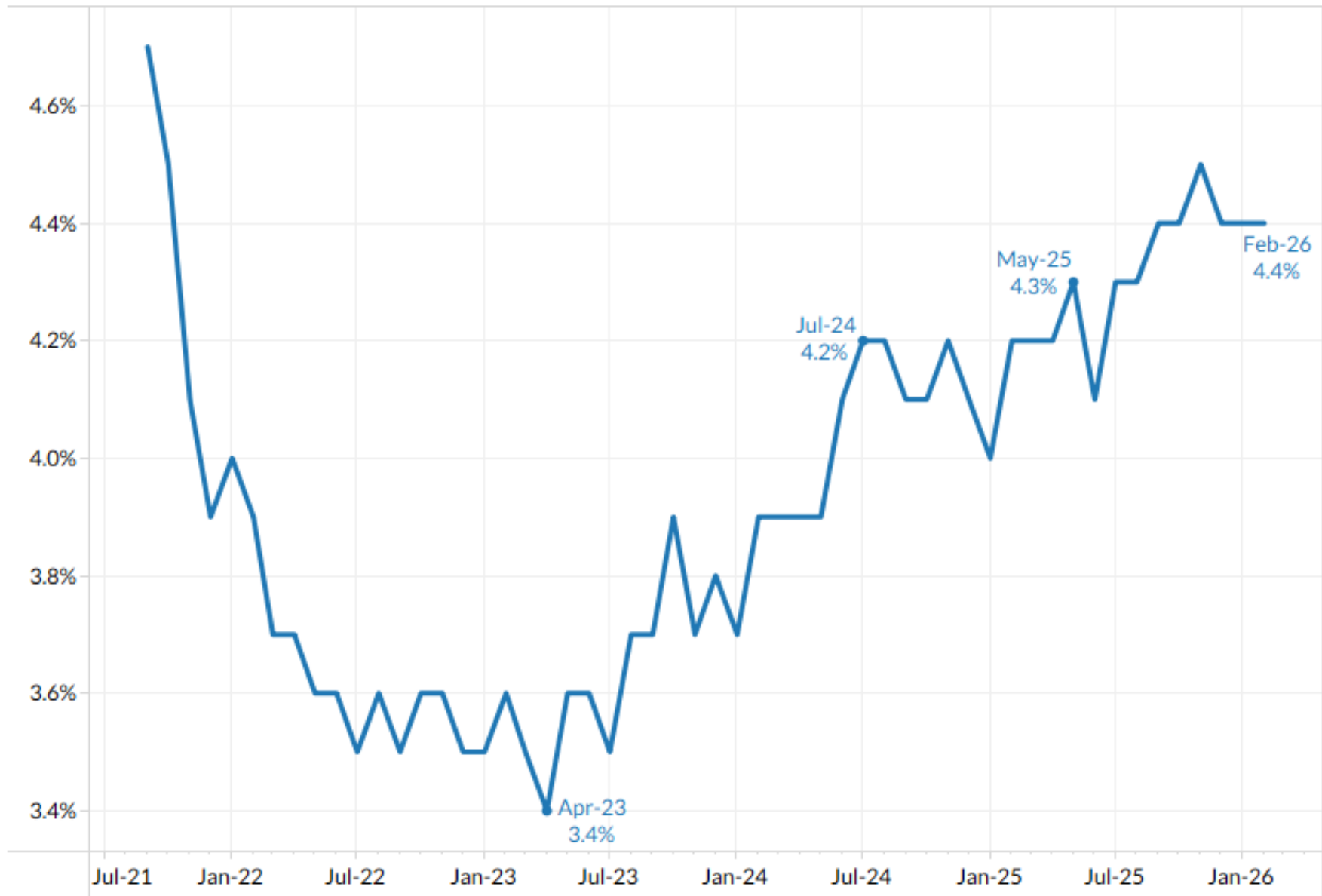
Nonfarm Payrolls Monthly Change



Source: Bloomberg

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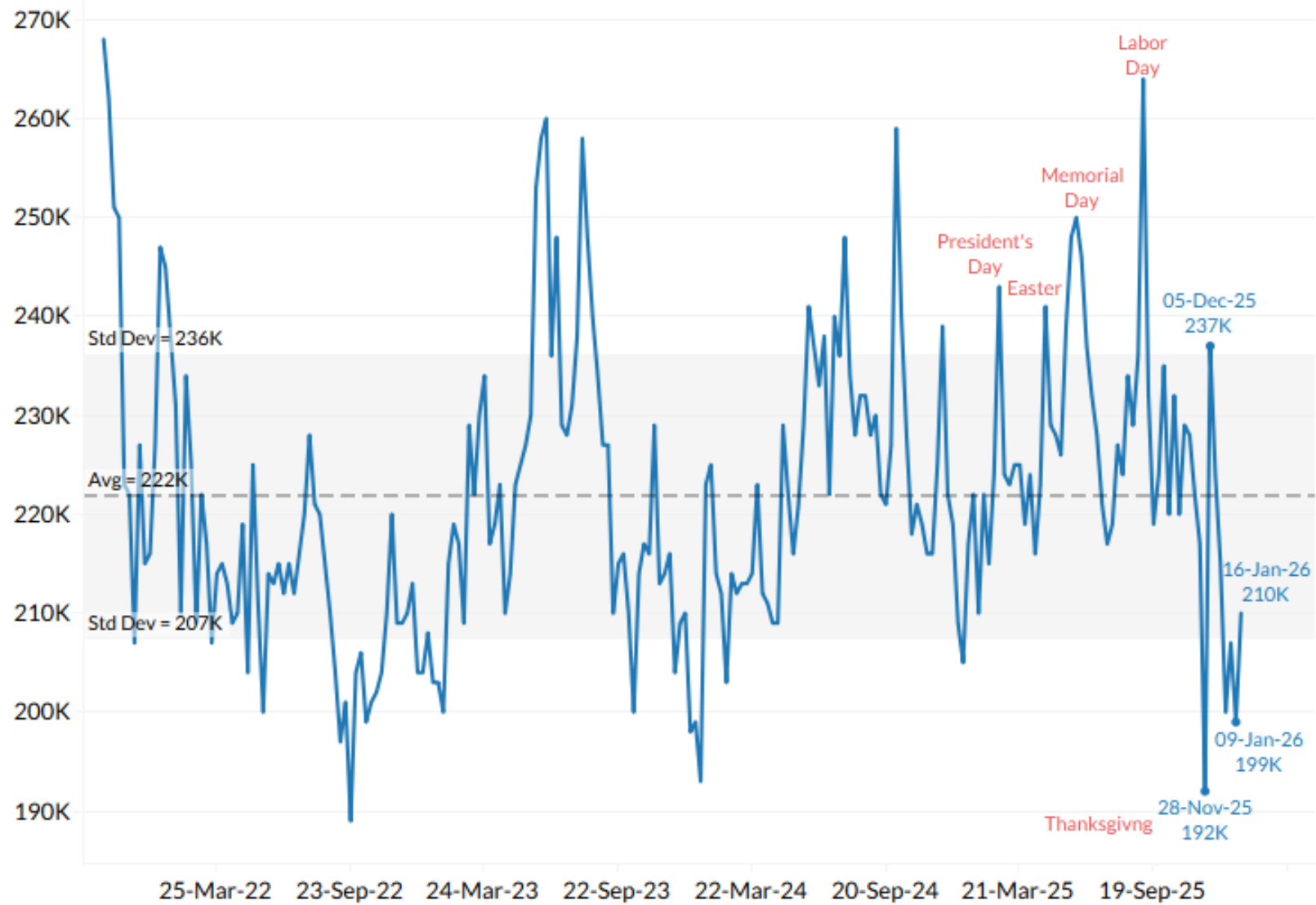
United States Unemployment Rate



Source: Bureau of Labor Statistics, Bloomberg

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Weekly Initial Claims

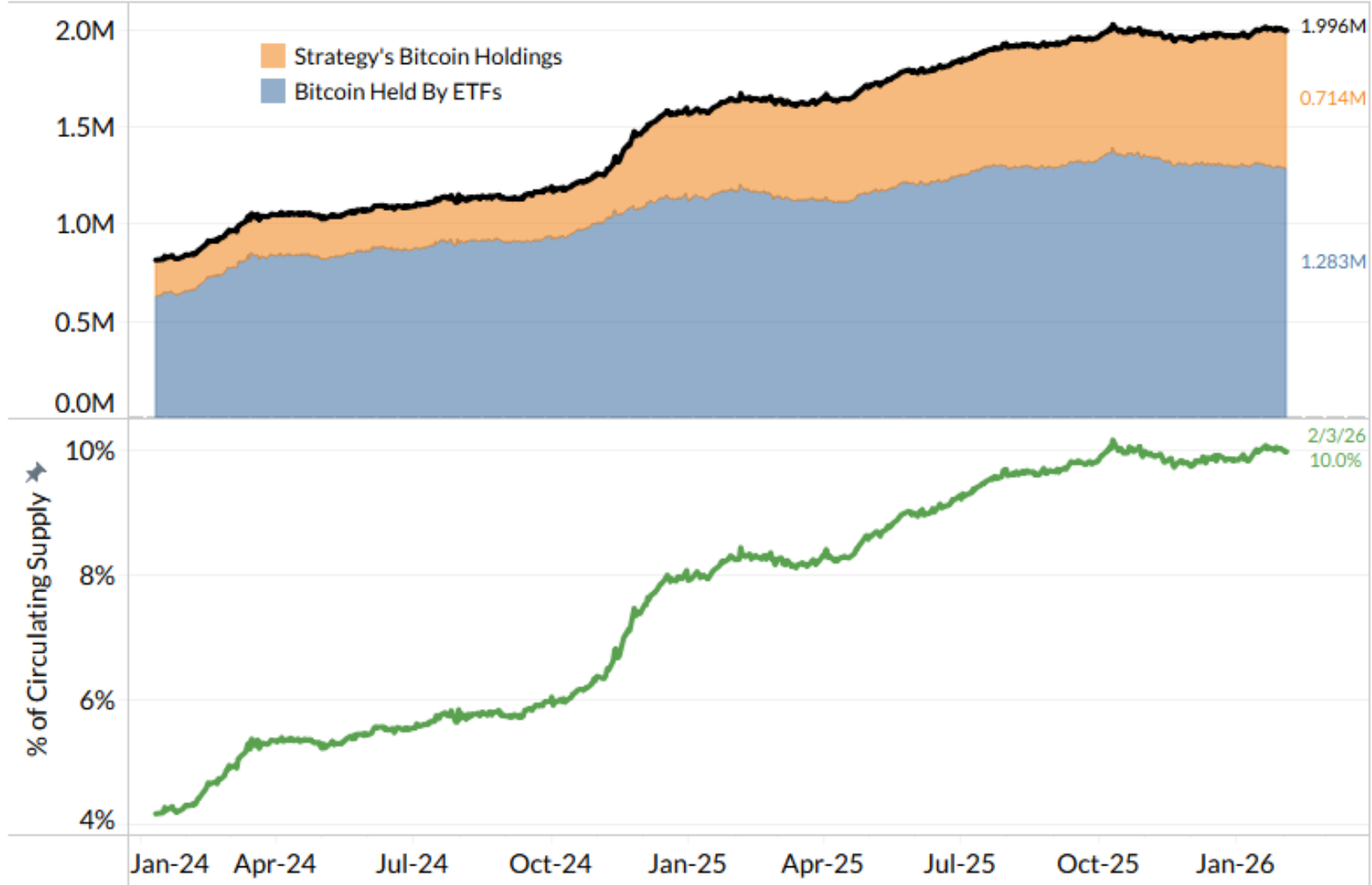


Data Source: Bureau of Labor Statistics

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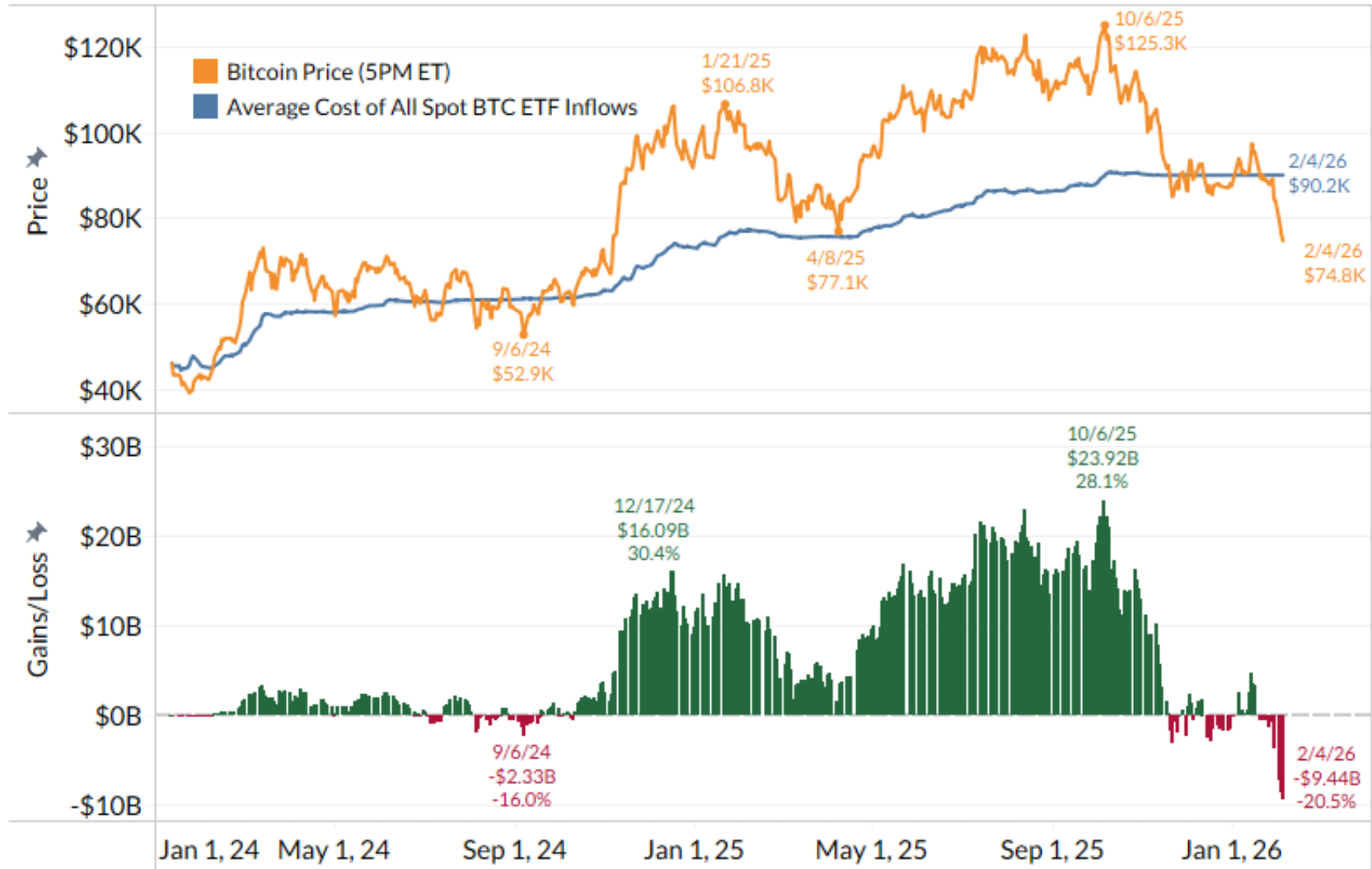
Total Bitcoins Owned by Strategy and the Spot Bitcoin ETFs



Source: <https://www.strategy.com/data>, Bloomberg

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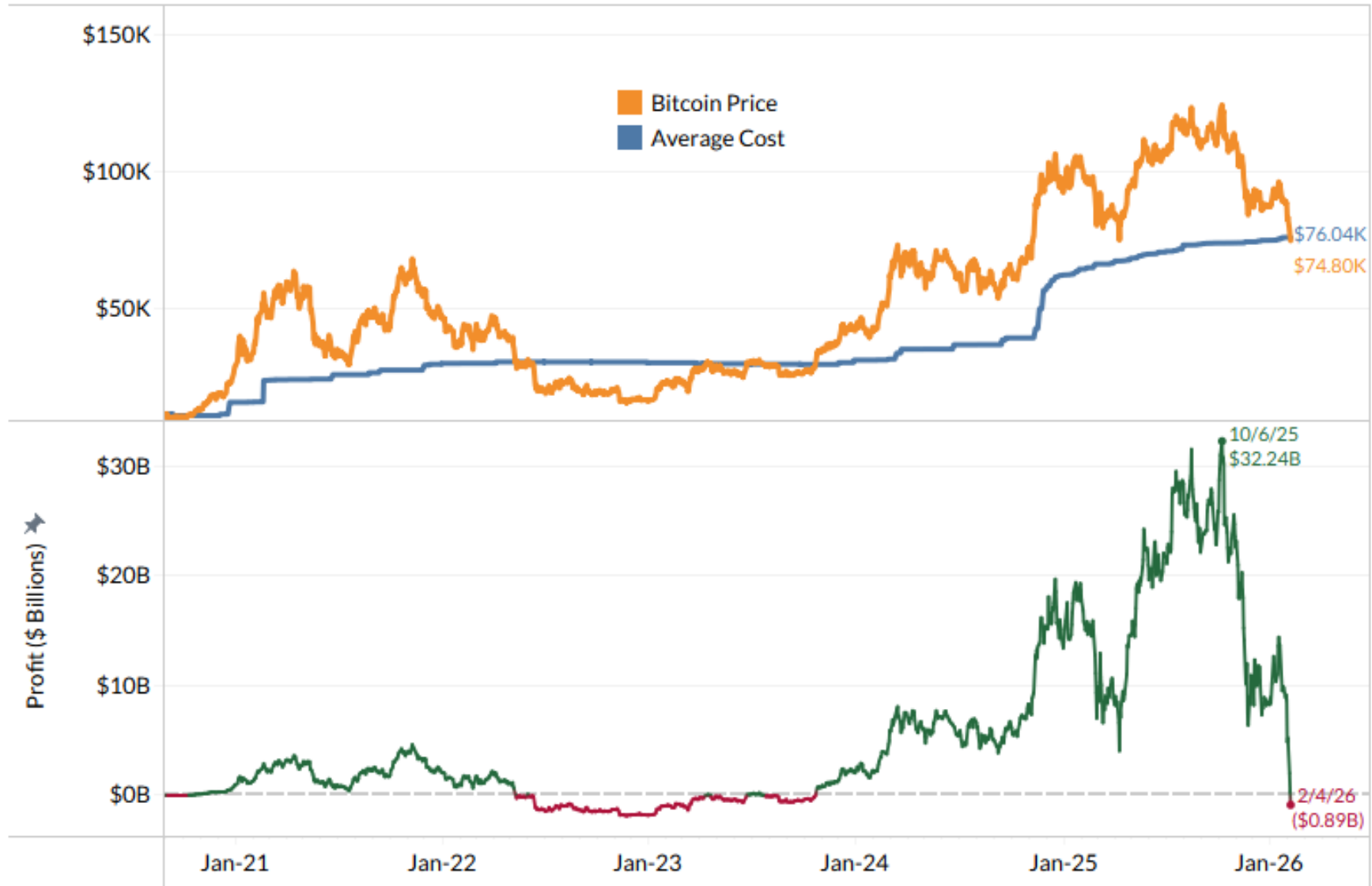
The Average Purchase Point of All Ten Spot Bitcoin ETFs Inflows Since Inception



Source: Bloomberg

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The Average Purchase Price of Strategy's Bitcoin Purchases

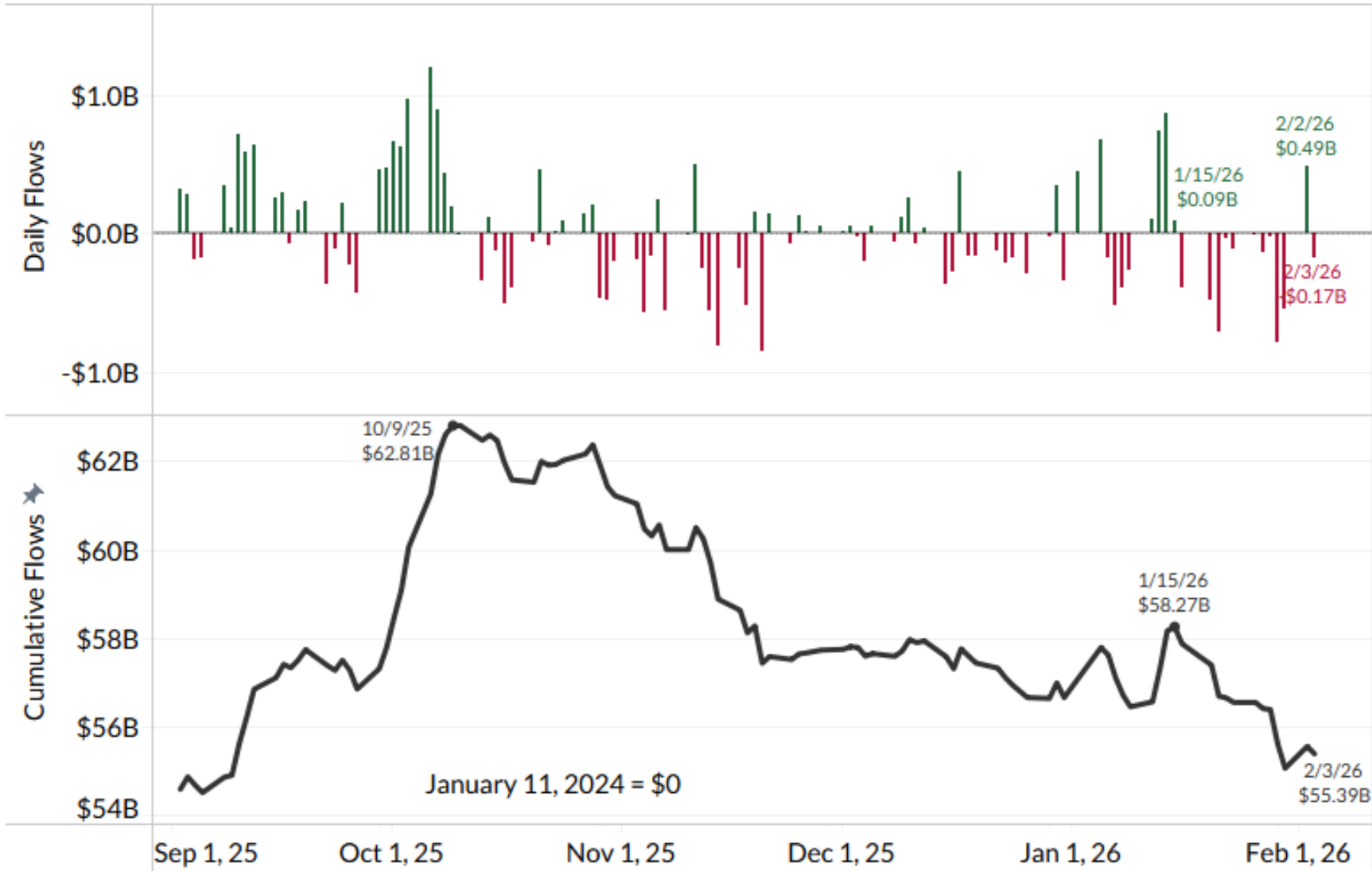


Source: <https://www.strategy.com/data>

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Flows Into ALL Spot Bitcoin ETFs

Since Trading Began on January 11, 2024



Source: Bloomberg

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