THE EQUUS REPORT

—BY BARNABY LEVIN

LISTEN CAREFULLY!

Monday, 24 August 2026

Listen Carefully!

Most economists aren't happy. So, too, most "journalists" who follow the Fed's every word. They're upset because **Kevin Warsh**, the new ***Chairman*** of the Federal Reserve, is doing ***exactly*** what he ***said*** he'd do (if ***he*** were Chair) for years.

He has said the Fed should "do more thinking and less talking"[1] and that he wants to get it "off the front page, back on B12." He has said he doesn't believe in forward guidance or previewing future decisions through the Fed's "dot plot,"[2] first introduced in 2012 by Ben Bernanke. He has said Markets perform best when they "play the ball, not the referee."[3] But despite all this, it seems people haven't wanted to ***believe*** he'd act this way, perhaps because they've been spoiled for so long, and now the new guy's not telling them which way he's leaning (or why – when ***they*** think ***they're*** seeing inflation as a problem – he doesn't seem to be doing anything ***about*** it!)

Just after Alan Greenspan first took office (after "Black Monday" in 1987),[4] he (famously) said, "If I seem unduly clear to you, you must have misunderstood." It's true (like they do today on Kalshi and PolyMarket), people "made a market," betting on the direction he'd take with rates, based on how thick his briefcase was. Sometimes they were right and sometimes they were wrong, but the truth is – after Greenspan retired – things changed and, since then, people have grown used to being spoon fed, every six weeks, with the Fed's dot-plots and a never-ending stream of interviews, before and after every meeting, with every (living) Bank President, past and present. Since Greenspan (even though they keep saying they'll be led "by the data") most Fed Presidents have known Biases and have long been "indicating" which direction ***their*** vote will go – while all the "Talking Heads" have been ***telling*** us what the Fed said and whether ***they*** (in their wisdom) agreed so we could (endlessly) discuss. Never mind how, all too often, "they" ***and*** the Fed are ***wrong*** (as Paul Samuelson's quipped in 1966 in Newsweek, when he said, "economists have predicted **nine** of the last ***five*** recessions"). These people never seem to be held accountable and think (if they ***do*** get it wrong) they'll get it right ***next*** time (as Will Rogers fondly said, "often wrong; never in doubt").

Like ***I've*** said many times, however – about some of our more controversial, World Leaders like Putin and Xi Xinping, in articles and podcasts – people ***usually*** tell you what they plan to do, if we simply ***listen***.

Sometimes (if they're politicians) they might change their minds over many years, depending on whether they're in the Majority or Minority, because it serves their Purpose; and (sometimes) they may ***seem*** to change their mind (or "stripes," as some do in politics, softening their rhetoric as it gets closer to a given election). But if you dig a little, it's there – captured in all those soundbites, emails, texts and interviews the Cloud never forgets and, eventually, we're reminded that, when

[1] WSJ.com, June 15, 2026
[2] Senate Confirmation Hearing, April 2026
[3] FOMC Press Conference, July 2026
[4] Before the Senate Bank Committee

people tell you what they think on a given topic, it's best to take them at their word the first time, when they were ***first*** getting involved in "Public Service." The truth is, the only politician ***I'm*** aware of who ***hasn't*** changed (come "hell or high water") is Bernie Sanders, who was first elected to the House in 1990 and the Senate in 2007 and has unapologetically been promoting Socialism ever since. He sounds exactly the same as he did thirty-six years ago and my point is: don't be fooled, if someone suddenly seems to be tacking closer to the Center, from either the Right or Left. ***Also,*** be careful what you wish for (because you just might get it), especially if you ever find yourself trying to convince yourself that such-and-such a candidate wouldn't go ***that*** far (***right***?!). With today's crop of Democratic Socialists,[5] they (like Sanders) seem truly committed and we'll have to see how much headway they make in the Mid-Terms – to see how much further young people drift from the principles upon which our Country was founded. I'm a little worried and am doing my best to turn away, any time any poll or politician tells us what "the American people" ***want***. As much as we were during the Civil War, we're a Divided Nation, where people are split down the middle, how they view the world – and few seek to challenge ***themselves***, whether (in the words of Danny DeVito, in "My Cousin Vinny") their Point of View "holds water" when challenged by the other side. But when the day comes to vote, please ***do***, so your voice is heard, whichever way it leans. This is not a time and place to be passive, when it comes to ***California*** or the **Nation**.

Warsh (meanwhile) has done everything he can to be as transparent as possible. It's just that people (again) don't like what he is (or isn't) saying. With him (I believe), "What You See Is What You Get." If he doesn't know or hasn't made up his mind, he'll ***tell*** you that (no matter how many times or ways you ask) and (as a result), years from now, I think he stands a good chance of becoming the best Chairman of the Federal Reserve we've ever have had. I think he does a better job of looking at things from ***all*** angles, having served at the Fed and on the National Economic Council; in Mergers and Acquisitions at Morgan Stanley; as a Board Member at UPS, Coupang and Bessemer Securities; and as a Fellow at Stanford at their Graduate School of Business and Hoover Institute. He (like Scott Bessent at Treasury) understands an Income- and Profit & Loss Statement better than most and how Markets react. And he's now said (now that he's in a Leadership position) he's ***done*** with the Fed being wrong and behind the curve. At his first FOMC meeting in June, he said ***his*** first act was neither to raise or lower rates but, instead, to create five, independent Task Forces, to review the information upon which the Fed bases their decisions, regarding **Communications**; **Balance Sheet Policy**; **Data**; **Productivity & Jobs**; and **Inflation Frameworks** – where each of them is "tasked" with the mandate to **operate independently**; **follow the evidence**; **provide candid feedback**; and **deliver rigorous findings and recommendations before year-end**.

Since 2011 when – opposed to Bernanke's ***second*** round of Quantitative Easing – he left the Fed to become a Partner at Stan Druckenmiller's Duquesne Family Office, Kevin Warsh has been questioning the data, methodology and analysis upon which most economists ***and*** the FOMC

[5] with the possible exception of Abigail Spanberger, when she was running for Governor and needed a boost in Virginia

base their decisions and (as he's said several times since) he wants **a rigorous and healthy debate** (which he affectionately refers to as a "family food fight").[6]

My point is, he told us that he wants to ***wait*** to hear from the members of those five Task Forces – respectively, from Mervyn King, Peter Fischer and Arminio Fraga; Raghuram Rajan, Karen Dynan and Jeremy Stein; Raj Chetty, Kevin Murphy and Doug McMillan; Marc Andreesen, Charles Jones and Asha Sharma; and Greg Mankiw, Tom Sargent and William White. Each of these men and women come from diverse and often opposing viewpoints and ***all*** are "giants" in their respective fields. He wants to hear what they have to say and ***then*** to huddle with his fellow members of the Federal Reserve with a fresh Point of View. ***And***, unless something ***irrefutably*** forces his hand and gives him **no choice**, we should expect he'll stand pat until then. Anything else would be an unforced error and he doesn't strike me as someone who makes many of those.

This is how Kevin Warsh plans to redeem the Fed's credibility and independence, knowing (as Mary Daly recently said) the ***worst*** thing would be to move ***too*** quickly and (then) to reverse themselves, soon after.[7]

So, even though the Markets don't like "uncertainty," we need to give him a little time because, in the end, I think we'll be better off for it. Like him, ***I've*** long felt too much of what the Fed has been looking at ***is*** too backward-looking and that they need to put greater weight on other, more current Indicators (instead of averaging things out over the past 6-12 months, in an effort to "smooth out" any "anomalies").[8] The Fed's job is to always be looking ***forward***, knowing the tools they have will have a 6-18 month lag, before they have an impact. But the data we ***do*** look at, today? ***That*** seems to be giving them room as (hot off the press) Headline CPI just met expectations, up 3.4% YOY in July and, excluding food and energy, was up only 2.5%, in response to which the yield on 2-year Treasuries (if only briefly) ticked down a few basis points.[9]

As far as the Fed's "**2% Target**" is concerned, Warsh ***also*** said that he and the other members of the committee are **committed** to it as well – and that it would be a mistake for people to think otherwise. The path forward ***will*** become clearer, once the results from those five Task Forces are in hand and, while we ***all*** feel the pinch from the rise in prices during the Biden years (cumulatively, up 21.4%)[10] – despite campaign ***promises*** from some of the people running now for office – prices ***won't*** be going ***down*** unless we enter a Recession (which, of course, we don't

[6] "The Conversation" with NYU's Simon Bowmaker, 2023
[7] in interview with Maria Bartiromo on Fox Business, May 2026, she said, "Policy is already in a good place" and the Fed could respond later as more data came in.
[8] "Owner's Equivalent Rent (OER)," for example, as used for CPI per the Bureau of Labor Statistics (BLS), lags private-market rent indexes – from companies like Zillow and CoreLogic – by roughly 12-18 months.
[9] Bureau of Labor Statistics, August 12, 2026
[10] based on the Consumer Price Index for All Urban Consumers

want). It (as Milton Friedman said) is all about the Money Supply[11] (and, of course, Supply & Demand) – and, while Supply ***is*** increasing in almost every sector, the only thing that could cause prices to ***fall*** (rather than stabilize) is if Demand dries up and people stop buying. So the question is whether prices – overall and in key categories like food, energy and housing – are beginning to rise at an ***accelerating*** or sustained rate or not.

Warsh's point is that it's ***possible*** the numbers we're hearing (and, therefore, upon which we've been basing our decisions) aren't accurate. That ***perhaps*** the tide has already turned and headlines simply don't reflect it yet. And, from what I'm seeing (as I shop on Instacart for my 96 year-old Mother and compare prices each week from a week and month ago), prices seem fairly stable, overall, and those who feel otherwise are either looking at things through a political lens (while complaining about the high "Cost of Living") or they're still comparing today's prices to what they were back in "the good old days," prior to Covid. Again, until we hear from Warsh's Task Forces – which may or may not happen by the time he speaks at Jackson Hole, starting August 27– my guess is he won't do anything until September at the ***earliest*** (at the ***next*** meeting of the FOMC) because he doesn't ***need*** to. In the meantime, the Economy's fine; people that ***want*** to work are; and we should be turning our attention elsewhere.

To "Trump's Tariffs," for example, because (interestingly) ***that's*** the podcast people are most going back to listen to – months after I first recorded it on my Plutonomix Podcast in March last year. It seems (due to "popular demand") it might be time for me to do an update, first by summarizing the message I hoped to convey ***then***, which was that (on the one hand) ***China*** would ***never*** change their policies, tariffs and rules regarding ownership but (given the centuries of what ***they*** consider "oppression") that I understood ***why*** – while Canada and the EU (on the other) might not ***either***, but that (in my opinion) it made **no sense at all**!

As fellow "democracies" and (supposedly) our "Allies," there shouldn't (theoretically) be ***any*** tariffs, one way or the other, between us. We should ***all*** be enjoying free, open and unrestricted trading, to reduce friction so neither economy is at a meaningful disadvantage. But ever since World War II – when the US so generously offered to help everyone else rebuild – most other countries have come to think of their own acts of Protectionism as "Entitlements" and, when we ***finally*** tell them to drop theirs or we'll assess our ***own***, they scream bloody murder, as if ***we're*** the ones taking **advantage** of ***them***. France has a 20% "**Value *Added*** Tax" (for example) on ***all*** products and, for most "out of quota" (on what they call their "Most Favored Nation") items, they seem to be charging hundreds of Euros per hundred kilograms. Germany charges a 19% VAT and adds plenty of fees on (among other things) cars. But Canada (with whom we share a common border) is in an entirely different category. On milk, for example, they charge us 241%; on cheese, 245%; and butter, 298% -- while the tariff on eggs is "only" 163%.[12] Yet ***we're*** (evidently)

[11] "Inflation is always and everywhere a monetary phenomenon in the sense that it is and can be produced only by a more rapid increase in the quantity of money than in output" from "The Counter-Revolution in Monetary Theory," Institute of Economic Affairs Wincott Memorial Lecture in 1970.

[12] Cbsa-asfc.gc.ca

ripping ***them*** off, as Jamieson Greer seeks to ***re***negotiate on our behalf.

Fast forward to today, there have been multiple court challenges, leading all the way to the Supreme Court and, in the Markets, a lot of ups and downs due to our Tariff Policies under Trump. And yet, here we are (more or less) where we started, when – after getting everyone's attention (on April 2nd) with his infamous "Liberation Day" – Trump offered his first "watered down" agreement with the UK on May 8th. As we refund Tariffs assessed under the f**irst** round, we're collecting them again in the ***second***, so (as some might say) we're simply "robbing Peter to pay Paul," transferring money from one pocket to another.

Now ***clearly*** there are those who (passionately) disagree with us charging Tariffs at ***all*** (and, let me clear, I cherish them and their opinions) – or who bristle at the fact that Trump's doing so much unilaterally, through "Executive Orders" instead of through Congress. I understand and don't (entirely) disagree. But we're caught between a rock and a hard place, as far as I'm concerned – damned, whether we do or not. I'm not a fan of Tariffs ***either*** – but I think it cuts ***both*** ways and, given the seemingly ***irreconcilable*** divide in the House and Senate where ***nothing*** is "bilateral" – and the fact that most other nations[13] have refused to lower or abolish their ***own*** throughout this entire process, ***something*** has to be done. If you don't like Trump's tariffs, I'm happy to hear any ideas you have that would force or incentivize other countries to restore **"free and fair" trade** for **ALL**. As ***one*** Client says, **"No Pitch, No Bitch!"**

Until then, I'd like to end with a brief note on **Productivity** (the topic of my ***next*** article).

In the US, we have a Spending problem – not a Revenue one – whether we look at Entitlements (like Social Security and Medicare) or Education. We already spend more than any other Nation on these (for example) and we know by now that there's been an exorbitant amount of fraud and abuse in recent years in these very important programs, where people who truly ***need*** it aren't getting the help they need because of the Fraudsters. Like (as another example) our Veterans, many of whom are suffering mental illness or have lost limbs, fighting on our behalf. Rooting out the fraud would (from what we're hearing) free up tens of billions of dollars that can go to serving the people for whom these programs were designed in the first place.

Personally – as steep as the cost might seem – I have a hard time including our Military in the same category, given the threats we face from Russia, Iran and China and (as Alex Karp at Palantir says) "either ***we*** win or ***China*** will." It's a binary outcome in which the Loser will lose the ability to dictate the rule of law; cultural values; and will become dependent on the Winner. But at this point, it all comes down to AI and who wins ***that*** race. Right now, ***we*** are and – while we can certainly focus on spending "wiser" – I don't think we can "afford" to spend ***less***. Given how much China's spending, ***that*** doesn't seem to be an option, when it comes to ***this***.

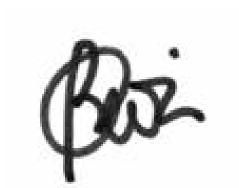
So, we have a Spending problem. And (except for 2009 and 2020) – while GDP has grown every

---

[13] other than Cambodia, Thailand, Vietnam, Malaysia, Indonesia and the Philippines

year for the past quarter of a century – **Income Tax** Receipts have varied more widely. This is due, in part, to changes in Tax Policy under Bush and Trump. But the years in which Receipts fell have mainly been a result of Market fluctuations and their impact on ***Realized*** Capital Gains for High-Income Earners, upon whom the greatest burden falls by far.[14] So, if we want to smooth out the ***Income*** side of the equation (so we can budget more effectively) we must increase ***Productivity*** – the biggest driver of which (at this point) is **Artificial Intelligence** (or "AI"). That, I believe, is what will drive global economies for years to come – and if a country isn't aggressively pursuing the advance of AI, they'll be left behind. Despite the potential dangers (which are real), the need and advantages to us today are too good to pass up and the good news (again) is we still have an edge here in the US, ***if*** we don't screw it up with excessive regulation and roadblocks. If we ***do***, ***China*** will still continue, pedal to the metal, unfettered. And not only that: it's ***China*** (I think) who's behind much of the resistance to things like Data Centers here, just as they are in influencing our youth in school and (until recently, when we took it over) Tik Tok. To whatever degree China succeeds in slowing us down (or sowing seeds of discord from within), the greater the chances of ***their*** pulling ahead, when it comes to energy and what we call "compute."

In America, we seem to respond best to adversity (or, as Winston Churchill said, "Americans can always be trusted to do the right thing, once all ***other*** possibilities have been exhausted"). So, ***yes***: I'm still hopeful, ***despite*** all the bickering and aggression we're seeing in the streets of some of our biggest cities. Because we have some of the best entrepreneurs and companies **in the *world*** and – ***because*** of that – there's still a good chance the next 5-10 years ***could*** be some of the best in our Nation's history.



Barnaby Levin
Partner | Managing Director | HighTower Advisors
LK Wealth & Asset Management

[14] According to taxfoundation.org, more than 70% (for tax year 2023, the most comprehensive data from the IRS) is paid by the top 10% of taxpayers. The top 1% paid 38.4%; the top 5% paid 59.3%; and the top 50% paid 96.7% while the bottom 50% only paid 3.3%.

***LK Wealth & Asset Management** is a team of investment professionals registered with Hightower Securities, LLC, member FINRA, and SIPC & Hightower Advisors, LLC a registered investment advisor with the SEC. All securities are offered through Hightower Securities, LLC and advisory services are offered through Hightower Advisors, LLC. This is not an offer to buy or sell securities. No investment process is free of risk and there is no guarantee that the investment process described herein will be profitable. Investors may lose all of their investments. Past performance is not indicative of current or future performance and is not a guarantee. The securities mentioned herein may not be suitable for all investors and there is no guarantee that the investment process described herein will be profitable. Before investing, consider the investment objectives, risk, charges and expenses. Diversification does not ensure against loss. Please read all prospectuses carefully for details regarding this information. In preparing these materials, we have relied upon and assumed without independent verification, the accuracy and completeness of all information available from public and internal sources. Hightower shall not in any way be liable for claims and make no expressed or implied representations or warranties as to their accuracy or completeness or for statements or errors contained in or omissions from them. This document was created for informational purposes only; the opinions expressed are solely those of the author, and do not represent those of Hightower Advisors, LLC or any of its affiliates.*