
FED FINALLY? EMBOLDEN TRUMP'S VOLATILITY

Quick comments:

- ❖ Fed Chair Powell raising market expectations of interest rate stimulus (for Sep-25). With inflation still high/rising coupled with disappointing employment picture, US Fed's expected action should provide substantial cushion for corporates faced with higher import costs. **Add JPM (\$296.24)/Beta to portfolio.**
- ❖ Inadvertently, Powell not only signalled potentially more Fed stimulus it emboldens more TRUMP volatility: expect US\$ weakness, alternative assets like **GOLD (\$3,417)** and **Bitcoin (\$112,094)** to continue its surge.
- ❖ As Putin continues to enjoy Trump's Santa-esque gift proposals, why stop? If only Trump replicates his fervour to usurp control at Jackson Hole, his flaccid sanctions threat and diminished allied support meant replacing Putin is the only viable option for stopping the Ukraine war.
- ❖ US government 10% stake in Intel (\$24.80). While Intel continues to restructure over the medium term, the US government in providing substantial grants is akin to taking "first hit" ahead of shareholders. **Close our short position on Intel.**

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6Σ column

What we think

If Trump pushes out the Biden-appointed Lisa Cook from the Fed on fraud charges, which has to be a real possibility, it's game over for Powell and an independent Fed.

Anyway, Powell has been waiting to see the impact of the tariffs on inflation, which hit bottom in Apr when Trump announced his Liberation Day tariffs. The problem is that Trump's subsequent pause in the introduction of the reciprocal tariffs until Aug has delayed the full impact to Aug and later. Consequently, inflation has been rising at a subdued rate.

This Friday's Jul PCE price index, which is the Fed's so-called preferred inflation measure and is produced by the still independent BEA (Bureau of Economic Analysis), is therefore still likely to show a relatively subdued inflation picture.

Having said that, the core PCE price index, which is produced by the no longer independent BLS (Bureau of Labour Statistics), was up an above consensus +0.3% mom (2.8% yoy) in Jun. The core CPI, which has been running ahead, or leading, the core PCE index, in 2025, was also up +0.3% mom (3.1% yoy) in Jul. You therefore have to assume that we are looking at another increase of 0.3% m/m, which is the current consensus, for the core PCE in Jul as well.

Trade / Investment ideas

Broader market rally likely to continue with the Fed telegraphing its intentions. Near term, 6Σ recommend averaging up our hedge positions in **SPDR** and **QQQ** ETFs (see [12-May ETF-Strategy](#)).

We recommend increasing portfolio beta; **JPM (\$296.24, Beta 1.13x)** to progressively replace SPDR. Currently trading at 11.7x(high) to 14.4x (consensus) FY26F PE, 2.4x book on 16.8% ROE. We believe consensus growth estimates at +6.5% yoy (vs +13.5% S&P500) underpriced the new trajectory of US Feds over the next 12 months and its overall impact on JPM's credit book.

Alternative to leveraging up on QQQ (beta 1.12 vs S&P); reiterate our preference to load **Nvidia** (\$178, 2.1x beta), **Palantir** (\$158.74, 2.6x) and **Fortinet** (\$80.02, 1.13x).

In view of sustained/resumption of Trump's market volatility & US\$ weakness, **GOLD [\$3,417]** and **Bitcoin [\$112,094]** are likely to benefit.