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Market Commentary

Shorter, Simpler, More Direct

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Warsh's debut as Fed chair brought a different voice to the FOMC statement and press conference. From a policy standpoint:

- Warsh was direct about the fight against inflation, declaring "The Committee will deliver price stability." He got rid of hedged "assess incoming data / evolving outlook / balance of risks / prepared to adjust" language, which had become standard in Powell's statements.
- He discussed a broader change in how the Federal Open Market Committee (FOMC) operates, saying that they will no longer provide forward guidance.
- He announced five task forces that will analyze inflation, Fed communications, the use of economic data, productivity, and the labor market from "first-principles."

We also ran Powell's last FOMC statement, and Warsh's first FOMC statement, through various language analysis tools. When compared to Powell, Warsh:

- Cut the statement by half and shortened the average sentence length overall,
- Lowered the grade-level readability from 13.5 to 11.7,
- Lowered the complexity of the statement overall (Flesch Reading Ease, Gunning Fog, SMOG metrics),
- Reduced the frequency of hedging words from by 72%, and
- Increased declarative and commitment terms by 40%.
- FOMC transparency and communication complexity picked up significantly in the post-2008 environment. Warsh appears focused on pulling it back.

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