



## PREVIEW: Trump to name Fed Governor Kugler replacement in the next few days

On Friday, Fed Governor Kugler announced her resignation from the Board of Governors, effective August 8th. Kugler typically held a neutral stance on the Board, most recently speaking on July 17th, broadly aligning with the majority view that it is appropriate to keep rates steady for some time given low unemployment and rising tariff-related pressures. President Trump has indicated he will announce her replacement in the coming days.

Trump is expected to use this opportunity to appoint a dovish Governor, someone more closely aligned with his view that interest rates are too high. This appointee could also become a candidate for Fed Chair once Powell's term as Chair expires in May 2026. However, Powell's term as Governor runs until January 2028, meaning he can remain on the Board even after stepping down as Chair. Note, we may not know Powell's decision until closer to the time.

**This presents two main scenarios:**

### 1) Powell steps down entirely (as both Chair and Governor)

- This would allow Trump to appoint two new Governors: one to replace Kugler and another to fill Powell's vacant seat. Trump would likely choose one of these two as the next Fed Chair.
- Under Scenario 1, Trump gains two appointments, which would likely turn the Board more dovish. One Governor would be named this week to replace Kugler, and another in 2026 if Powell decides to resign from the Board as a whole.

### 2) Powell stays on as Governor after stepping down as Chair

- In this case, Trump would only be able to appoint one new Governor — Kugler's replacement — but would still have full authority to select a new Chair from among the sitting Governors. The new appointee would likely be the front-runner for Chair. Some have argued this outcome would support Fed independence, although it's historically rare for a former Chair to remain on the Board without continuing in the leadership role.
- Under Scenario 2, Trump would be limited to one new appointee, but the overall tone of the Board would still tilt more dovish. The new Governor would join Trump-appointed Governors Waller and Bowman, who recently dissented, voting for a 25bps rate cut at the July FOMC.

Even if Powell remains on the Board, the Kugler replacement could act as a "shadow Fed Chair" — helping shape market expectations for rate cuts ahead of the formal Chair transition. According to PolyMarket, front-runners to replace Powell as Chair include former Fed Governor Warsh, current NEC Director Hassett, and current US Treasury Secretary Bessent. Sitting Governors Waller and Bowman are also amongst the favourites. With both already on the Board, this suggests the likely replacements for Kugler could be Warsh, Hassett, or Bessent — all of whom have publicly advocated for lower interest rates. PolyMarket has Warsh and Hassett as the favourites to replace Governor Kugler.

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