2 GRAY BEARDS — WEEK 180

June 13, 2026 | Nick & Andy | Pre-FOMC Edition

Positioning

Asset	Stance	Key Trigger
Equities	Neutral; slight add	Not-hawkish FOMC → deploy cash incrementally
Bonds 2s/5s	Carry only	Hawkish shock → sharp selloff in short end
Bonds 30yr	Conditional buy	Hawkish: buy at ~5.25% nominal yield
Gold / Commodities	Cheapened; conditional	Not-hawkish → add alongside equities
Cash	Hold; deploy selectively	Hawkish → stay patient and wait for better entries

Last Week

- ECB hiked as expected — no surprise, fully priced; now fully data-dependent
- CPI & PPI firm but slightly better than feared — minimal price impact
- Trump-Iran peace signals gave bonds and equities a modest lift; MOU expected imminently
- Bond auctions absorbed cleanly — market is comfortable, carry is solid

FOMC Scenarios (Warsh Presser, Wednesday ~2:30pm)

Base Case — 80–90%: Warsh repeats known framework

- No change, no dissents, reiterates: oil down, AI disinflationary, trim comm'n, short rates lower
- Market: neutral to mildly positive — slight bull steepen, equities up modestly
- Action: deploy a few % of cash into risk assets across equities, gold, commodities

Hawkish Surprise — low odds but non-trivial:

- Warsh signals hiking cycle or dissents hawkish — "We've missed target 6 years, we're hiking"
- Market: 2s sell hard, equities down, gold/commodities hit; long end is the only relative shelter
- Andy: 25–50bps won't be believed if inflation is real; market would price a full cycle
- Action: watch and wait; buy 30yr aggressively at ~5.25% nominal

Dovish Surprise — very low odds:

- Warsh leans toward cuts or dissents dovishly — very bullish for equities, aggressive bull steepen
- Action: add to all risk assets immediately

Wild Card: Dot Plots

- Nick gives ~50/50 odds Warsh eliminates the dot plot
- Andy expects Warsh to act as if forward guidance is gone, even if not announced formally
- Impact if killed: modest — ~5bps on 10yr, half a multiple point on equities; not a regime change

Action Plan

- 3:00–3:15pm Wednesday: Nick & Andy assess presser and deploy capital accordingly
- Not-hawkish → add to equities, gold, commodities; not a big swing, just incremental cash deployment
- Hawkish → hold cash; patient buying at the long end; target 30yr at 3% real / ~5.25% nominal
- Stay flexible — Warsh could say something neither host has anticipated