

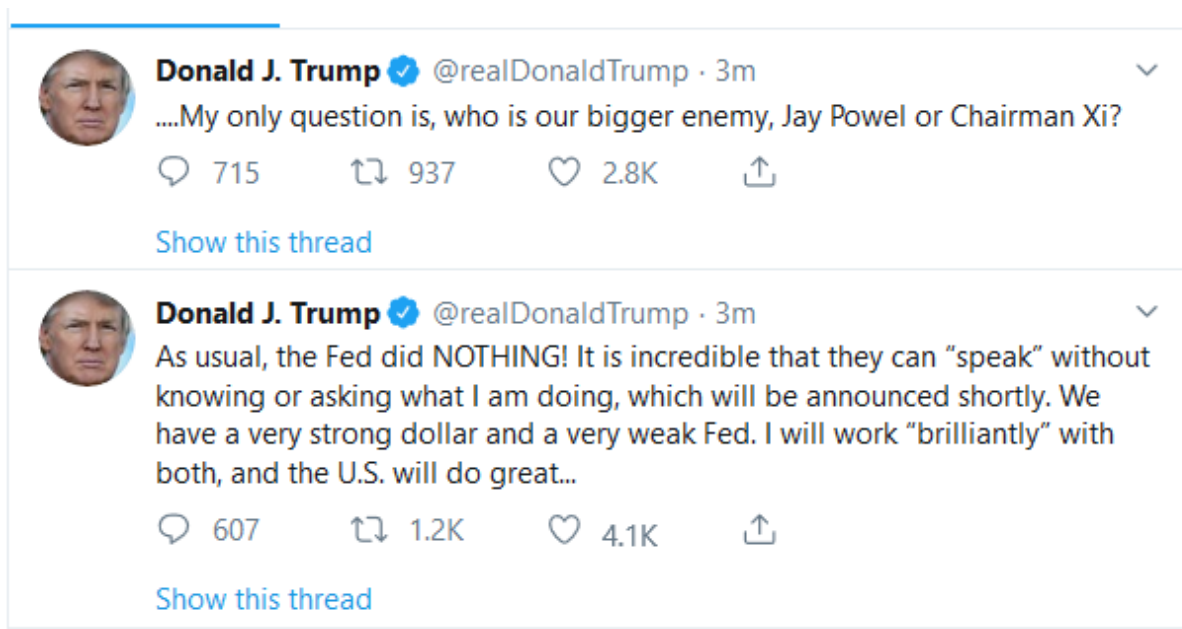
From: [John Maggs](#)
To: [David Skidmore](#)
Subject: FW: Trump Tweet
Date: Friday, August 23, 2019 10:50:12 AM
Attachments: [image001.png](#)

RESTRICTED FR // FRONLY

(b)(5)

From: Laura Benedict <laura.a.benedict@frb.gov>
Sent: Friday, August 23, 2019 10:45 AM
To: BDM Public Affairs <BDM.Public.Affairs@frb.gov>; BDM Congressional Liaison <BDM.Congressional.Liaison@frb.gov>
Subject: Trump Tweet

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Laura Benedict
Senior Public Affairs Assistant
Office of Public Affairs
Board of Governors of the Federal Reserve System
Tel: (202) 912-4690

From: [Richard Clarida](#)
To: [Michelle Smith](#)
Subject: Re: Trump tweet
Date: Friday, August 23, 2019 11:01:19 AM

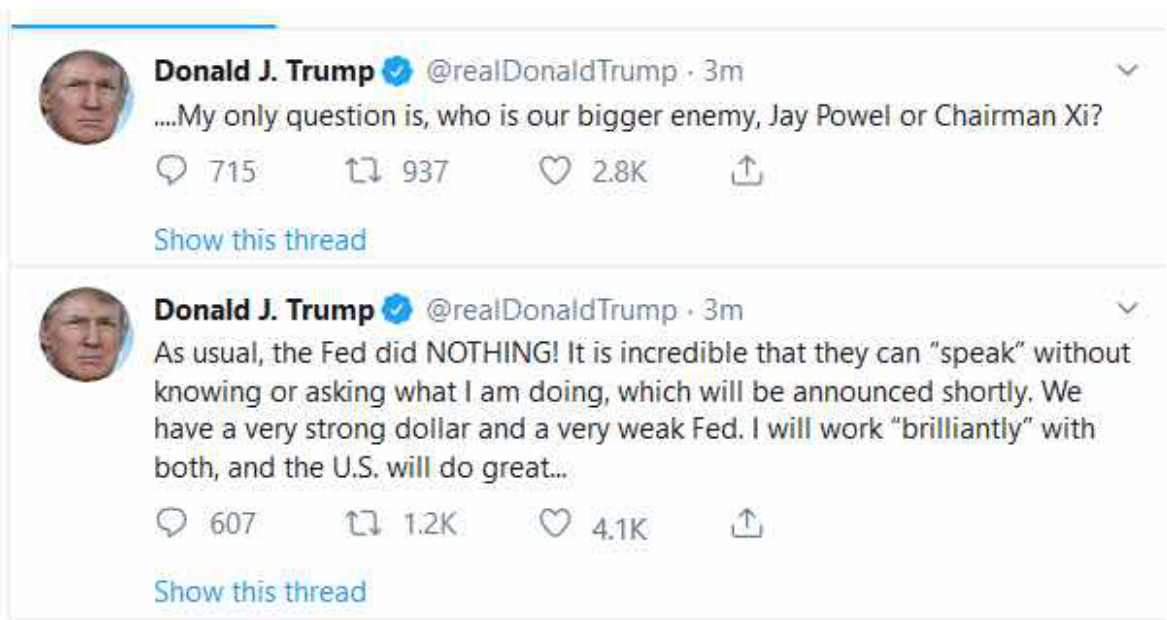
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Ugh ugh

Richard Clarida

On August 23, 2019 at 8:53:22 AM MDT, Michelle Smith <michelle.a.smith@frb.gov> wrote:

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Michelle Smith

From: [Tom Barkin \(FRS\)](#)
To: [Michelle Smith](#)
Subject: Re: trump tweets this morn FYI
Date: Friday, August 23, 2019 11:05:34 AM

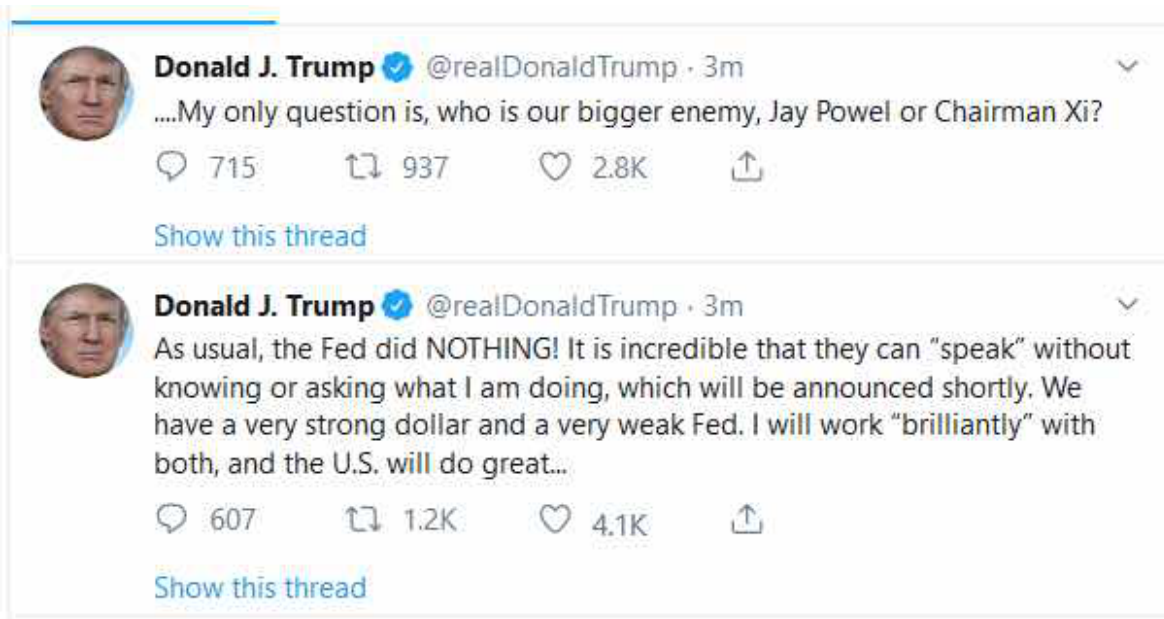
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Sent from [Workspace ONE Boxer](#)

On August 23, 2019 at 8:58:31 AM MDT, Michelle Smith <michelle.a.smith@frb.gov> wrote:

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Michelle Smith

From: [Trevor Reeve](#)
To: [Michelle Smith](#)
Subject: RE: Trump tweets this morn
Date: Friday, August 23, 2019 11:10:29 AM

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(b)(6)

From: Michelle Smith <michelle.a.smith@frb.gov>
Sent: Friday, August 23, 2019 11:09 AM
To: Trevor Reeve <trevor.a.reeve@frb.gov>
Subject: RE: Trump tweets this morn

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(b)(6)

Michelle Smith

On August 23, 2019 at 9:04:00 AM MDT, Trevor Reeve <trevor.a.reeve@frb.gov> wrote:

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(b)(6)

From: Michelle Smith <michelle.a.smith@frb.gov>
Sent: Friday, August 23, 2019 11:00 AM
To: Trevor Reeve <trevor.a.reeve@frb.gov>
Subject: Trump tweets this morn

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Donald J. Trump  @realDonaldTrump · 3m

....My only question is, who is our bigger enemy, Jay Powell or Chairman Xi?



715



937



2.8K



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Donald J. Trump  @realDonaldTrump · 3m

As usual, the Fed did NOTHING! It is incredible that they can "speak" without knowing or asking what I am doing, which will be announced shortly. We have a very strong dollar and a very weak Fed. I will work "brilliantly" with both, and the U.S. will do great...



607



1.2K



4.1K



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Michelle Smith

From: [Richard Clarida](#)
To: [Michelle Smith](#); [Jerome Powell](#)
Subject: Fwd: Trump tweet threats generating major risk-off episode
Date: Friday, August 23, 2019 12:51:15 PM

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(b)(5)

Richard Clarida

----- Forwarded message -----

From: Englander, Steve <Steve.Englander@sc.com>
Date: August 23, 2019 at 9:46:16 AM MST
Subject: Trump tweet threats generating major risk-off episode
To:

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We came into today focussed on whether Fed Chair Powell could deliver on the aggressive rates moves that were priced into asset markets. **Powell delivered for markets, but the subsequent negative tweet reaction from President Trump set in motion a violent risk-off move in asset markets.** In addition there were reports that his trade policy team had been summoned to the White House. He also banned Fentanyl imports from China and elsewhere. (tweets at bottom of this note.)

After a brief risk-on move after the Powell speech was digested, the tweets and the fears they generated dominated asset markets.

The market fears

The reference to 'measures to be announced' is what triggered the market fear. The asset price reaction reflects the options that investors are pricing in. Obviously none of these are confirmed and some seem implausible.

1. Additional tariffs on China, CNH and equities weaken, safe havens gain, fixed income gains
2. FX vol spikes up – there is some discussion of the possibility of intervention. You can square this with the EUR, CHF and JPY spot jump. FX vol has spiked but not to levels that would suggest that imminent intervention fears are there
3. Other possible measures to make USD less attractive but these are very speculative

October fed funds did most of their move before the tweets as did 10Y USTs, but equities reversed sharply from a positive response to JP to a negative response to DJT after the tweets. Now everyone is watching the headlines and pretty much ignoring Jackson Hole.

My read

The tweets sound very impulsive and the trade team is likely to discourage him from extreme measures on intervention or China. The China tariff response looked relatively measured to me – the damage has already been done on soy and oil is pretty fungible, but the President's dissatisfaction with the Fed and China may be prompting an impulsive desire to respond. My judgment is that they will take some modest measures, with the harsh

equity market reaction adding to the case against precipitous moves. One possibility is that the US will raise tariffs on already-tariffed goods that have alternative sourcing other than China, avoiding the damage that tariffing consumer goods would do.

The Trump tweets (my red bolding):

Our country has lost, stupidly, Trillions of Dollars with China over many years. They have stolen our Intellectual Property at a rate of Hundreds of Billions of Dollars a year, & they want to continue. I won't let that happen! We don't need China and, frankly, would be far....

....better off without them. The vast amounts of money made and stolen by China from the United States, year after year, for

decades, will and must STOP. Our great American companies are hereby ordered to immediately start looking for an alternative to China, including bringing..

As usual, the Fed did NOTHING! **It is incredible that they can “speak” without knowing or asking what I am doing, which will be announced shortly.** We have a very strong dollar and a very weak Fed. I will work “brilliantly” with both, and the U.S. will do great...

....My only question is, who is our bigger enemy, Jay Powell or Chairman Xi?

Steven Englander

Global Head of G10 FX Research, and
North American Macro Strategy

Standard Chartered Bank

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Americas, NY USA 10036

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<https://StandardChartered.com>

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From: [Thomas Laubach](#)
To: [Michelle Smith](#)
Cc: [Trevor Reeve](#)
Subject: RE: Trump tweets this morn
Date: Friday, August 23, 2019 2:16:38 PM

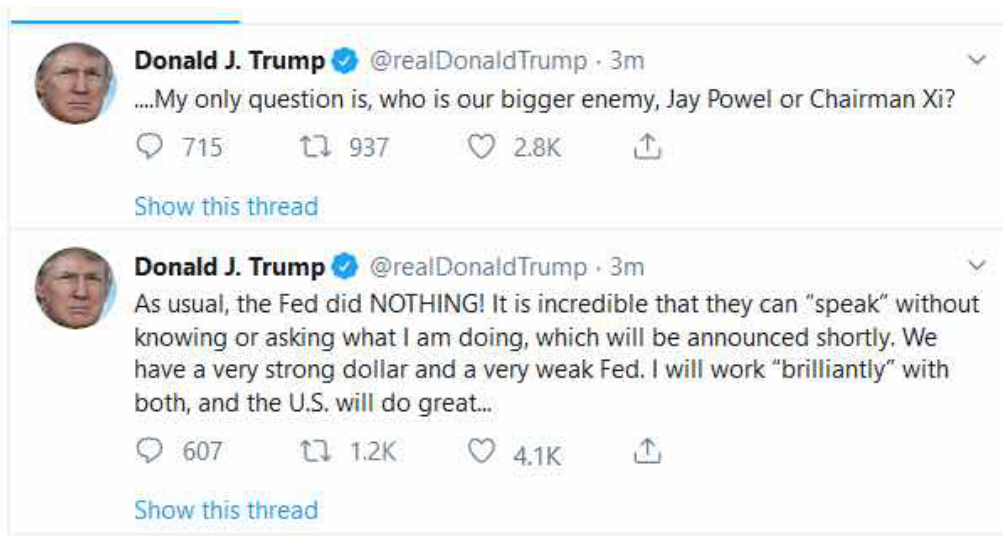
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(b)(5)



From: Michelle Smith <michelle.a.smith@frb.gov>
Sent: Friday, August 23, 2019 11:00 AM
To: Andreas Lehnert <andreas.lehnert@frb.gov>; Stacey Tevlin <stacey.m.tevlin@frb.gov>; Steven Kamin <kamins@frb.gov>; Thomas Laubach <thomas.laubach@frb.gov>; Lorie Logan (FRS) <Lorie.Logan@ny.frb.org>; Jon Faust <jon.faust@frb.gov>; Joshua Gallin <joshua.h.gallin@frb.gov>
Subject: Trump tweets this morn

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Michelle Smith

From: Lorie Logan (FRS)
To: [Steven Kamin](#); [Bethanne Wilson](#)
Subject: FW: Market Commentary on US FX Policy
Date: Friday, August 23, 2019 5:00:15 PM
Attachments: [image003.png](#)
[image002.png](#)

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FYI

From: Torosyan, Pertshuhi <Pertshuhi.Torosyan@ny.frb.org>
Sent: Friday, August 23, 2019 4:41 PM
To: Logan, Lorie <lorie.logan@ny.frb.org>
Cc: Nordstrom, Anna <anna.nordstrom@ny.frb.org>; Raskin, Matthew D <matthew.raskin@ny.frb.org>; Wuerffel, Nathaniel <nathaniel.wuerffel@ny.frb.org>; Remache, Julie <julie.remache@ny.frb.org>; Wensley, Benedict <Benedict.Wensley@ny.frb.org>; McCaughrin, Rebecca D <Rebecca.McCaughrin@ny.frb.org>; Cohen, Alex <alex.cohen@ny.frb.org>; NY MKT GFEC Staff <ny.mkt_gfecstaff@ny.frb.org>
Subject: Market Commentary on US FX Policy

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Hi Lorie,

(b)(5)



(b)(5)

Please let me know if you have any questions,

Best,

Pertshuhi

(b)(5)

(b)(5)



From: [Darren Gersh](#)
To: [John Maggs](#)
Subject: RE: Tweet by Donald J. Trump on Twitter
Date: Wednesday, August 21, 2019 10:27:07 AM

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(b)(6)

From: John Maggs <john.maggs@frb.gov>
Sent: Wednesday, August 21, 2019 10:19 AM
To: BDM Public Affairs <BDM.Public.Affairs@frb.gov>
Subject: Fwd: Tweet by Donald J. Trump on Twitter

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John Maggs

----- Forwarded message -----

From: john maggs <johnmaggs@yahoo.com>
Date: August 21, 2019 at 10:18:40 AM EDT
Subject: Tweet by Donald J. Trump on Twitter
To: John Maggs <john.maggs@frb.gov>

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Donald J. Trump ([@realDonaldTrump](#))

[8/21/19, 9:56 AM](#)

....WHERE IS THE FEDERAL RESERVE?

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From: [John Maggs](#)
To: [BDM Public Affairs](#)
Subject: Fwd: Tweet by Donald J. Trump on Twitter
Date: Thursday, August 22, 2019 10:36:11 AM

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(b)(6)

John Maggs

----- Forwarded message -----

From: john maggs <johnjmaggs@yahoo.com>
Date: August 22, 2019 at 10:35:02 AM EDT
Subject: Tweet by Donald J. Trump on Twitter
To: John Maggs <john.maggs@frb.gov>

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Donald J. Trump ([@realDonaldTrump](#))

[8/22/19, 10:21 AM](#)

The Economy is doing really well. The Federal Reserve can easily make it Record Setting! The question is being asked, why are we paying much more in interest than Germany and certain other countries? Be early (for a change), not late. Let America win big, rather than just win!

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