

**Donald Trump**

## Donald Trump's 'unpredictable' policies to fuel multiyear shift from US, Pimco says

Cautious stance comes amid Wall St concerns over president's attack on Federal Reserve



Dan Ivascyn, chief investment officer of Pimco, said: 'Fed independence on setting monetary policy remains critically important to markets' © Kyle Grillot/Bloomberg

**Kate Duguid, Michelle Chan, Joshua Franklin and James Fontanella-Khan** in New York and **James Politi** in Washington

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Donald Trump's "unpredictable" policies have prompted bond giant Pimco to diversify away from US assets, as Wall Street frets over the long-term consequences of the president's attacks on the Federal Reserve.

Dan Ivascyn, chief investment officer of [Pimco](#), told the FT that the \$2.2tn fund manager was "diversifying" its portfolios as it contended with the US president's rapidly changing policies, which had caused flare-ups in market volatility.

“It’s important to appreciate that this is an administration that’s quite unpredictable,” [Ivascyn](#) said. “What are we doing about that? We’re diversifying . . . We do think we’re in a multiyear period of some diversification away from US assets.”

Ivascyn’s warning on US markets comes just days after Fed chair Jay Powell said he was under federal investigation by Trump’s Department of Justice over a \$2.5bn renovation of the central bank’s headquarters.

While the market response to the DoJ’s move has been muted, with the S&P 500 share index trading near record highs, Wall Street executives said the probe heightened concerns that Trump was seeking to erode the Fed’s independence in an effort to push down borrowing costs.

“Anything that chips away at [Fed independence] is probably not a great idea,” JPMorgan Chase chief executive Jamie Dimon said on Tuesday. “And in my view, it will have the reverse consequence. It will raise inflation expectations and probably increase rates over time.”

One senior Wall Street trader at a large firm added that Trump’s moves on the Fed would hurt its ability to fight crises by weakening its credibility.

“You’re not going to see these things overnight, but in the eventuality there is a crisis or inflation expectations, that’s when it will reveal itself,” he said.

Ivascyn made a similar point, saying: “Fed independence on setting monetary policy remains critically important to markets.”

He added: “Although on the surface it may be tempting to influence the Fed to bring rates lower . . . aggressive cutting in the face of strong growth and elevated inflation will likely lead to higher long-term rates.”

Executives on Wall Street also cautioned that the subpoenas to Powell were less about the current Fed chair and more about his successor, with worries the president may try to extract guarantees from whoever is next in charge of the Fed. Powell's term as chair ends in May and the president could name his nominee to succeed him in the coming days or weeks.

"Trump is fighting the next war, not the last war," said the chief executive of a Wall Street firm who asked not to be named to avoid being targeted by the president.

The DoJ probe has even caused concerns within the administration.

Following the news, Scott Bessent, the US Treasury secretary and a critical link between the financial sector and the administration, spoke to Trump to express his concerns about the impact on markets of the investigation, according to a person familiar with the matter. But a Treasury spokesman said there was "zero daylight" between Bessent and Trump.

Bill Pulte, the head of the Federal Housing Finance Agency, last year called for a probe into Powell over the Fed's renovation costs, raising speculation that he had been a leading champion of the formal investigation. But he told the FT he had "nothing to do" with the investigation, saying it was "outside my purview".

Many investors have also been reassured by Republican senators Thom Tillis and Lisa Murkowski, who have criticised the investigation.

"Everyone thinks we're in crazyville and no one thinks there's anything to the charges," said one veteran Wall Street executive. "It's more chest-thumping by the Trump administration."

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