MONETARY POLICY · RATES & INFLATION

The Fed's Unthinkable Rate Reset

Why the Fed is about to use interest rates on a problem interest rates cannot touch, and what a higher-for-longer path into 2027 does to gold and to your stocks

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REPORT SCOPE

An educational companion to the video. It explains the mechanism, not a forecast.

RATING

None

PRICE TARGET

None

Prices are climbing on energy and supply. A rate hike does not drill a single extra barrel of oil, so the Fed is reaching for the one lever it has and pointing it at a problem that lever was never built for. If rates stay higher for longer, two things follow. The safe-haven you were told to buy faces a headwind, and your stock market splits into a half that bleeds and a half that holds.

2027

the year Goldman Sachs now expects rate hikes to run into, not a single meeting

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About Felix Prehn and The Prehn Institute

Felix Nikolas Prehn

Felix Nikolas Prehn is an economist and a former investment banker. He founded The Prehn Institute to teach regular people how the financial markets actually work, in plain language, without the jargon that keeps most of us out.

The Prehn Institute

The Prehn Institute does independent research and teaches investing to a wide audience. It takes no sponsorships and no endorsements. So the work can say what the data says, and nothing else.

How this report is meant to be read

Read it next to the video. The sections follow the script, in the same order. And the aim is not to call the next move in the market. It is to hand you the mechanism, so a headline that used to frighten you becomes a headline you can read.

One honest note on what this is not

There are no tips in here. No tickers to go and buy, no price targets, no promises. You will not find a shopping list. What you will find is a way of thinking, so you can look at your own money tonight and know where you stand.

Watch it with the video.

Felix Nikolas Prehn on YouTube: **youtube.com/@felixprehn**. The charts and headlines reproduced here are the ones used on screen.

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What is inside

1. The number lied — The wrong tool for the job

2. Not one meeting, a direction — Goldman sees hikes into 2027

3. The human cost — 186,000 mortgages reset

4. Bad news for gold, for now — Real yields and the dollar

5. Your stocks split in two — Why future cash gets marked down

6. Two moves most people skip — What holds up, what to buy cheap

7. The one question — When does this pay me?

A word on the numbers.

The spoken lines round the figures on purpose, so they are easy to carry in your head. This report keeps the exact ones beside them, with the source for each. Every stock or sector move shown on screen comes from the Winston app, **winstondaily.com**.

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BOTTOM LINE

One wrong tool, two effects on your money

> The inflation in these numbers is coming largely from energy and supply. Rates cool demand. They do nothing to supply. So the Fed is using the wrong tool, it knows it, and it looks set to keep using it into 2027.

A hot inflation print, mostly energy and supply → **The Fed hikes anyway, and signals higher for longer** → **Gold loses its edge, and your stocks split in two**

THE TRIGGER

A hot print landed, and the news called it the Fed getting tough. But open it up and a big part of it is oil and the cost of moving things around. And no rate on Earth fixes that.

THE FIRST EFFECT

When cash and bonds start paying you again, a metal that pays nothing has a real cost to hold. And a firmer dollar leans on it too. So the safe-haven stumbles in the exact week it should shine.

THE SECOND EFFECT

A stock is the cash it will hand you over its life. Higher rates mark down cash that arrives far in the future. So the far-off growth names bleed, and the pays-you-now names hold.

THE LESSON

When does this actually pay me? Now, in real earnings, or years out on a promise? That one question tells you which half of your portfolio is most exposed to the meeting coming this December.

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THE FIRST THING TO UNDERSTAND

The wrong tool for the job

Fed Governor Waller sees December hike likely, opens door to possible half-point increase

Fed governor Christopher Waller floated a half-point hike at the Bank of England Watchers Conference, 10 November 2026, and said he would back it if core inflation came in at 0.3% or higher. The FOMC decides on 8 to 9 December 2026. Source headline reproduced from the video.

WHAT ACTUALLY HAPPENED

Waller said that if inflation ran hot again, the Fed should not do a gentle quarter point, it should go for a half.

And almost on cue, core inflation landed at 0.3% for the third month running. Headline came in at 0.4%. Two-year Treasury yields then jumped the most since April 2025.

THE BIT NOBODY SAYS OUT LOUD

Open the number up and a huge slice of it is energy and supply. It is oil. It is the cost of moving things around. It is stuff coming out of the ground and off a lorry.

WHY RATES ARE THE WRONG LEVER

You make borrowing dearer, so people buy fewer houses and fewer cars, and firms hire a little less. That is the whole mechanism.

And it does nothing to supply. A higher rate does not drill one more barrel, it does not train one more lorry driver, it does not unblock one port.

IT HAS A NAME

And rates are the wrong tool for it. It is like turning the thermostat down to fix a leaking roof.

You can fiddle with the dial all day. The roof still leaks.

Because it is the only lever they have. They are reaching for it not because it fits the problem, but because it is the one thing in reach. And that mismatch is the whole story this week.

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THE CREDIBILITY ANCHOR

Goldman sees hikes running into 2027

> **Three reasons Goldman has added another Fed rate hike to its forecast, higher and higher!**
>
> Goldman Sachs, 11 November 2026, now sees three quarter-point hikes this cycle, with a terminal rate of 4.25% to 4.50% and the first cut not until December 2027. Source headline reproduced from the video.

THIS IS NOT A DOOM CHANNEL TALKING

They now expect three quarter-point hikes, December 2026 and then into 2027, with the base case around March. So not one hike. A run of them.

AND THEY ARE CLEAR ON WHY

A big piece of their case is the Middle East feeding straight through into prices. So this is not really about one meeting. It is a direction of travel that could last years, pointed the wrong way at the wrong problem.

WHERE THE PATH IS MEANT TO END

And the first cut not pencilled in until December 2027.

That is the detail that matters. That gap, hikes now and cuts much later, is the part that matters most for your money.

WHY IT CHANGES THE STAKES

A one-off hike you can wait out. A multi-year direction you have to position for. And that is the difference between a headline and a plan.

3
quarter-point hikes Goldman now expects this cycle

4.25% to 4.50%
terminal rate in their base case

Dec 2027
before the first cut, on their path

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WHAT HIGHER FOR LONGER REALLY MEANS

The same house, 600 dollars more a month

For Some, the Painful Reality of Adjustable Mortgages Looms

About 186,000 adjustable-rate mortgages hit their first reset in 2027, with a median payment rise of 645 dollars a month, roughly 24%, per the ICE Mortgage Monitor, October 2026. Source headline reproduced from the video.

THIS IS NOT ABSTRACT

These are adjustable mortgages that reset in 2027. And when they do, the typical payment climbs by more than 600 dollars a month. On the same house they already own.

NOTHING ABOUT THE HOUSE CHANGED

Not the bricks, not the roof, not the family inside it. Just the number on the loan. And that is the whole game in one example.

WHY IT LANDS HERE FIRST

For these people it is 600 dollars, gone, every single month. So when you hear a governor talk about a half point at a conference, this is where it actually arrives.

THE DEEPER COHORT

The 2020 seven-year cohort, roughly 74,000 loans, faces a median rise closer to 1,066 dollars a month. Same mechanism. Bigger bill.

186,000
adjustable mortgages resetting in 2027

+$645
median monthly rise, about 24%

+$1,066
median rise for the 2020 seven-year cohort

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THE FIRST SURPRISE

The safe-haven that stumbles in a crisis week

> Gold is used here only to teach the mechanism. It is never a buy call, and there is no price target, because anyone handing you a gold number for next year is guessing. The point is the lever behind the move: real yields and the dollar.

WHY IT IS USUALLY SAFE

It is a lump of metal in a vault. No dividend, no interest. So when your savings account pays basically zero, holding gold costs you nothing. You are not missing out.

WHAT A HAWKISH FED CHANGES

Cash and bonds start paying you to sit and wait. So now holding a metal that pays nothing has a real cost, every month you give up the interest you could have had.

The term is opportunity cost. In plain English, the boring safe stuff pays you and gold still does not.

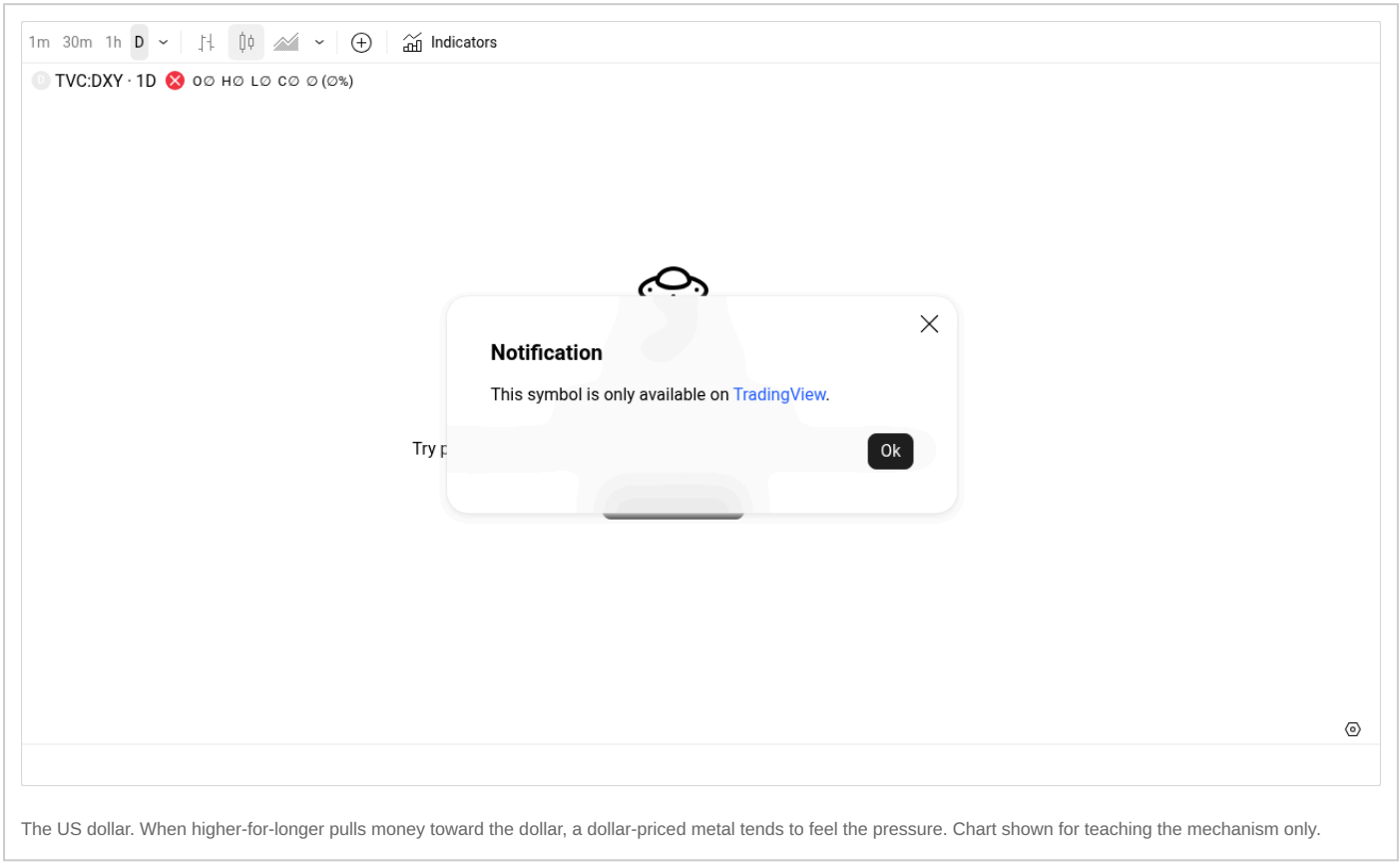
THE DOLLAR DOES THE REST

And because gold is priced in dollars, when the dollar goes one way, gold tends to get shoved the other. The link is almost mechanical.

KEEP TWO TIMESCALES APART

For now, rising rates lean on gold. The longer case, the debt and the money printing, is still there.

But that is a separate conversation, and mixing the two is how people get caught.



The US dollar. When higher-for-longer pulls money toward the dollar, a dollar-priced metal tends to feel the pressure. Chart shown for teaching the mechanism only.

Most will say this hits gold and move straight on. This report shows you the actual lever, real yields and the dollar, so you understand why it moves. And once you understand the lever, you stop being scared of the headline and start reading it.

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THE BIG ONE

Why the same rate rise helps one half and hurts the other

START WITH WHAT A STOCK IS

All the future cash, added up. That is what you are buying. Nothing more romantic than that.

THE BIT THAT MATTERS THIS WEEK

A pound in your hand in ten years is worth less than a pound this year. And the higher rates go, the bigger that gap gets. It is just maths. It is called discounting. And the Fed is turning that dial right now.

SO THE MARKET SPLITS

The story is always, never mind the profits now, the payoff is years away. So almost all their value sits way out there.

And what happens to far-off cash when rates rise? It gets marked down hardest. So they bleed the most, not because the business got worse this week, but because the maths on the promise did.

AND THE OTHER HALF SHRUGS

This year, out of real earnings. A lot of their value is close in, not way out.

So when the Fed turns the dial they barely flinch. And many can pass higher costs straight on to their customers anyway.

A stock is its future cash → **Higher rates mark down cash that arrives later** → **Far-off growth bleeds, pays-you-now holds**

Forget everything clever. Look at what you own and ask one thing: when does this actually pay me? Is the reward now, in cold hard earnings, or is it a promise about something years down the line? That one answer tells you who in your portfolio is most exposed to the decision coming this December.

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WHAT TO DO, NOT JUST WHAT TO FEAR

What holds up now, and what to buy cheap later

MOVE ONE, OWN WHAT GETS PAID

Think about the banks and financials, because many of them earn more when rates are higher. That is their bread and butter. Think about energy, because energy is the actual source of this inflation, so the thing causing the problem often does well out of it. And think about the dull, solid firms that hand you cash every month, the kind of business that literally picks up the rubbish and gets paid for it.

THIS IS HOW TO THINK, NOT WHAT TO BUY

The names above are illustrations of a type, a pays-you-now business, not a recommendation. The skill is spotting the type yourself, and then finding your own.

MOVE TWO, THE ONE FEW HAVE THE STOMACH FOR

They never have, and the cuts always come after. Goldman themselves pencil the first cut in further down the line. So the time to buy the beaten-down, rate-sensitive names is while everyone else is terrified of them.

BUT BE CAREFUL WHICH ONES

The good long-duration companies, the ones whose payoff sits far in the future, getting marked down today purely on that discounting maths, those are the ones that recover. Not the names with no earnings, because that stuff can keep going to zero. And telling the two apart is the whole skill.

Banks

often earn more as rates rise

Energy

the source of the inflation, and a beneficiary

Cash now

dull firms that pay you every month



The financials sector, shown to illustrate the pays-you-now half of the market. Not a recommendation. Every move shown on screen comes from the Winston app, winstondaily.com.

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A PLAN, NOT A PANIC

When does this pay me?

WHERE THIS LEAVES YOU

And because it looks set to keep doing it into 2027, it leans on the very thing you were told was safe, and it splits your stocks into a half that bleeds and a half that holds.

BUT YOU ARE NOT JUST WATCHING ANYMORE

You can look at your own account tonight and ask it. When does this pay me? And then you know which half you are holding, which half to buy cheap before the cuts come, and why.

SO HERE IS TONIGHT'S TASK

Hold each thing up to that one question. Now, in real earnings, or a promise years out? That is the whole exercise, and most people never do it.

The Prehn Institute

The Institute publishes research and provides instruction. Its published research is open to any reader, and its instruction is given by people who have worked in professional markets. The Institute does not manage money and does not advise on investments.

There is no tip in this report and there is none in the session either. It is a way of thinking, so you stop reacting to headlines and start reading them. That is a plan, not a panic.

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