



Rate Hike Roulette: The Fed, the AI Slowdown Debate, and What It Means for Your Portfolio

This week's Market Brief Podcast, hosted by Doug Johnson and Dan Rinck of HCM Wealth Advisors, centers on the upcoming Fed rate decision, a stir caused by an AI-industry essay over the weekend, and a few lighter closing notes.

The Fed Decision

Recorded the day before the September Fed meeting, the hosts discuss the widely expected 25-basis-point rate hike. Both note the market has priced in an 80–90% probability of the move, driven largely by bond market pressure — the 10-year Treasury has pushed above 5% and the 30-year sits around 5.3%. Dan argues this would be a policy error: the Fed funds rate is already above the inflation rate, meaning policy is restrictive, and a small hike won't address the actual driver of current inflation, which they attribute to Middle East-related oil price spikes. He suspects the move is more about optics — showing the Fed is "doing something" — than genuine economic necessity, and wonders if new Fed chair Kevin Warsh is being pressured by other committee members into action he might not otherwise take.

Doug draws a contrast with 2022, when the Fed was genuinely behind the curve with inflation running near 8%; today's setup is nearly the opposite. He references two charts he'd seen — one comparing equity performance when rates rise alongside economic growth versus during contractions, and a Ned Davis Research chart distinguishing "fast" hiking cycles (like 2022's back-to-back increases) from "slow" ones (like 2018's spaced-out hikes). Slow cycles, historically, haven't hurt equities much, and both hosts think this is shaping up to be a slow, one-off move rather than a sustained hiking campaign — though they acknowledge they could be wrong. They also flag Wednesday's post-meeting press conference as worth watching for tone, since Powell-era history suggests the market's first reaction to Fed commentary is often reversed within a day or two.

On portfolio implications, Doug says they're watching two things closely: how equities react, and how their "debasement trade" — a tactical allocation built around gold and commodities in place since last June, premised on a weakening dollar — responds, since rate hikes typically strengthen the dollar and pressure gold. Dan agrees gold is the area to watch, given continued central bank buying and speculative retail/institutional interest, and says he expects the real move to unfold over the next 48–72 hours and then the following one to three months. Doug expects gold's initial reaction to be negative as real rates rise,

though both suspect much of that has already been priced in. On fixed income, the firm's core bond positioning remains concentrated in investment-grade corporates and defined-maturity products, which limits sensitivity to near-term rate volatility since returns are largely known if held to maturity.

The Anthropic Essay and AI Market Jitters

The bigger topic of the episode is a weekend essay from Anthropic's CEO calling for more oversight and a slower pace of AI development. Doug describes seeing social media reactions overstating it as market-crashing news, when in reality NASDAQ futures were only down modestly and select AI-related stocks came under some pressure. Notably, OpenAI's Sam Altman and Elon Musk both voiced some agreement, while President Trump and Chinese officials pushed back, essentially signaling no intention to slow down AI development, framing it in national-security and competitive terms.

The hosts speculate on the essay's real motivation. Doug's theory: a "rogue agent" incident behind the scenes that the company is struggling to contain, prompting a public call for oversight as a form of plausible deniability. He also flags a comment in the essay about ensuring AI gives "the output we want it to" as philosophically concerning, since steering model outputs toward particular views is its own slippery slope, especially if industry peer review just reinforces shared assumptions rather than challenging them.

Dan's theory leans toward monetization pressure: with Anthropic and OpenAI both reportedly pushing planned 2026 IPOs into 2027, he speculates funding or data-center/compute constraints could be motivating a "slow down for safety" narrative that also buys time to build a more investable company. Both agree these companies didn't take this step purely out of altruism, and Dan notes Musk has been warning about AI risk for years — this isn't new — but multiple top CEOs aligning at once is what spooked the market. The concern chain, as Dan lays out: if AI companies signal caution, capital spending could slow, which could hit earnings growth built on that capex.

They compare this to an earlier market-moving research report from a firm called Citrini, which used real company names in a fictional future scenario depicting AI's negative effects — a piece that reportedly triggered a broader software-sector selloff at the time (since recovered). Both agree that report had a bigger market impact than this weekend's essay, and neither thinks this is the event that pops any AI "bubble," since the underlying investment, compute demand, and corporate spending show no signs of actually slowing. Dan adds that despite fears, most large companies aren't being displaced by AI — they're using it to boost productivity — and that he expects significant net-positive developments in

healthcare, clean energy, and other fields over the next 10–20 years, even as "Terminator"-style fears persist culturally.

Portfolio Positioning and Closing Notes

Tying the themes together, Doug reiterates the firm's philosophy of reacting to present data rather than predicting the future. Despite elevated risks — rising rates, seasonally volatile months ahead, and the ongoing Iran situation — none of these have meaningfully disrupted markets so far, and the data the firm tracks doesn't show outsized concern. Dan adds that diversification and alternative strategies are contributing positively to returns and dampening correlation. Both indicate no planned major allocation changes right now, though Doug flags that year-end tax planning is coming up and the firm will look for ways to manage tax bills on large taxable gains without letting tax considerations override sound portfolio management.

The episode wraps with some casual banter about NFL season openers (a rough Bengals performance, fantasy football gripes) before Doug closes by inviting listeners to reach out to their advisor with any questions, noting the next episode in about two weeks.