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INFLATION UP, RATES UP

When the Trump Administration nominated Kevin Warsh to replace Jerome Powell as the chairperson of the Federal Reserve Board, many expected a quick announcement that the Fed would be slashing the Fed Funds rate. The tea leaves were not hard to read: President Trump demanded an aggressive rate cut, and repeatedly berated—and even criminally investigated—former Chairperson Powell for not complying. His hand-picked successor understood the assignment.

But now it looks like rates might be going up, not down. The Fed has a mandate to tame inflation, and it has famously targeted a 2% rate. If inflation is above that rate, then the policy is to raise interest rates to cool the economy down. If inflation falls below that rate, or is trending toward it, that gives the Fed a green light to cut rates and make borrowing cheaper.

Right now, inflation is rising. The Personal Consumption Expenditures Index rose 3.8% in April, up from 3.5% in March. With gasoline prices at the pump up 50% since the start of the Iran war, there is no expectation that inflation has peaked. Even if energy prices stabilize, costs at the grocery store are rising almost across the board, and the closure of the Strait of Hormuz has choked off fertilizer supplies, raising farming costs.

In a recent speech, Fed governor Lisa Cook worried that inflation could take on a life of its own. Companies could embed higher energy costs into the prices they set, and workers would then incorporate them into the wages they negotiate. The resulting, self-reinforcing spiral could upend the economy. Meanwhile, the U.S. savings rate has dropped to 2.6%, down from 3.2% in April, as consumers spend more of their income for basic necessities.

None of this signals the end of the world. But it does mean that we should temper the interest rate expectations that seemed so plausible just a few months ago. And it might mean some harsh words from the President directed toward his hand-picked candidate.

Sources:

https://www.yahoo.com/finance/economy/policy/article/rising-prices-take-center-stage-as-feds-preferred-inflation-measure-heated-up-further-in-april-123520809.html

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LEVERAGED TO THE HILT

If you're just now returning from the Moon, then you might not have heard about the turmoil at CBS, where Stephen Colbert has hosted his last Late Show episode, where 60 Minutes seems to get a new remake every month or so, and CNN anchors worry that their independence—such as it is—are about to go the way of the passenger pigeon.

But people who have been following the various dramas may not know the full story. While the upcoming SpaceX initial public offering has dominated the financial headlines, there's a more interesting business story playing itself out.

CBS is owned by Paramount Skydance Corp., which is owned/led by David Ellison, son of Oracle founder/CEO Larry Ellison—currently number 5 on the Forbes list of the world's richest individuals. The Paramount media conglomerate is pretty large, including Paramount Pictures, Skydance Film, Skydance Animation and Nickelodeon Movies in Hollywood, plus TV assets that include CBS, Paramount Television Studios, MTV Entertainment Studios, Comedy Central, BET, Australia's Network 10, the UK's Channel 5, Argentina's Telefe and PlutoTV.

But, apparently, not large enough, which is why this is an interesting story. In February, Paramount Skydance outbid Netflix, Inc. to acquire Warner Brothers Discovery, Inc. for $110 billion. That would add Warner Brothers Motion Picture Group, New Line Cinema and DC Studios, Cartoon Network, HBO, Cinemax and CNN. Also TBS, TNT, the Discovery Channel, the Food Network, Animal Planet and a number of gaming assets, including Mortal Kombat and Hogwarts Legacy.

A recent article dug into the numbers, noting that Paramount's current market value is around $12 billion, while the firm has taken on $29 billion of debt. It will pay Warner shareholders $81 billion in cash on a $31-per-share offer price.

The Ellisons and Gulf State investors have promised to put $47 billion into the combined company, but to finance the rest, Paramount will have to issue $49 billion worth of bonds—making the combined company's total debt a whopping $90 billion, or 6.5 times this year's forecast profit. And most of those profits come from the cable TV holdings, which are being disintermediated by streaming services.

The underlying story, and the eye-watering disparity between market cap and debt, offer a lesson which isn't hard to grasp for lay investors. Sometimes, before you jump into a sexy new deal, it helps to take a peek under the hood.

Sources:

https://www.advisorperspectives.com/articles/2026/05/28/ellison-familys-49-billion-ask-acid-test-markets

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THE PERILS OF PREDICTION

If you want to place a bet that the Sun won't rise tomorrow, or (less likely) that the Cleveland Browns will dominate the next Super Bowl, you can turn to the prediction platform called Polymarket. People who believe something will happen—literally anything—can make a bet, like the $200 million wagered on whether Ukrainian President Volodymyr Zelensky would wear a suit at his next meeting, or the $1.3 million that was bet on whether Donald Trump would say the word 'hottest' during a recent meeting with UK Prime Minister Keir Starmer. Speculative markets have emerged for the return of Jesus Christ, the existence of aliens and whether the Earth is flat.

Polymarket has become a surefire way to determine whether your judgment about what's going on, and what's going to be going on, is better or worse than the wisdom of the crowd. But, like most gambling activities, the majority of the trades and traders have lost money. A very small number of people can boast that they consistently have better judgment than the rest of us; according to one study, the top 1% of Polymarket accounts have gathered roughly three-quarters of the gains.

This is in line with other betting markets. In one study, 1.3% of daily fantasy sports bettors took in 91% of the total profits. 97% of Brazilian retail futures traders lose money; U.S. retail equity options traders lose 5% to 9% per earnings announcement trade. And there is evidence that some of the winners have had access to information not available to the rest of us; insider trading on Polymarket has provoked a federal indictment and a Congressional probe.

So what's the lesson here? If there is a conclusion beyond the perils of gambling, it is that the wisdom of the crowd, for all the disparate voices it includes, tends to be wiser than all but a very few of us, on pretty much everything. The Sun is likely to rise tomorrow, any bet you make on the hour and day of the Second Coming is likely to be a loser and index funds will continue to beat the cumulative bets made by active traders.

Sources:

https://tradersunion.com/news/editors-picks/show/1347478-the-most-absurd-bets-on-polymarket/

https://www.advisorperspectives.com/articles/2026/05/28/polymarkets-losers-discovering-age-old-truth

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SIGNIFICANT CHANGES TO PARENT PLUS LOANS

Beginning July 1, 2026, significant changes to Parent PLUS loans will take effect. New Parent PLUS loans will be subject to an annual borrowing limit of $20,000 per student and a lifetime limit of $65,000 per student, replacing the current ability to borrow up to the full cost of attendance. In addition, new Parent PLUS loans will no longer qualify for income-driven repayment plans or Public Service Loan Forgiveness (PSLF), making repayment less flexible for many families. Families with students already enrolled in college before July 1, 2026, are generally grandfathered under the current borrowing rules and may continue to access Parent PLUS loans without the new borrowing limits for the remainder of the student's course of study, subject to federal eligibility requirements.

Sources:

https://studentaid.gov/announcements-events/big-updates

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