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EDITOR'S NOTE

The UChicago Financial Journal, affiliated with the Undergraduate College of the University of Chicago, is a Recognized Student Organization dedicated to fostering research, learning, and writing in the fields of finance, economics, and political economy.

Our quarterly publications feature a collection of articles written by our members. The articles adhere to a category we cover—markets, political economy and technology. They are argumentative in nature, presenting a clear thesis supported by rigorous evidence and relevant primary sources from within the industry.

Our goal is to foster academic integrity, analytical rigor, and critical engagement among students passionate about the study of finance and its global implications. We value intellectual curiosity and open-minded dialogue with diverse perspectives—principles that guide both our research and our commitment to thoughtful discourse within the financial community.

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Borderline Breakdown: The Economic Fallout of Mass Deportation Policies

Armaan Gill

Particularly in border areas like Texas, Arizona, and California, the United States has seen a recent boom in immigration policy enforcement. Thousands of illegal immigrants have been taken out of the workforce thanks to the mass deportation programs. Although some argue these actions are required for national security, the financial consequences are clear, particularly locally. In areas like agriculture, construction, and service businesses, deportation has upset sectors depending on foreign labor. While the long-term effects are more subtle and thus result in a terrain of economic vulnerability for these areas, the short-term effects are clear-cut. The most obvious short-term disturbance brought on by significant deportations is the labor scarcity in essential sectors. Service, construction, and agriculture companies are left searching to cover critical tasks. Fewer workers means that salaries in these sectors must rise as businesses fight to draw in labor. Although this might seem to be a favorable change for employees at first glance, the reality is more nuanced. Employers fight to reconcile pay increases with profit margins, often accepting expenses that compromise their financial stability. Rising wages without matching productivity growth can cause financial difficulty for many companies, particularly smaller ones.

Furthermore, labor scarcity has broader economic implications. Businesses in services, construction, and agriculture raise pay; the cost of doing business also increases. Reduced consumer spending aggravates this inflationary pressure since deported workers, who usually boost the local economy as buyers, renters, and service consumers, are absent. Local businesses that depend on immigrant communities for consumption suddenly find a void. The lack of these customers thereby compromises the financial foundation of certain border states even

more. The industry most affected by workforce loss resulting from widespread deportations is probably agriculture. Long the backbone of agricultural labor in the United States, migrant workers have been involved in everything from crop collecting to packaging and delivery. They supply the necessary workforce for everything. Deportation has immediate disastrous consequences in the short run. As farmers struggle to find enough workers to reach their output goals, harvest delays and crop losses become regular occurrences. Unharvested crops in the fields cause immediate financial losses and disturb the national and regional supply chains, depending on timely harvests.

Some farmers try to adapt to the medium term by investing in automated technologies. However, these developments are not without their challenges. Automation calls for significant capital expenditure, training, and time to fit current production lines. While some businesses could withstand these changes, smaller, family-owned farms with fewer resources could face challenges they cannot overcome. The long-term situation for agriculture in border states raises even more issues. Industry shrinkage most likely results from the absence of reasonably priced, skilled workers combined with the significant expenses of automation. Local producers' standing in worldwide markets will deteriorate as they fight to stay competitive. Once a leader in agricultural exports, the United States could be pushed to a more marginal role as other nations with less expensive labor and more flexible immigration laws take front stage. Mass deportation has effects much beyond the particular industries losing labor. Eliminating significant portions of the immigrant labor compromises the stability of local economies in borderstates. Businesses are compelled to boost

prices to cover the higher labor costs when fewer low-wage workers are available. Although this price inflation helps those with greater incomes, it hurts the whole economy, particularly in lower-income areas dependent on reasonably priced goods and services.

Businesses also struggle more to make expansion plans. The erratic character of the labor market generates uncertainty that makes it challenging for businesses to scale activities properly. This stunts long-term economic growth and causes local employment markets to stagnate. Once thriving because of the active labor force supplied by immigrant workers, communities today suffer economic slowdown and increasing instability as businesses try to adjust to changing demographics. One cannot overlook the political consequences of large deportation programs. On the one hand, the goal of national policy on immigration enforcement is a safer border and better legal protections for American employees. Conversely, these measures separate the interests of national authorities from those of local governments.

Many times, local administrations in border areas have opposed mass deportation programs since they understand how negatively these policies affect their respective economies. Legal challenges, public demonstrations, or appeals for more compassionate immigration policies are common ways this opposition shows up. Arguing that they cause more harm than benefit, local businesses and minority groups dependent on immigrant labor also reject these laws. Immigration enforcement affects these communities' political and economic aspects, therefore endangering their livelihoods. The conflict between local and national interests sometimes drives voter division. Deportation rules cause significant tensions in areas like Texas, Arizona, and California, where immigrant populations are vital to the economy. Immigration becomes a wedge issue that politicians use from both ends of the spectrum. Local governments, corporate leaders, and communities opposing the national mandates they believe to be detrimental to their way of life create a fractured electorate.

Although mass deportation laws may be presented as required for economic protectionism and national

security, their most direct and negative consequences are felt locally. Particularly those relying on immigrant labor in areas including agriculture, construction, and services, border states, especially those, are now struggling with the repercussions of losing this vital workforce. Apart from immediately resulting labor shortages and increasing wages, deportation policies also cause long-term structural problems for local economies. Dependency on immigrant labor in these areas is an economic rather than a humanitarian concern. Navigating the divide between national policy and regional economic reality, local governments, businesses, and communities confront significant obstacles. Mass deportations would ultimately probably prove more expensive than anticipated, as border areas try to adjust to the loss of their most crucial workforce.

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Why Trump's Immigration Ideas Won't Stimulate the Economy as He Hopes

Ely Hamani

Donald Trump's recent immigration proposals reflect a strategic pivot: attract wealthy investors, retain college-educated foreigners, and expel individuals seen as politically or ideologically undesirable. While these initiatives may appear economically pragmatic, they rest on shallow assumptions and deliver limited long-term value. The promise is that America can stimulate growth, reduce deficits, and protect national interests through more selective immigration. But beneath the surface, these policies are inconsistent, economically inefficient, and potentially damaging to sectors relying on openness and stability. A closer look reveals that Trump's vision for immigration is unlikely to deliver the economic stimulus he claims. Beneath the numbers lies a choice: retreat into fear, or embrace the idea that growth flows not from walls, but from welcome.

I. Student Visa Revocations Undermine a Critical Economic Engine

International students are one of America's most valuable educational exports, contributing over \$40 billion annually to the U.S. economy. When Trump's administration began revoking student visas en masse, often for political reasons such as pro-Palestinian social media activity, it sent shockwaves through universities and the broader economy. Institutions like Columbia University rely on international enrollment for nearly half of their tuition revenue, and these abrupt disruptions threaten their financial stability. Beyond tuition, international students fuel local economies: they rent housing, and support jobs in college towns nationwide. The State Department's "Catch and Revoke" initiative, an AI-powered social scraper to detect foreign nationals who appear to support Hamas or other designated terror groups and cancel visas, risks chilling future

enrollment as students weigh more welcoming alternatives like Canada or the UK. Once the U.S. loses its status as a preferred destination for global talent, the economic consequences could cascade across education, real estate, and consumer sectors. Moreover, these policies create uncertainty, a key deterrent to long-term investment: Universities cannot make enrollment projections, landlords face vacancy risks, and employers lose access to future workers educated under the American system. In economic terms, policy unpredictability is a tax on growth, and this tax is rising fast. The real cost isn't just in dollars—it's in the slow erosion of America's reputation as a beacon for talent, ambition, and possibility.

II. The "Gold Card" Visa: Capital Without Productivity

Trump's proposed "Gold Card" visa, offering U.S. residency for a \$5 million investment, is designed to generate quick revenue and appeal to high-net-worth individuals. It sounds like a win-win: raise funds for the U.S. Treasury while attracting global wealth. But in practice, the economic benefit is overstated, especially compared to more productive forms of immigration. Unlike the EB-5 visa, which it aims to replace, the Gold Card visa requires no job creation or investment in actual U.S. businesses. The funds go directly to the government, limiting the multiplier effect normally flowing through construction, employment, or entrepreneurship. While the program has raised several billion dollars, it remains a niche solution with limited reach and questionable legality. The focus on passive capital rather than productive activity also distorts immigration incentives. The U.S. economy doesn't need money, it needs builders, innovators, and employers. A visa regime that

equates wealth with economic contribution misses this distinction and may exacerbate housing inequality by driving luxury real estate demand without generating corresponding benefits for labor markets or GDP.

America will shape immigration policy to chase headlines—or to build a future worth staying for.

III. Skilled Immigration Reform: Good Idea, Poor Execution

Trump's most economically sound proposal is to offer green cards to U.S. college graduates, including those from two-year programs. Retaining skilled, U.S. educated talent is supported by research showing that immigrants with college degrees produce long-term fiscal surpluses, boost innovation, and fill key gaps in STEM industries. In principle, this policy aligns with a merit-based immigration model that many economists endorse. However, the credibility of such a policy is undermined by its surrounding context. It coexists with restrictive, inconsistent measures, like visa revocations and hostile rhetoric, that signal instability to prospective students and skilled migrants. If the U.S. wants to retain talent, it must offer policy benefits and institutional trust, and right now, that trust is fraying. In addition, implementing this policy would require legislative approval, something that may prove politically unviable given Trump's broader anti-immigrant platform. Pro-growth immigration reform must be more than a soundbite, a coherent strategy and bipartisan support must back it. Otherwise, it remains a half-promise that fails to deliver meaningful economic gains. Trump's immigration proposals may be framed as economically strategic, but they suffer from fundamental contradictions.

Revoking student visas harms a vital export sector, while the Gold Card visa delivers capital without labor or innovation. Even his strongest proposal—retaining college-educated immigrants—struggle under the weight of legal ambiguity and political inconsistency. Sustainable economic growth depends not on performative restriction or isolated incentives, but on coherent, inclusive, and forward-looking immigration policy. Without that, the U.S. risks trading long-term prosperity for short-term optics. The question now is whether

IPOs are on Standhold: Will Political Uncertainty Stop the 2025 Market Optimism?

Fabrizio Grillo

As IPO forecasts predicted, an increase in activity is expected for 2025. However, the recent political and economic shifts now risk stalling the anticipated revival of the IPO market. This article explains why companies are increasingly opting not to go public.

Market analysts at the Financial Analyst Magazine anticipated a return of IPO activity in 2025, following a decrease in the previous year. Public offerings were expected to increase at the start of the year due to the easing of inflation, recent Federal Reserve interest rate cuts, and a spark in investor confidence, which helped create more favorable market conditions. Specialists at Ernest Young were looking forward to an “increased optimism” in the IPO market because of “strong stock market valuations, a declining interest rate environment and solid performance by the ‘IPO class of 2024.’”

However, the current political frenzy and the resulting economic instability have quickly changed those early-year expectations for the worst. This quick and unexpected change in market sentiment is a reaction that reflects past periods of volatility in response to political changes. Additionally, despite numerous optimistic forecasts for IPO activity in 2025, political and economic risks are causing public offerings to be quickly postponed, and alternative capital-raising options are becoming more frequent.

The IPO activity has fluctuated over the past few years. However, the rapid decline began in 2022 due to rising interest rates and political tensions—such as the Ukraine War—which altered the direction of companies evaluating going public. However, the IPO market showed positive signs of recovery in 2024. These prospects included a 15% increase in global public listings, according to data from

Renaissance Capital. Nonetheless, firms are still hesitant about going public because of the market’s volatility and inflation, which create an uneasy situation for companies. Political and economic uncertainties, particularly regarding trade policies and regulatory tensions, have been key factors hindering the expected growth of IPO listings through 2025.

Throughout a long economic history, political decisions have had a significant impact on IPO activity, with a common reaction of increased market volatility during periods of policy change. Thus, political decisions have always influenced IPO activity. This pattern was evident in periods such as 2021, when IPO activity decreased by 30% in a single quarter following major regulatory changes, according to a PwC study. A similar trend is occurring today, as trade policy reversals, corporate tax shifts, and more demanding disclosure conditions create notable market hesitation. These conditions not only decrease investor confidence but also encourage many companies to reconsider the possibility of going public until such conditions can stabilize.

Considering the significant risks associated with public offerings, companies are exploring alternative ways to raise capital. Private equity investments, secondary market deals, and debt have become more appealing in times of uncertainty. According to PitchBook, private equity funding increased by a substantial 20% in the first quarter of 2025 because companies are opting to remain private longer to avoid the volatility of public markets. A notable example is the announcement by Walgreens Boots Alliance in early 2025. The announcement was that it would be taken private after a significant leveraged buyout. This move highlights how even large, established public companies, such as Walgreens

Boots Alliance, are seeking private capital solutions due to current market instability. There has also been increased activity in debt markets, with corporate bond issuances up 18% year-over-year as firms leverage low interest rates to secure funding.

So, what is next for IPOs? While some analysts expressed at least slight optimism, most agree that a rebound in IPO activity requires market stabilization. Factors like lower interest rates, more transparent regulations, and reduced geopolitical tensions could revive IPO activity by 2026, according to Goldman Sachs. Until then, companies are likely to rely on private funding and alternative financing strategies.

The anticipated IPO resurgence for 2025 is facing significant headwinds from political and economic uncertainties. Many firms are delaying their public listing; however, there are alternative ways to capitalize on the current market conditions. Instead, many other companies are capitalizing on alternative capital-raising strategies. Yet, there is still doubt on the possibility of a sudden resurgence of IPO activity in 2025 or other scenarios where safer financial strategies will be the way to go.

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Venture Global Bull Case

Nathaniel Kelley

When Venture Global launched its IPO on January 24th it was meant to be a sign of great things to come. The firm, which had disrupted the LNG industry with its low-cost development method, was riding the tailwinds of increasing global gas demand over the past decade and the re-election of Donald Trump, a friend to Oil and Gas firms. Yet despite this the stock would have dreadful returns in the months to follow with its value cratering from \$110 billion to around \$20 billion. I think that this performance does not properly reflect the long-term value of Venture Global and that the stock (as of May 3, 2025) is currently underpriced.

The role that LNG plays in the global energy industry is crucial. By super chilling natural gas into a liquid, transporting natural gas on ships becomes economically viable. This is crucial as it vastly expands the scope and flexibility of the market for natural gas. Where pipelines could only send gas from one point to another at incredible capital costs, fleets of LNG tankers allow for greater optionality and responsiveness as seen after the Russian invasion of Ukraine. But to enable this liquefaction trains and other corresponding terminal facilities must be built in order to transform feed gas into LNG. Some of the leading developers and operators of LNG terminals in the US include Cheniere Energy, Sempra LNG, Golden Pass, and Venture Global.

When Venture Global's bankers first revealed the structure of the IPO, they implicitly valued the firm at \$110 billion. This would make them not just the most valuable LNG firm (Cheniere, the largest US firm, is valued at around \$55 billion) but they would also be more valuable than super major BP who had a market cap of \$85 billion at the time. This valuation was absurd, to put it diplomatically, and the IPO was restructured and gave Venture Global a value of \$65 billion, putting it more in line with its closest peer Cheniere. It would not be smooth sailing from there

as the stock would fall below its IPO price of \$27 on the first day of trading and never looked back. As of May 3, 2025, the stock is trading at \$8.82, and the value of the firm has fallen from \$110 billion to \$21.43 billion.

The fall of LNGs Icarus has three main drivers. First is a large arbitration battle with Shell, BP, and other customers over Venture Global's marketing of LNG cargoes. They are accused by their customers of violating their SPAs when they sold cargoes while their Calcasieu Pass terminal was fully operational but still commissioning, they seek \$5 billion in lost profits. The second issue is increasing construction costs. Despite positioning themselves as the low cost developer Venture Global's Calcasieu Pass terminal and Plaquemines LNG terminal have both seen construction cost increases in the billions of dollars as tariffs and reliability issues have dogged their development. The last major headwind is a shifting contracting environment. To finance these terminals firms need to lock in customers to 15 to 20 year SPAs, but recent re-contracting at Qatari and Australian terminals has shown that European and Asian utilities (the traditional buyers) are preferring shorter terms from multiple sources of supply. As Venture Global is still very much a growth company this could through a wrench into their expansive expansion plans that have yet to reach FID.

While these three threats have done a number to Venture Global's stock price, they are not as severe as the market has made them out to be. Starting with the arbitration case, it is important to note that it is still in court, and as of May 3, 2025, there has not been any news of a decision against Venture Global. There is still a chance that Venture Global could escape relatively unharmed. Even if they do lose the case, it is just a one time charge not a recurring drag on earnings limiting long term damage. Additionally, the reputational damages of these shenanigans will also

be limited. Traditional midstreamers like Energy Transfer and Kinder Morgan trade on their assets all the time, even taking positions against their customers. Fundamentally there are simply too few terminals and too few people with the knowledge of how to build them for customers to be choosy with who they work with.

Increases in terminal construction costs pose the largest threat to Venture Global due to its growth oriented nature in comparison to Cheniere. While Cheniere, the other LNG pure play, currently has no future projects in the pre-FID stage, Venture Global has 74 MTPA worth of projects, more than double its current production. These cost increases threaten to derail their expansion and thus their long term value. But here Venture Global's use of midscale trains become important, as the smaller size of the trains means that they can be constructed off site for cheaper (on a MTPA basis) than the larger trains used by their competitors currently and in future developments. This means that while Venture Global might be under pressure from cost increases, these pressures will be more acute for their competitors, meaning that they still could reach FID on their expansion projects, even if they are not as large as they hoped. Ultimately their use of midscale liquefaction trains should limit the impact of cost increases.

While the contracting issue may stand out as the most existential threat to Venture Global's growth and thus long term value even here there are 2 saving graces that could catch this Icarus. While utilities are shifting away from long term SPAs it is not a total abandonment. Ultimately as demand increases will need to come with supply increases and thus utilities will still sign some contracts so long as they are free on board, meaning they can be redirected to wherever once they disembark; this contract setup is much more common in the US than in Qatari contracts. The second saving grace comes in the form of new buyers, including portfolio buyers (typically oil supermajors) who buy a long term stream of shipments to then sell on the spot market and major gas E&Ps such as Devon Energy and EQT who look to sign long term SPAs so that they can market their gas themselves. While portfolio buyers and E&Ps are not ideal compared to utilities, they are strong enough

to underwrite the construction of major LNG terminals that Venture Global plans to build.

While threats might be minimized the true source of the bull case for Venture Global is in the underlying fundamentals of gas and LNG. Because of the long time lines to develop LNG terminals we largely know what the build out for US LNG will be at the end of the decade. Here JP Morgan Chase sees US LNG producing a third of global supply and taking the crown as the leading producer. But after 2030 there is no strong consensus on whether global gas, and thus LNG demand, will keep growing or to what extent it will grow. Risk to LNG demand in Europe mainly sits with their green push, if they get serious about it and the trade offs needed, then we could see LNG demand flatten or decrease, but if they still cannot get serious about carbon emissions then LNG demand could continue to grow. While growth is all but assured in Asia it is more a question of magnitude, if prices continue to fall then countries like India and China will likely increase their effort to switch from coal to gas, but if they do not then growth will be tempered. Alternatively, if LNG prices can drop far enough then it could encourage countries like Pakistan and Bangladesh to invest in the infrastructure needed to handle it, this could potentially supercharge growth. Ultimately the story of LNG post 2030 is highly uncertain, but it is in this uncertainty where Venture Global can shine.

The modularity of their terminal construction means that they are best positioned to profit whatever the outcome. Their midscale trains should allow them to be able to develop supplies in smaller increments. Instead of needing to find SPAs for liquefaction trains that each produce 5 to 6 mpta they can sign SPAs for trains which produce less than 1 MPTA. This could make them an ideal buyer for utilities who are not looking to commit to massive LNG SPAs as they transition to truly green energy sources. Venture Global could act as something of a marginal producer where they increase production in small increments to meet the needs of a customer base racked with uncertainty. When this is coupled with the higher prevalence of FOB in US LNG SPAs it positions Venture Global as the ideal counterparty for customers who are uncertain about their own demand.

Though the real primacy of their midscale trains comes from price. While currently a cost leader it stands to reason that as Venture Global grows in scale these cost advantages will grow as certain fixed costs, such as feed gas pipelines and marine berths, can be better spread out. Continuing to develop this cost advantage means Venture Global will have access to markets that other firms do not. As less developed countries like Pakistan and Bangladesh look to switch to LNG from lower cost developers might be the only way to make the infrastructure investments economically viable. Despite this advantage Cheniere has been the only LNG developer to follow with their Corpus Christi Liquefaction Stage 3 using 7 midscale trains. If the adoption of midscale trains is limited then Venture Global will have a massive advantage over its competitors as it has unique market access. But even if others follow Cheniere's lead, then Venture Global will still have a noted knowledge advantage in developing these highly complex terminals.

Shopping on Eggshells: How Tariffs Will Affect Consumer Sentiment

Zoe McDonald

Consumer expectations have fallen to the lowest in over 12 years, with the measure far below the threshold researchers say often signals a recession ahead according to The Conference Board's monthly index. For the culprit of this sharp decline, we need not look further than President Donald Trump's April 2nd unveiling of sweeping 'reciprocal' tariffs, provoking widespread panic despite his insistence that 'we are being very kind'. Although most of the higher rates have been suspended for 90 days, with some hopeful for successful negotiations, the recently imposed 'minimum baseline tariffs' of 10% on all global imports still stand, so you may have noticed hikes in the prices of your Shein hauls.

With the University of Michigan's survey showing the steepest three-month percentage decline in consumer expectations since the 1990 recession, there is every right to be concerned, but is this concern well-founded? Consumers are overwhelmingly negative about tariffs. According to data from the Ipsos Synthesio AI-powered social intelligence platform, 79% of the conversations around tariffs across languages, continents, and social platforms have been negative. From markets to shopping carts, the unease is hard to miss, it's all around, and justifiably so.

So how will consumers react to this fraught environment? Somewhat counterintuitively, as Deloitte Insights also predicts, future anticipation of inflation may lead consumers to spend now in 2025 and pull back in 2026. A rise in big-ticket purchases, especially with products like smartphones and cars, began in anticipation of tariffs as early as March according to the U.S. News report. What is evident is that in anticipation of sharply higher prices, consumers are 'clearing the store shelves and picking

up bargains while they can,' according to Christopher S. Rupkey, chief economist at FWDBonds LLC.

Larger effects will come in the long run. Alexander Mackay of Harvard Business School says, 'evidence indicates consumers may take three years or longer to adjust to price changes.' Their spending changes may mark the end of the 'resilient consumer'. Consumers have to make larger and larger cuts to their spending, and consumer choice is steadily falling. The recent tariffs may spell the end of their uncanny ability to adapt to and bounce back from uncertainty and volatility.

The bond market offers valuable insight, and with recent headlines like CNBC's 'Volatility is here to stay in the bond market for the foreseeable future, says PIMCO's Mike Cudzil,' it is not looking hopeful. There is hardly an indicator of uncertainty stronger than this. Trump's assurance that 'ultimately, more production at home will mean stronger competition and lower prices for consumers' is largely unfounded and, even if true, would only be realized many years in the future. If this were to happen, it would take time. According to NBC News, 'experts say focusing on domestic goods production could cost consumers while undermining America's growing advantage in the knowledge economy.' Despite Trump's designation of the recent shocks as 'transition bumps', it will take a lot more time for consumer sentiment to settle down.

What Trump does not seem to have forgotten (yet still seems to blunder) is that managing uncertainty is key. What is not to be forgotten is that a large part of the impact of the tariffs will be how they are perceived and how expectations are shaped. 85% of U.S shoppers are concerned about the impact of

tariffs on their finances or shopping. Yet what spells even worse news is that data says consumers do not understand tariffs. Popular reactions have largely overshadowed tangible change as of writing. Still, if the public perceives tariffs as catastrophic, their impact will be catastrophic as well. The average consumer may be drawn to overly emotional reactions, fueled by a lack of understanding of the political economy; don't be the average consumer.

Beware of the traps laid out. Headlines are not purely informative and 'Buy Now Pay Later' schemes are not the solution to your late night finals week DoorDash cravings. The more the people around you and on social media talk about the political economy, the more you should be worried about the people around you making financial decisions fueled by emotions. This does not engender hope for the American economy.

Undeniably, government policy is volatile and so GDP growth will slow. Managing uncertainty is key if consumer confidence is to be controlled. Unfortunately, government policy is looking to be just as volatile as the bond market.

Fractional Real Estate: Is Buying 1/1000th of a Home Worth the Investment?

Rose Shulman Garcia

For a generation priced out of homeownership, fractional real estate investing or buying a fraction of a luxury condo for the price of a coffee feels like a great shortcut. But that low barrier to entry can come with locked-up shares and hidden fees. Even worse, the platforms can disappear overnight.



Figure: U.S. Homeownership Rate (2000–2024)

Source: U.S. Census Bureau

Homeownership in the U.S. has declined significantly since its early 2000s peak, with only a modest rebound after the 2008 financial crisis. This prolonged dip has left many younger Americans shut out of the housing market, fueling interest in alternative investment models like fractional real estate ownership.

Platforms like Arrived and Lofty boast claims that with an investment as low as \$10, you too could be a homeowner with their pre-vetted properties and “hands off” management. While they claim benefits such as no huge down-payments, landlord responsibilities, it is far from the ‘ideal’ investment strategy for young investors that they tout it as. It is advertised as diversification without debt, but is it financial empowerment? Or do the hidden fees, platform governance, and concerns with the lack of regulation outweigh its supposed benefits?

The appeal is understandable. Investors can diversify their portfolios, gain exposure to real estate’s potential returns, and do so with minimal investment.

The promise of passive income as well as the allure of owning a piece of property is compelling. However, this model has clear problems.

One of the primary attractions of fractional investing is the advertised ability to buy and sell shares. Platforms make it seem like they are offering liquidity akin to stocks. Lofty positions itself as a leader in this regard with a secondary marketplace where tokens can be traded. However, the reality is less promising. While Lofty charges a 2.5% fee on each transaction, the actual liquidity is limited. The secondary market is confined to Lofty’s platform, which limits investors seeking to liquidate their holdings promptly.

Lofty’s main competitor, Arrived, has yet to launch its secondary market. They have plans to do so in the summer of 2025. Until then, investors are left with a holding period that could span five to seven years, according to Arrived’s own documents. This significantly diminishes the flexibility that investors might have expected from such platforms.

While fractional investing platforms advertise low minimum investments and passive income, they often conceal the fees that can erode returns. Lofty, for instance, charges a 2.5% fee for each transaction on its secondary market. Additionally, investors may incur fees ranging from 2.9% to 3.9% when funding their accounts via credit or debit cards. These costs can accumulate quickly, diminishing the overall profitability of investments.

Beyond financial considerations, governance structures raise significant concerns. Lofty’s use of blockchain-based tokens means that ownership is represented digitally with decisions made through a decentralized autonomous organization (DAO).

While this model promotes a sense of shared ownership, it also introduces complexities in decision-making processes. The requirement for a supermajority of 60% for decisions to pass can lead to gridlock that can hinder timely and effective property management.

It's important to note that this is a relatively new investment vehicle. Arrived and Lofty were founded in 2019 and 2018, respectively. The volatility of the startup ecosystem poses another risk to investors. The abrupt shutdown of Here.co in January 2024 serves as a stark reminder of the fragility inherent in these platforms. Despite raising nearly \$2 million in 2023, Here.co ceased operations, citing unfavorable economic conditions and high-interest rates. Houses were sold at a loss, and investors were left with little recourse.

While fractional investing platforms democratize access to real estate, they also contribute to the financialization of the housing market. In cities like Atlanta, Jacksonville, Charlotte, and Tampa, institutional investors own significant portions of single-family rentals, with shares ranging from 15% to 25%. The influx of investment capital drives up property prices and rents, which potentially displaces middle and lower income families from home ownership opportunities.

investors can price out potential homeowners which undermines the very democratization that these platforms purport to offer. Fractional real estate investing does present a new approach to property ownership. The allure of passive income is undeniable. However, the realities of liquidity constraints, hidden fees, governance complexities, platform instability, and broader market impacts suggest that this model may not provide the flexibility it claims.

For investors, the promise of easy wealth through fractional ownership is tempting but clearly laden with challenges. The risks associated with these platforms necessitate careful consideration and due diligence. As the industry continues to evolve and gain popularity, it needs to be looked at critically. The path to financial empowerment may not be as straightforward as these platforms make it seem, or at the very least, it won't come at the cost of a cup of coffee.

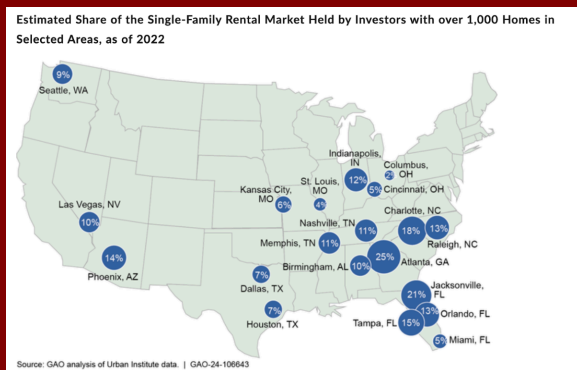


Figure: The percentage of single-family rental homes owned by institutional investors in various U.S. cities
Source: U.S. Government Accountability Office

The trend of turning homes into tradable assets exacerbates housing affordability crises, particularly in already strained markets. The competition introduced by both institutional and fractional

The Return of Big Oil: Fossil Fuels Burning Down

ESG

Percy Stillman

Despite years of capital inflows into ESG funds and predictions of a decline in fossil fuel use, traditional oil and gas companies have recently outperformed their green-tech counterparts, forcing a reassessment of the pace and realism of the energy transition. From Trump's swift withdrawal from the Paris agreement, to the slashing of electric vehicle subsidies, to his continued pro-fossil fuel rhetoric, the new government has been a driving force behind the shift away from the often costly, green energy push.

The ESG investing boom peaked between 2020 and 2022, with a record \$649 billion poured into ESG-focused funds worldwide through 2021, up from \$542 billion in 2020 and \$285 billion in 2019 (Reuters). The global head of stewardship at Goldman Sachs, Catherine Winner, summed up the momentum at the time: "It's not just about shareholders; it's about all stakeholders"¹. Yet just two years later, the 2022 energy crisis, fueled by the Russo-Ukrainian war, supply chain disruptions, tariffs, and sanctions, oil prices surged drastically. Investments in fossil fuels were incentivized by the rising interest rates, discouraging further expensive ESG investments. The key question now is to what extent the "death of oil" narrative holds validity, and where does that leave the ESG mission?

Performance Comparison and Russian Influence

On February 24, 2022, Russia invaded Ukraine. Brent crude peaked above \$105 a barrel, and U.S. WTI was at \$100.54, record highs for both since 2014. This immediate jump was driven by speculative concerns over supply shortages and chain complications, alongside anticipated sanctions. This price increase boosted oil company profits and thus dividends.

The United States shifted much of its oil imports to Canada and Mexico, on account of Russian oil bans, yet Russian oil still entered U.S. markets indirectly through loopholes like using refineries in countries such as Turkey, and continues to do so today.

Meanwhile, ESG-heavy ETFs continue to underperform. Funds like Invesco Solar (TAN) and iShares Global Clean Energy (ICLN), which once rode the ESG wave in 2021, are down 64.2% and 74.8% from their highs as of May 2025. Their struggles have disillusioned early supporters and driven many back to oil ETFs such as the United States Oil Fund LP (USO), up 210.25% over the last five years.

What's Driving the Fossil Fuel Comeback?

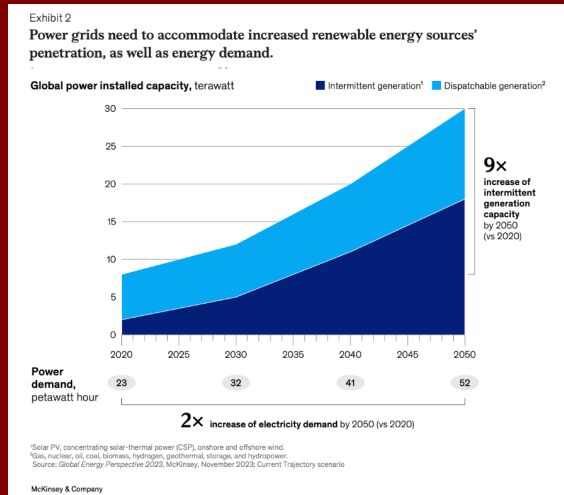
The Trump administration's policies in 2016 marked a turning point by encouraging big oil investments, while the Biden administration sought to advance climate policy through Executive Order 14008 in 2021, which made climate responsibility a federal priority. President Trump swiftly rescinded this order in January 2025, calling it harmful to industry.

The new administration has continued to advocate for pro-fossil fuel investment. At the same time, market volatility has renewed interest in commodities as a hedge. According to Daan Struyven, head of oil research in Goldman Sachs Research, "A 1 percentage point surprise increase in US inflation has, on average, led to a real (inflation adjusted) return gain of 7 percentage points for commodities, while that same trigger caused stocks and bonds to decline 3 and 4 percentage points, respectively"². This dynamic has made oil particularly attractive to both institutional and private investors.

Overpromising on Decarbonization Timelines

Where does this leave sustainable energy? Power grids are the key to implementing alternative energy into homes and businesses across the country. They were designed for slower, centralized energy inputs from sources like coal-fired power plants. They are now being asked to accommodate intermittent renewables like wind and solar, which require significant transmission upgrades to move electricity from generation points to distribution networks.

McKinsey clearly stated that “the tools and processes available at present for grid planning are not up to the task of optimizing current capacity and planning for the setup of efficient new capacity.”²³ Infrastructure shortcomings and distribution hurdles remain a major barrier to renewable integration.



Oil has not only survived but outperformed green alternatives during the ESG surge. Market sentiment now prioritizes realism over idealism, with Trump’s administration and the Ukraine conflict reinforcing fossil fuel profitability. Meanwhile, renewable energy faces ongoing structural challenges, from grid capacity to capital costs.

Federal support is crucial to renewable alternatives becoming competitive. Once bipartisan political backing is formed, institutional and private investors will follow and allow the sector to grow to self-sufficiency. Ultimately, few entities other than the government can front the short-term loss for the sake of the greater good of the country and the world. However, under the current administration and

continued geopolitical uncertainty, few appear willing to make the financial sacrifice for cleaner energy.

The question remains: will political instability continue to undermine ESG in the U.S., or can it prevail through a more moderate and realistic transition?

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What's Going On at the Federal Reserve?

Sophia Paesano

The current economic outlook and wait-and-see method of the Federal Reserve.

Chicagoan Ferris Bueller once said, “Life moves pretty fast.” Those were also the closing words of Federal Reserve Chair Jerome H. Powell’s recent speech on the U.S. economic outlook, an unexpected but fitting nod to the pace of change the Fed is currently navigating. In many ways, it captures the central bank’s approach to interest rates in 2025: waiting, watching, and responding only once the economic picture becomes clearer.



Kent Nishimura/Getty Images

With inflation pressures rising due to a new wave of import tariffs and growth showing signs of slowing, the Fed finds itself at a crossroads. As Powell cautioned, tariffs could keep borrowing costs elevated even as they weigh on demand, setting the stage for a policy dilemma. In the meantime, uncertainty itself has become a force in the economy, and investors are learning to adapt to a new normal of heightened volatility.

Tariffs and Their Economic Outlook

Trade policy had rapidly become the dominant wildcard for the 2025 economic trajectory. In early April, President Doland Trump announced a sweeping set of global import tariffs; a move that Fed

officials describe as one of the “biggest shocks to affect the U.S. economy in many decades.” Although a 90-day pause was later placed on some of these tariffs, the effective tariff rate is still set to jump dramatically, potentially to over 20% on average, from about 3% at the start of the year. Representing a fundamental change in the trade environment, these moves have “left the Fed guessing” about the economy’s direction.

The immediate impact of the tariffs brings higher prices and slower growth. Powell has warned that the announced tariff increases are “significantly larger than anticipated” and likely to result in “higher inflation and slower growth.” In his April 16th remarks, Powell stated plainly that “tariffs are highly likely to generate at least a temporary rise in inflation,” with potentially more persistent effects depending on how long they last and how businesses and consumers adapt.

So what does all this mean for people like you and me? Rising tariffs don’t just affect headlines, they affect us in the form of more expensive everyday goods, from electronics to groceries. Powell acknowledged that “households and businesses report a sharp decline in sentiment and elevated uncertainty about the outlook,” as people grow more cautious about spending and planning. The Fed is closely watching whether these price increases are just a short-term blip or the start of a longer-lasting trend, because how inflation evolves from here will shape not just interest rates, but the broader economic outlook for everyone.



Board of Governors of the Federal Reserve System (US) via FRED

The Fed’s Dual Mandate

The Federal Reserve’s dual mandate, stable prices and maximize employment, is being tested as these objectives diverge. At the start of the year, conditions seemed close to ideal with unemployment hovering around 4%, roughly “at or near maximum employment” and inflation trending down towards the 2% goal. Under such circumstances, the Fed has managed to cool price increases from the pandemic-era without derailing the labor market, raising optimism such a “soft landing” was achievable.

The shock from tariffs has disrupted the balance. By driving prices higher as they diminish growth, the tariffs threatened to put the Fed’s two goals into direct conflict. Candidly, Powell acknowledges this risk where their “dual-mandate goals are in tension,” in which case policymakers would “consider how far the economy is from each goal, and the potentially different time horizons over which those respective gaps would be anticipated to close.” In other words, if inflation rises well above 2% due to tariff pass-through while unemployment also begins to creep up, the Fed will have to judge which problem is more urgent and which might fix itself. Powell’s comment reflects that the Fed could prioritize one mandate over the other temporarily, for instance, tolerating a bit more inflation if unemployment spikes, or vice versa, depending on the situation.

Many policymakers are arguing for a wait-and-see approach until it’s clear where the economy is headed, and stress that policy may need to be biased toward controlling inflation to prevent a rise in

long-run inflation expectations. However, if the Fed were to let inflation get out of control, it would ultimately do more harm to the economy, including employment, in the long run. Thus, the Fed’s 2025 strategy involves carefully weighing these cross-currents. Officials have made clear that the course of policy will depend on which mandate, price stability or employment, appears to be veering further off track and how costly each would be to restore.

Market Volatility and the Fed’s Response

Financial markets have been on a bit of a roller coaster in 2025, largely due to the uncertainty around tariffs and the Fed’s next moves. Stock indexes and bond yields have swung in response to each development in the trade saga and each signal from the Fed. Powell, in his April remarks, addressed that “markets are struggling with a lot of uncertainty and that means volatility,” but he was quick to add that “markets are functioning... just about as you would expect them to function.” Simply, the ups and downs in prices reflect investors processing new information, not fundamental dysfunction in the financial system. This distinction is important because it underlined that the Fed does not see the need to intervene in markets simply to calm swings.

From the Fed’s perspective, a bit of market volatility is an acceptable price to pay for keeping policy aligned with economic fundamentals. However, there is recognition that financial conditions matter. Tighter financial conditions, for example, higher borrowing costs or a sustained drop in asset values can themselves slow the economy. Fed officials have pointed out that the tariff uncertainty has contributed to volatility and somewhat tighter conditions, which could “depress economic activity” if prolonged.

It’s also worth noting that Powell has strongly defended the Fed’s independence and apolitical stance, which indirectly reassures markets that policy will not be subject to short-term political considerations. In his Economic Club of Chicago appearance, Powell drew applause for pledging to ignore political influence and make decisions “without consideration of political or any other extraneous factors.” This was a clear nod to the fact that the Fed will base its 2025 strategy on economic

data and its mandate, even amid the politically charged atmosphere of trade tariffs and an upcoming election cycle.

All of this suggests that while markets may remain jumpy, the Fed's focus is firmly on the bigger picture, maintaining economic stability and confidence in the face of uncertainty.

Policy Outlook for 2025: What's Expected of the Fed

Given this backdrop, what is the Fed's likely path for interest rates in 2025? Patience. Powell's core message has been that the Fed can afford to hold steady until it gets a better read on how the economy is evolving under the influence of recent shocks. "For the time being, we are well positioned to wait for greater clarity before considering any adjustments to our policy stance," Powell said, encapsulating the wait-and-see approach.

Similarly, after the Fed's meeting in March, he explained, "We think that the right thing to do is wait here for greater clarity about what the economy is doing." This means the Fed is not eager to either raise or cut rates in the immediate term. The benchmark federal funds rate remains in the 4.25% - 4.50% range after the cuts implemented in 2024, and officials have signaled it could stay there for a while as they study incoming data.

The most probable outlook is that the Fed will hold rates steady through at least the first half of 2025, barring a major surprise in economic data. The next couple of Fed meetings (in May and June) are likely to involve intense debate but could very well end with no change in rates as officials await definitive signs of either a downturn or resurgent inflation. The Fed wants to avoid both kinds of policy mistakes: cutting rates too early and fanning the inflation flames, or cutting too late and letting the economy slip unnecessarily. By calibrating its moves carefully and communicating its intentions, the Fed aims to guide the economy through this period of uncertainty without losing sight of either side of its mandate.

In summary, the Federal Reserve's 2025 interest rate strategy reflects a cautious, deliberate response to

growing uncertainty. With tariffs pushing up prices and slowing growth, the Fed is carefully weighing its next move, aiming to protect both price stability and job security. While these policy debates may seem distant, they shape the borrowing costs on mortgages, student loans, and credit cards, and influence how stable the job market feels. Powell's message tells us the Fed is signaling that it will act when necessary, and only when necessary, to steer the economy toward a sustainable path in 2025 and beyond. As life moves fast, the Fed's goal is to keep the economy steady beneath our feet.

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Office Space or Headspace? Wall Street’s Remote-Work Reckoning

Jack De Picciotto

An analysis of remote vs. in-office Work at JPMorgan, Morgan Stanley, and Goldman Sachs

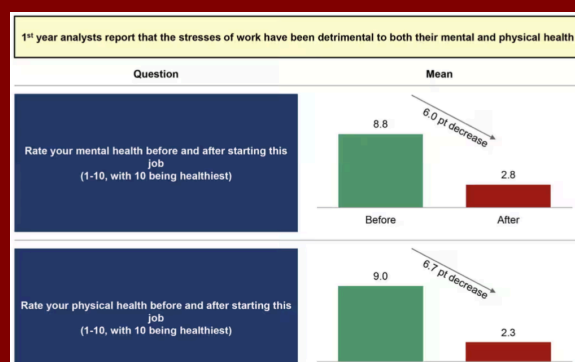
Remote work may have felt like a revolution—but for Wall Street’s biggest banks, it’s starting to look like a costly detour. In the aftermath of the COVID-19 pandemic, firms like JPMorgan, Goldman Sachs, and Morgan Stanley adopted remote policies out of necessity. What began as a stopgap quickly became popular with employees, praised for better work–life balance and reduced stress. Yet today, those same firms are walking back that flexibility with force.

Why? Leaders across these banks contend that remote work, while convenient, erodes the pillars that sustain high-performance finance: mentorship, innovation, culture, and long-term well-being. For a business model built on apprenticeship and rapid, collaborative problem-solving, the hidden costs of staying remote can outweigh the near-term benefits.

Mental Health and Well-Being

Employee experience across JPMorgan, Goldman Sachs, and Morgan Stanley reveals a complicated picture. Many at JPMorgan lauded the hybrid period for being “beneficial for mental health, family life and workplace diversity”. Avoiding long commutes and regaining hours with family reduced stress for some. But the pendulum swung back in early 2025 when JPMorgan announced a full-time office mandate, prompting hundreds of intranet comments about rising stress, commuting costs, and childcare burdens). Roughly 950 employees signed a petition urging the firm to retain hybrid work – an unusual public act of dissent in finance. CEO Jamie Dimon’s town-hall response was blunt: “Don’t waste time on it. I don’t care how many people sign that...petition” . The message was clear: employees unhappy with the policy could work elsewhere.

Goldman Sachs had its own flashpoints. A leaked 2021 internal survey captured how remote work blurred boundaries for juniors: first-year analysts described “inhumane” 100-hour WFH weeks that “severely affected their mental health”. “I was not eating, showering or doing anything else other than working from morning until after midnight,” wrote one respondent; another called the sleep deprivation and stress “arguably worse” than their foster-care experience. By 2023, most Goldman staff had returned to the office, yet morale questions lingered. A Business Insider roundup reported that “most [junior bankers] said working from home had led to them working harder than ever and taking a toll on their physical and mental well-being,” with only one in five feeling team camaraderie. Management rolled out new wellness benefits and argued that reconnecting in person would bolster both output and community



(Goldman Sachs, 2021)

Morgan Stanley charted a similar course: expanded counseling and accommodations alongside a renewed in-office rhythm (financial-planning.com). When its wealth management division implemented a

four-days-in-office guideline for 2025, the memo acknowledged pandemic fatigue but asserted that “the vast majority of us do our best work when we are together in person”. Not everyone agreed. “After 20 years of running a multi-million [dollar] business, I do not need to be monitored... I’m out of here,” one veteran adviser vented.

Taken together, the three banks concede that flexibility alleviated some strains (commutes, logistics) while intensifying others (boundary loss, isolation). Their wager now is that structure and proximity – paradoxically – improve mental health over time by restoring clearer norms and stronger team support, even if the transition back is rocky.

Mentorship and Apprenticeship

If there is one theme uniting all three firms, it is the conviction that apprenticeship cannot thrive remotely. JPMorgan’s Jamie Dimon has tied the office mandate directly to training the next generation: “Being together greatly enhances mentoring, learning, brainstorming and getting things done”. He has warned since 2021 that fully remote arrangements “don’t work for young people,” undermining spontaneity, culture, and management. At Davos in 2023 he reiterated that remote setups fail for “young kids or spontaneity or management,” urging a return so juniors can learn by “osmosis”.

Goldman CEO David Solomon echoes that logic. He describes Goldman as an “apprenticeship culture” where in-office time is foundational to teaching and innovation. “For a business like ours, which is an innovative, collaborative apprenticeship culture, this is not ideal for us” to be remote. That view underwrote Goldman’s early return to headquarters; Solomon insisted extended remote work was “not a new normal” but an “aberration”. While some limited hybrid stuck around in 2022–23, the message remained: real development happens shoulder-to-shoulder.

Former Morgan Stanley CEO James Gorman put it most starkly: “This is not an employee choice”. People don’t choose their promotion or pay, and they don’t choose to stay home five days a week. He acknowledged five days for all is unlikely to return,

but argued that those serious about advancement should be in the office at least three to four days weekly. To rebuild coaching lost during lockdowns, Morgan Stanley also nudged senior bankers to mentor actively in person and piloted pairing programs.

Across the three banks, the apprenticeship case is the same: training is not just content delivery; it is ambient learning – overheard calls, quick feedback after a meeting, the tacit standards that define “good.” Leaders see the office not merely as a place, but as the medium through which a profession reproduces itself.

Innovation and Productivity

A second shared rationale is that proximity improves creativity and execution. JPMorgan, Goldman, and Morgan Stanley each argue that when teams are co-located, ideas flow and decisions accelerate. Dimon often points to the value of hallway chats and spontaneous huddles; he complained that during COVID some employees “did not pay attention during Zoom meetings,” which dulled efficiency and creativity. Proponents at JPMorgan also note that even as hybrid lingered, the bank posted record 2024 profits—evidence, they argue, that teams outperformed despite dispersion and will sustain performance by rekindling in-person teamwork.

Goldman ties its innovative edge to physical proximity: traders shouting across a floor, bankers huddling to refine a model, the “lightbulb moments” that Slack can’t replicate. “For a business like ours...this is not ideal for us,” Solomon repeated in defending the return. By late 2023, as most revenue teams were back, managers reported more cross-team projects and live brainstorming sessions.

Morgan Stanley’s leadership links office time to firm-wide productivity goals. Gorman said plainly that remote, full-time “is not an employee choice” given the coordination required (bankingdive.com). The firm encouraged in-person “jam sessions” for complex projects, arguing that problems resolve faster at a whiteboard than across a string of virtual check-ins. Jed Finn told the firm’s 15,000 advisors that while technology had enabled remote service,

“the vast majority of us do our best work when we are together in person”. Some advisors disagree, insisting they innovated perfectly well from home; leadership’s retort is that serendipity is itself a productivity tool.

Parallels—and Why They Matter

It is tempting to treat each bank’s policy as idiosyncratic, but the more revealing story is their convergence. Three forces pulled them in the same direction. First, talent formation: if apprenticeship degrades, cohorts advance more slowly and arrive less prepared. Second, coordination friction: in cross-functional work, small delays compound; when “grab five minutes” becomes “find 30 on Thursday,” velocity suffers in ways dashboards miss. Third, cultural identity: these are execution businesses; standards transmit through shared time, pressure, and accountability. Leaders fear that dispersion ultimately yields not just new workflows but a different profession.

The Hybrid Reality

Despite hard lines in public, none of the three is pretending it’s 2019. Hybrid has survived, especially where teams set clear in-person anchors (shared office days for mentoring, pipeline reviews, and training) and reserve remote days for deep work or logistics. The difference is the default: in-office is the norm to which exceptions are made, not vice versa. Where teams hold to that cadence, workers report less isolation and better handoffs; where norms are fuzzy, the old remote frictions – endless check-ins, missed nuance – creep back in.

For top investment banks, remote work isn’t just a logistical choice; it’s a strategic bet on how excellence is produced. The evidence from JPMorgan, Goldman Sachs, and Morgan Stanley points to a consistent view: while working from home can boost morale and convenience for some, it also blurs boundaries, weakens mentorship, and dulls the informal, fast-paced collaboration that drives innovation. Hybrid offers a compromise, but the center of gravity has clearly shifted back to the office. The signal for future analysts is unmistakable: flexibility is valuable, but proximity remains power.

On Wall Street, the office is not only where people gather – it’s where a craft is learned, a culture is transmitted, and an edge is earned.

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From Prompt to Panic: How Generative AI Turns Rumors into Market Ripples

Tomas Kay

Most people tend to associate artificial intelligence with regular chatbots, developed to retrieve predefined answers and regurgitate information back to the user in mere seconds. Although their capabilities are shocking, this commercialized AI is only a small part of AI's capabilities.

While chatbots are already creating problems for education systems worldwide by ruining authentic student work, today's generative AI models can draft full earnings releases, create deceiving images, and push updates through media outlets that can cause millions of dollars of mishandled money.

AI in Financial Markets

In the financial world, generative AI has a shocking ability to process market-relevant signals and actively make decisions in seconds. Thus, what used to be a cycle of people reacting to news and then adjusting their trading positions has now turned into an automated loop between social media platforms and trading algorithms that make decisions based on the news.

The Pentagon Fake Image Incident

This relationship between AI-generated content and trading algorithms was clearly illustrated in May 2023, when a fake image of smoke near the Pentagon hinted at a potential attack on the U.S. Although the image was soon exposed as fake, the damage had already been done: within just four minutes, the Dow Jones Industrial Average fell by 85 points and the S&P 500 declined by around 0.3%. A few hours later, as the image spread again, both indexes sharply rebounded, underscoring how one fabricated headline triggered whipsaw volatility in the markets. The

broader takeaway is that while AI promises speed and responsiveness, it also highlights a critical weakness, machines often struggle to assess the validity of information in real time. In this case, human judgment might have proven superior, as not every piece of news deserves an immediate trading reaction.

Speed vs. Herd Behavior

Response speed isn't the only issue—herd behaviour in investing is more drastic than ever before. Traditionally, when AI-generated stories land on every screen at once, they push investors to move as a crowd. However, as human-operated traders are starting to be replaced with algorithms derived from generative AI, these mechanisms react to the signals simultaneously with lower reaction times, causing a stampede of trades instead of a more gradual increase in trading volume.

Elon Musk Crypto Scam

One notable example of this surfaced during 2024, when online fraudsters distributed AI-generated videos of Elon Musk promoting a new cryptocurrency platform called Quantum AI. After these videos began populating across social media platforms worldwide, blockchain forensics firms noted a surge of deposits into wallets that were related to the scam.

However, after some institutions like the Central Bank of Ireland and Hong Kong's Securities and Futures Commission began to call out the fraudulent crypto platform, there was an equally abrupt outflow of money from the accounts as investors caught on to what was going on. This sharp wave of money

flowing in and out of the accounts produced a massive spike in the traded volume relative to the expected trading traffic. Thus, although trading algorithms allow for more efficient operations with quicker reactions, the market becomes more unpredictable as bots take over decision-making.

While one class of AI mechanisms works to fabricate headlines and create fake news, the other AI mechanisms, like algorithmic trading engines, react to these headlines and execute trades, creating an arms race between news-generating bots and trading bots.

Regulatory Blind Spots

A clear by-product of this contest between these AI-mechanisms is the widening of blind spots in financial regulations. Financial-market rules were primarily written for human investors who are supposed to file 10-Ks, report quarterly earnings, and be punished for not abiding by the SEC's regulations. However, Generative AI mechanisms can slip through the cracks of the SEC's framework, and cannot be held accountable for their actions as current policies do not mandate authentication protocols or content-origin tracing.

Lyft Earnings Error

A telling example of regulatory vulnerability came in February 2024, when Lyft's earnings release mistakenly projected a 500-basis-point margin expansion instead of 50. The error sent the stock up 67% in just 42 minutes, briefly adding \$3 billion in market value before the correction erased the gains. In this case, accountability rested with the company, but if a similar distortion were AI-generated and spread across social media, the market impact could be just as severe while responsibility would be far harder to assign—underscoring how outdated regulations may struggle to contain AI-driven market disruptions.

The Future of Market Regulation

As financial institutions compete to become more efficient and boast higher returns, it is clear that AI-generated mechanisms have revolutionized the

trading of securities and rewritten the financial market's information cycle. From tightening reaction times to seconds, fueling herd behavior through identical trades, and slipping through outdated regulations, financial markets have become increasingly volatile in the short term, especially during moments of global significance. The responsibility now lies with regulators to stabilize markets roiled by rapid-fire trading—but the ultimate question remains: how will regulation evolve to parallel this technological revolution, and what laws will be created to mitigate the risks while keeping markets safe and reliable?

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