

# U.S. FOMC Review

- FOMC: target range for federal funds rate unchanged at 3-1/2 to 3-3/4 percent amid heightened inflation risks
- The Committee vote: 8-4 in favor of the monetary policy action; Governor Miran (as expected) in favor of a cut of 25 basis points, while three bank presidents supported the hold but not the inclusion of an easing bias in the statement
- Powell's final press conference: plans to serve as governor for a time in response to threats against institutional integrity; monetary policy well positioned to address risks to dual mandate
- Warsh update: nomination cleared Senate Banking Committee on 13-11 party-line vote, setting up confirmation vote by Senate ahead of May 15; Powell complimentary of prospective colleague

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## The April FOMC Meeting

With the ongoing Iran conflict generating significant upside risks to inflation, the Federal Open Market Committee ratified near unanimous market expectations and left unchanged the target range for the federal funds rate at 3-1/2 to 3-3/4 percent for the third consecutive meeting. Many policymakers supported the latest move (and a statement similar to that in March; p.3), although division emerged, as evidenced by an 8-4 vote in favor of the latest policy action. As widely expected, Governor Miran again dissented in favor of a cut of 25 basis points, while contrastingly three regional Reserve Bank presidents (Beth Hammack of the Cleveland Fed, Neel Kashkari of Minneapolis, and Lorie Logan of Dallas) desired a more neutral forward guidance and “did not support inclusion of an easing bias in the statement at this time” – a view Chair Powell suggested was shared by other non-voting members of the Committee. Thus, with energy prices again surging higher (the spot price of West Texas Intermediate crude jumped to \$107.10 as of writing from \$99.93 yesterday on news that President Trump has rejected the latest proposals from the Iranians), and the potential for a protracted conflict growing, some officials appear to be growing increasingly concerned about the possible persistence of inflation. And, likely adding to policymakers' angst, Chair Powell indicated that the March reading on the price index for personal consumption expenditures to be released tomorrow is likely to show year-over-year growth of 3.5 percent in headline inflation, up from 2.8 percent in February, while the core is on track to accelerate to 3.2 percent from 3.0 percent previously.

Despite maintenance of the easing bias in the latest policy statement (“In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks.”), Chair Powell suggested that policymakers beyond dissenters who favored a more two-sided view on forward guidance were less committed to it than they had been previously. He reemphasized that officials still view the current rate setting (neutral, or possibly mildly restrictive) as leaving the Committee “well positioned” to address emerging risks, but he also stated a preference against rushing to change forward guidance when the situation faced by policymakers could be appreciably different even a few months hence. In essence, waiting on a significant change to forward guidance given current uncertainty appeared prudent at this juncture, especially in light of the unpredictability of the current Iran episode.

## Chair Powell's Plans

After his opening statement, Chair Powell diverged from recent noncommittal comments and announced forcefully that he planned to continue servicing as a Fed governor for “a period of time undetermined” (which could well extend to the expiration of his term on January 31, 2028). He emphasized that his decision was not politically motivated, and that he hoped to keep a low profile in the resumption of his former role, but he argued that the decision was made in light of unprecedented attacks on the independence of the institution by the current administration. Moreover, he suggested that the recent pause in the Department of Justice's investigation was insufficient in his view (an apparently different standard than that of Senator Tillis; see below regarding the Warsh vote), indicating that he would not step down until the investigation was concluded completely and transparently. In short, the move bucks precedence to a degree, while also stymieing the president's ability to nominate another Governor (blocking Mr. Trump's ability to have nominated a majority on the Board and also forcing Governor Miran to step

aside). The move almost certainly will draw a scathing rebuke from President Trump, but it seems appropriate in this circumstance given current focus on the institution's credibility – all while navigating significant risks to both sides of the dual mandate.

## Warsh Nomination Advances

Occurring earlier today, President Trump's nominee for Fed Chair, Kevin Warsh, was advanced by the Senate Banking Committee on a party-line vote (13 Republicans in favor versus 11 Democrats against). The vote came after the Department of Justice suspended its investigation of Chair Powell in relation to cost overruns for renovation of the Eccles Building (where the Board of Governors is based in Washington, D.C.) and instead referred the case to the Fed's inspector general. Previously, Senator Thom Tillis of North Carolina had threatened to delay a vote on Warsh – noting that the DOJ investigation was politically motivated and likely initiated by the Trump Administration to influence the conduct of monetary policy. Thus, with the criminal investigation tabled, the nomination was allowed to proceed.

The move sets the stage for a full-Senate vote occurring ahead of the expiration of Chair Powell's term on May 15, with Republicans eager to place the president's appointee over Democratic objections and lingering concerns about the presumptive Chair being beholden to Mr. Trump with respect to interest rate policy. On the point of independence and qualifications, we hold Kevin Warsh in high regard – in particular on account of his previous service as a Fed governor during the Great Financial Crisis -- although we are concerned that the president has tainted the process by way of his unrelenting call for easier monetary policy. With that said, we do anticipate that Mr. Warsh will chart his own course at the helm of the FOMC. He has already expressed a desire to revise forward guidance and rethink the size of the Fed's balance sheet and its usage as a policy tool – changes that will take time to implement and will likely be well telegraphed to the market. Perhaps more salient in the near term is the current Fed Chair's steadfastness in remaining on the Committee. It doesn't suggest to us that Powell is attempting to undercut the presumptive incoming Chair – on the contrary, he was supportive of Mr. Warsh in his remarks – but it should serve as a reminder that the path of interest rates is decided by 12 votes and 19 voices. And, given the evolution of votes today, it appears increasingly unlikely that President Trump will realize his wish of further rapid reductions in the federal funds rate.

## FOMC Statement Comparison\*

### April 29, 2026 FOMC Statement

**Recent** indicators suggest that economic activity has been expanding at a solid pace. Job gains have remained low, **on average**, and the unemployment rate has been little changed in recent months. Inflation **is** elevated, **in part reflecting the recent increase in global energy prices**.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. **Developments in the Middle East are contributing to a high level of uncertainty about the economic outlook.** The Committee is attentive to the risks to both sides of its dual mandate.

In support of its goals, the Committee decided to maintain the target range for the federal funds rate at 3-1/2 to 3-3/4 percent. In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.

In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.

Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michael S. Barr; Michelle W. Bowman; Lisa D. Cook; Philip N. Jefferson; Anna Paulson; and Christopher J. Waller. Voting against this action **were** Stephen I. Miran, who preferred to lower the target range for the federal funds rate by 1/4 percentage point at this meeting; **and Beth M. Hammack, Neel Kashkari, and Lorie K. Logan, who supported maintaining the target range for the federal funds rate but did not support inclusion of an easing bias in the statement at this time.**

\* Changes from statement to statement shown in bold.

Sources: Federal Open Market Committee; Daiwa Capital Markets America

### March 18, 2026 FOMC Statement

**Available** indicators suggest that economic activity has been expanding at a solid pace. Job gains have remained low, and the unemployment rate has been little changed in recent months. Inflation **remains somewhat** elevated.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. **Uncertainty about the economic outlook remains elevated. The implications of developments in the Middle East for the U.S. economy are uncertain.** The Committee is attentive to the risks to both sides of its dual mandate.

In support of its goals, the Committee decided to maintain the target range for the federal funds rate at 3-1/2 to 3-3/4 percent. In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.

In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.

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