

Economic QuickView

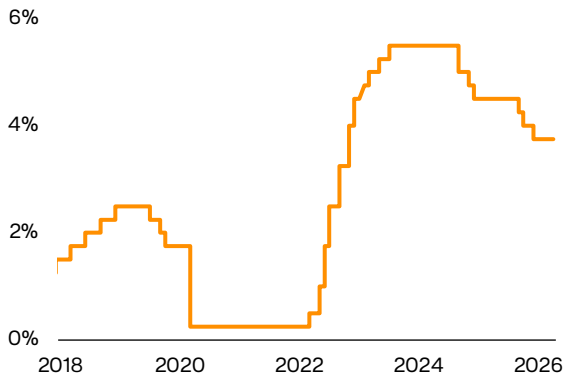


FOMC Meeting: Rates unchanged with four dissents

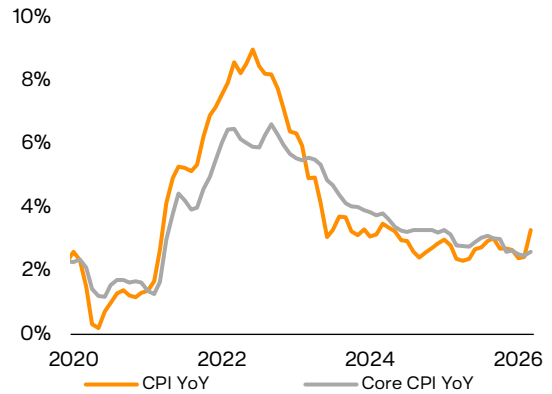
- The Fed voted to hold the federal funds rate unchanged at 3.50-3.75% in April.
- Four dissents in the meeting marked the largest split in 34 years.
- Rate cut outlook in 2026 dims sharply as inflation worries grew amid elevated oil prices.

The Fed voted to keep interest rates unchanged, while four members dissented. During its April meeting, the Federal Open Market Committee (FOMC) voted to hold the federal funds rate unchanged at a range of 3.50-3.75%, marking the third consecutive pause this year. Notably, there were four dissents, the largest split since 1992. Fed Governor Stephen Miran continued to prefer a 25-basis point (bp) reduction, while Beth Hammack, Lorie Logan, and Neel Kashkari agreed with the decision to hold rates steady but did not support the inclusion of an easing bias in the statement. The easing bias probably refers to the description of the monetary policy stance, which states that “the FOMC would be prepared to adjust the stance of monetary policy as appropriate if risks emerge...”. This is as previous Fed communications have generally highlighted a cut as being more likely than a hike in future monetary decisions. The three members who dissented signal caution, suggesting they view such forward guidance as premature and prefer to wait for additional evidence. It also implies a high hurdle for reaching a consensus on future rate cuts.

In the post-meeting statement, the section talking about the conflict in the Middle East was altered from “the implications of developments in the Middle East for the US economy are uncertain” to “Developments in the Middle East are contributing to a high level of uncertainty”. The discussion surrounding inflation was adjusted to acknowledge that inflation is elevated, partly due to the rise in global energy prices (driven by the conflict), which implies that external shocks are sustaining price pressures. These developments complicate the case for easing monetary policy.

US Fed Funds Rate (Upper)


Source: Bloomberg

US CPI Inflation


Source: Bloomberg, data as of 30/04/2026

Powell signals intention to remain on the Fed board. When speaking to the press, Powell confirmed his intentions to remain as a governor. He stated that he plans to keep a low profile and will not leave until the investigation into cost overruns on the renovation of Fed buildings is concluded with transparency and finality. In terms of the Fed's policy stance, Powell stated that he believes that the current policy rate is in the right place for the FOMC to adopt a wait-and-see approach, and that the Fed would wait to see how things evolve before making its next decision. With Powell staying on the Fed board, Trump's ability to nominate his replacement will be delayed.

For Kevin Warsh, inheriting a divided Fed presents immediate challenges. Powell's continued presence, combined with a sharp division within the FOMC, will make it more complicated for Kevin Warsh to conduct monetary policy and implement his reform agenda. On rates, worries over a revival of inflation, fueled by persistently high oil prices, would require significant efforts to forge a consensus on future rate cuts, despite repeated calls from the White House to lower rates. Furthermore, his advocacy for less reliance on forward guidance, a deliberate shrinking of the balance sheet, and a clearer separation of responsibilities between the central bank and the treasury is likely to face significant resistance within the FOMC.

Overall, the bar for rate cuts in 2026 has been raised significantly due to the conflicts in the Middle East. We currently expect that the Fed funds rate will likely remain unchanged throughout 2026. However, the interest rate cycle may not be over yet and could resume in 2027, given the FOMC's neutral rate projection of around 3.1%.

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