

Comprehensive Revamp under Warsh Signals Structural Shift at the Fed



Summary:

- The Fed unanimously held rates unchanged at 3.50-3.75% during its June Meeting.
- Kevin Warsh's inaugural meeting as Chair marked a distinct structural pivot, highlighted by the abandonment of forward guidance and the introduction of specialised task forces.
- The updated dot plot revealed a hawkish tilt among members, driven by an expected acceleration in inflation.

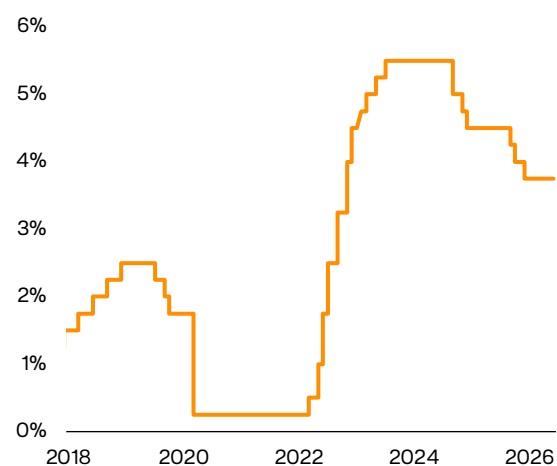
The Fed voted unanimously to keep rates unchanged at Kevin Warsh's inaugural meeting as Chair. During its June meeting, the Federal Open Market Committee (FOMC) voted unanimously to maintain the federal funds rate unchanged at a target range of 3.50-3.75%.

Chair Warsh wasted no time implementing his promised structural reforms, highlighted by a comprehensive overhaul of the post-meeting statement. True to his long-standing criticism of the Fed's communication strategy, Warsh completely eliminated traditional forward guidance from the text, drastically shortening the statement to just 132 words (from over 300 in April). Specifically, phrases detailing the future trajectory of monetary policy and the specific economic markers required to trigger a policy pivot were entirely removed. Instead, the streamlined statement focused strictly on current economic facts, reflecting a sharp pivot toward a genuinely data-dependent, reactionary framework. These changes are explicitly intended to break the financial market's heavy reliance on central bank signalling, affording policymakers maximum flexibility to react to incoming data.

The revamped statement characterised the economy as solid despite elevated uncertainty. The text noted that broader economic activity remains solid, supported by strong productivity and investment. Furthermore, it highlighted that job gains have kept pace with the workforce while the

FOMC Projections (June 2026)	2026	2027	2028	Longer run
Real GDP growth (%)	2.2	2.3	2.2	2.0
[March 2026]	[2.4]	[2.3]	[2.1]	[2.0]
Unemployment rate (%)	4.3	4.3	4.2	4.2
[March 2026]	[4.4]	[4.3]	4.2	[4.2]
Core PCE inflation (%)	3.3	2.5	2.1	-
[March 2026]	[2.7]	[2.2]	2.0	
Fed Funds rate (%)	3.8	3.6	3.4	3.1
[March 2026]	[3.4]	[3.1]	[3.1]	[3.1]

Source: The Fed

US Fed Funds Rate (Upper)


Source: Bloomberg

Price stability is highlighted as the key focus under Warsh's leadership. During his first post-meeting press conference, Warsh struck a resolute tone, emphasising price stability as paramount to long-term economic health. He further underscored that under his leadership; the Fed will remain insulated from short-term market fluctuations or political pressures.

Looking ahead, the hawkish tilt in the dot plot materially increases the likelihood of a rate hike in 2026, though we do not believe this marks the beginning of a sustained rate hike cycle. Our baseline scenario currently expects the Fed to implement one 25 bp insurance hike in 2026, likely in September or October before staying put throughout 2027.

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