

MNI Fed Preview: April 2026

MNI's separate preview of sell-side analyst summaries to follow on Monday April 27

Meeting Dates: Tue-Wed, Apr 28-29

Decision/Statement: Wed Apr 29 at 1400ET / 1900UK

Press Conference/Q&A: Wed Apr 29 at 1430ET / 1930UK

Minutes: Wed May 20

Links (likely URLs based on previous meetings):

Statement: <https://www.federalreserve.gov/newsevents/pressreleases/monetary20260429a.htm>

Implement. note: <https://www.federalreserve.gov/newsevents/pressreleases/monetary20260429a1.htm>

Press Conference: <https://www.federalreserve.gov/monetarypolicy/fomcpresconf20260429.htm>

MNI Review of Previous FOMC ([March - link](#))

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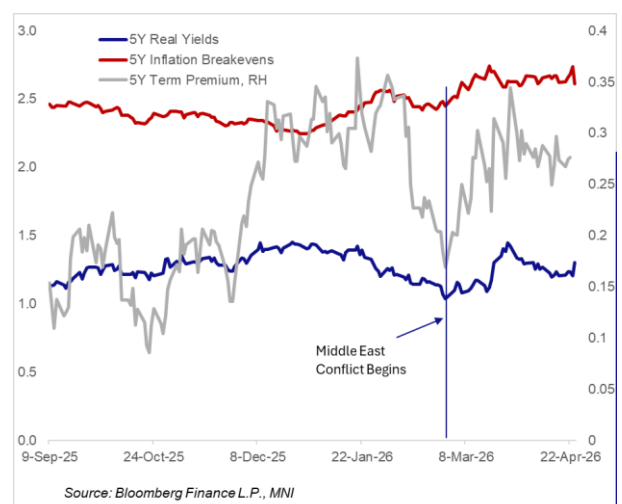
MNI POV (Point Of View): Between War And Warsh

By Tim Cooper

- April's FOMC meeting communications will reiterate the Committee's broadly shared view that policy is well-positioned and the next move is not urgent, particularly because the Iran war-related energy shock and associated uncertainty complicate the outlook.
- Data since the last FOMC meeting have largely supported a wait-and-see approach, on balance showing initial resilience to the energy price shock seen in March (especially in the labor market) although surveys warn higher spillover to non-energy prices could be in the pipeline.
- Where Committee views have started to diverge most is whether and how quickly the FOMC could signal openness to removing its explicit easing bias.
- So while a Fed funds rate hold at 3.50-3.75% at this meeting is universally expected, with no new set of economic projections, attention will be paid to whether the easing bias in the Statement guidance is amended in favor of a two-sided approach to future rate moves.
- Either way, rate guidance may soon be eliminated altogether. This is likely to be Chair Powell's last meeting before his term ends in mid-May, after which Kevin Warsh is set to assume the chairmanship.
- In his Senate confirmation hearing, Warsh said he doesn't believe in forward guidance, and signaled that he would seek major changes to not just Fed communications practices but several key areas of policy.
- Warsh is broadly expected by markets and analysts to steer the FOMC's rate lean in a more dovish direction, but his ability and indeed willingness to do so are not entirely clear.
- There's not much Powell can say at the press conference about the outlook that differs from what he said in mid-March, given the ongoing impact of the war distorting economic signals, though it's possible that if the Statement doesn't shift to a two-way rate guidance, he may echo the recent Minutes in a hawkish fashion in suggesting that the Committee is leaning increasingly to that conclusion.

The war in the Middle East and the latest commentary by Fed Chair nominee Warsh have dominated the inter-meeting Fed period since the last meeting in mid-March. Rate markets price in a slight easing bias but no cuts through year-end, versus between two and three 25bp cuts envisaged before the breakout of war at end-Feb. In any case, a Fed funds rate hold at 3.50-3.75% at April's meeting is overwhelmingly priced (<0.5bp of a change).

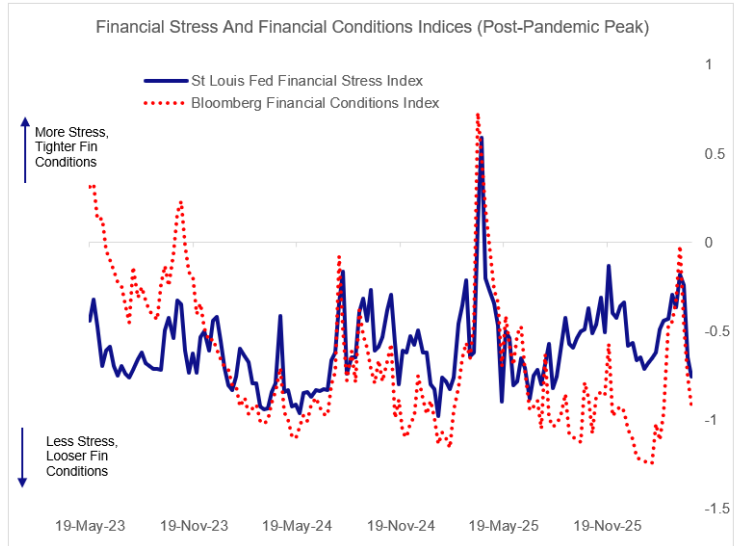
- In line with that market pricing, the key theme in FOMC communications since March is a broadly held view among participants that the policy stance is close enough to neutral to justify patience while war-driven shocks play out ([See Key FOMC Communications](#) later in this preview for our full analysis). Participants are watching whether energy costs and tariffs feed into core inflation and expectations, and whether the "low-hire, low-fire" labor market tips into a more material deterioration.
- The main disagreements on the outlook are about the likelihood of second-round inflation and the speed at which inflation credibility concerns should dominate the dual mandate tradeoff (still-contained inflation expectations are cited as a key reason to hold),



Source: Bloomberg Finance L.P., MNI

differences that map relatively cleanly onto the hawk/dove split (e.g., Logan/Hammack/Schmid versus Miran/Bowman/Waller).

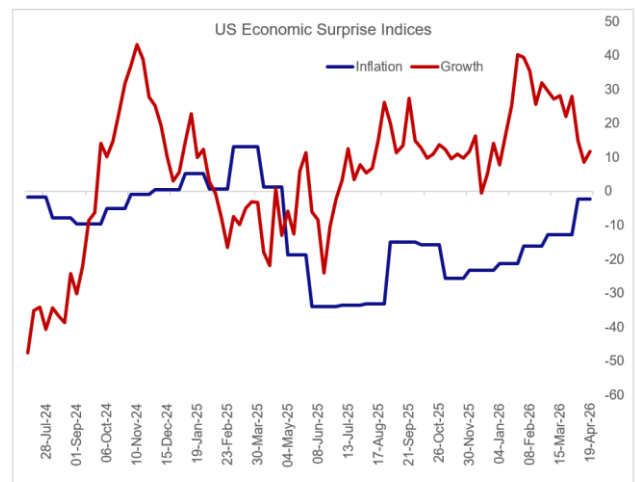
- But even that split is bounded by common ground: few appear to be in a rush, and nearly all frame future moves as conditional, data-dependent, and scenario-driven rather than pre-committed. That's a recipe for patience and a prolonged rate hold until the fog lifts, and/or the data start to present a clearer picture.
- Communications have leaned toward humility about forecasting and resistance to strong forward guidance, with participants emphasizing a meeting-by-meeting approach amid fast-changing conditions. Powell's remarks in the inter-meeting period underscored that the environment is "historically challenging" and not conducive to confident guidance, and Williams said "it doesn't make sense for us to try to be giving strong forward guidance" given how much is changing week to week.
- Even Gov Miran, who remains the FOMC's most committed dove (and a likely dissenter in favor of a rate cut once again), seemed to have trimmed his rate cut views a little further by mid-April, now being open to three cuts for the year vs four previously. The calming of financial conditions from the height of war escalation in mid-March also augurs for relative patience from the doves.



Source: St Louis Fed, Bloomberg, MNI. Most recent updates - St Louis Fed Index: 4/17/2026, Bloomberg Index: 4/23/2026

Data Support Wait-And-See Approach: Data since the last FOMC meeting have largely supported that wait-and-see approach, on balance showing initial resilience to the energy price shock seen in March (especially in the labor market) although surveys warn higher spillover to non-energy prices could be in the pipeline. Economic activity has been a little more mixed, with core inflation remaining elevated. We cover all of the major releases later in this preview - [Macro Developments Since Previous FOMC Meeting](#).

- The FOMC will probably be relieved that it has another month to assess the fallout from the Middle East war without being unduly concerned about an imminent collapse in the labor market. The Committee will continue to see a low-hiring, low-firing labor market that is indicative of being roughly in balance, with the underlying data meaning the debate is set to continue over whether it is weakness in labor supply or demand that has the upper hand.
- Core PCE continued to run at a strong pace even before the onset of the Middle East conflict. Since then, CPI and PPI headline measures have shown strong increases linked to direct energy effects, with gasoline-driven energy in CPI seeing one of its strongest monthly increases on record. Underlying details have however avoided at least some of the more hawkish possibilities, but nevertheless, there have been strong increases in some sensitive areas, including in tech-related areas due to shortages.



Source: Citi, Bloomberg Finance L.P., MNI

Eyeing Two-Sided Guidance: Against that backdrop, a notable undercurrent in FOMC inter-meeting communications, reflected both in some participants' public comments about the next move being in either direction and in the broader discussion of "two-sided" outcomes, is the possibility of statement guidance to reflect that hikes are not being ruled out, even if the dominant near-term message remains to hold steady and gather evidence.

- While not MNI's base case for this meeting, we will (via our Instant Answers) be looking for a change in the statement that has been increasingly hinted at in recent meeting minutes: guidance that ends the outright

easing bias, in favor of a two-sided approach to future rate moves. We discuss this in greater depth later in this preview ([Policy Statement](#)).

Enter Warsh: Overshadowing the April meeting is the imminent arrival of Kevin Warsh as Chair. There's little doubt that markets see him as a dove on short-term rates, even if many analysts had largely (for war-related reasons) pushed back their expectations for easing upon his expected first meeting as Fed Chair in June. However, his previous stint as a Fed Governor was notoriously a hawkish-leaning one. Warsh's Senate Banking committee nomination testimony on April 21 didn't provide any firm conclusions. Our compilation of highlights from the hearing: [FedWarshTestimony-Apr 2026.pdf](#)

- Since Warsh was nominated, analysts have focused on the implications of his preferences on rates and balance-sheet policy, and his ability to translate each of these into FOMC action.
- Warsh's preference for a smaller balance sheet (which he mentioned in his nomination hearing) appears to have support across some leadership. Though as MNI's Policy Team reported earlier this year, the balance sheet cannot be reduced much further under the current regulatory framework without risking its control over interest rates, making it difficult for Warsh to persuade the rest of the FOMC to restart QT or induce banks to demand fewer reserves ahead of regulatory reform.
- On rates, as MNI's Policy Team noted citing ex-Fed officials who see Warsh as a seasoned central banker who knows the institution, he will need to work to persuade the FOMC on his policy ideas (Warsh's previously-stated argument that "we can lower interest rates a lot" to help bring down mortgage rates and revive the housing market would be a minority view among policymakers) and earn the institution's trust as a leader.
- Some analysts see him as a hawk in dove's clothing given his historical preferences for monetary policy configurations, while others suggest that he could be persuasive in convincing the FOMC to bring rates down. Dovish market reaction to his nomination suggests his views on current monetary policy are broadly assumed to align with those of the Trump administration that nominated him, namely, that he will instantly become one of the most dovish members on the Committee in terms of seeking near-term rate cuts.
- However in his hearing, it was difficult to ascertain Warsh's "true" preferences. Some of his comments may have been pre-prepared to ensure a smooth confirmation, and while he didn't do much to distinguish his own views with those of the President when asked, he didn't sound entirely dovish on the rate front either.
- Warsh responded with non sequiturs when asked whether cutting rates immediately to 1% (as President Trump has suggested) would present upside inflation risks; he also said that the economy was running at close to full employment, which doesn't sound like a starting point for aggressive rate cuts.
- On the economic outlook, he may find immediate disagreement with the FOMC upon his arrival with his views that tariffs haven't been the cause of missing the PCE target to the upside; similarly, his view of artificial intelligence's ability to boost productivity and deliver a disinflationary output boost enabling rates to come down is already a subject of debate.

Powell On The Spot: There's not much Powell can say at his (likely) last press conference about the outlook that differs from what he said in mid-March, given the ongoing impact of the war distorting economic signals. It's possible that if the Statement doesn't shift to a two-way rate guidance, he may echo the recent Minutes in a hawkish fashion in suggesting that the Committee is leaning increasingly to that conclusion, even though hikes are not the base case for the vast majority of the FOMC.

- With Warsh having provided ample commentary just a week prior to the FOMC meeting, it will be very tempting for reporters to query Powell on where his views compare and contrast with his successor's. Powell is unlikely to be obliging on any such line of questioning, and we would expect him to politely decline to answer on many of the issues.
- For example, Warsh has favored a very different communications approach than that under Powell, saying at his hearing that "Chairs and other central bankers around the FOMC, they speak quite frequently. There is no lack of transparency. But I would say this, I think truth-seeking is more important than repetition. Everyone has a press conference. One wants to deliver some important news."
- And Warsh is not a fan of forward guidance or the Dot Plot: "Part of the reason why, after making a mistake in 2021 and 22 the mistake was compounded, is the Fed gives its forward guidance. The Fed tells the whole world what their dots are going to be, what their forecasts are going to be. Well, the Fed's human, then they hold on to those forecasts longer than they should."
- But Powell has already said that the FOMC couldn't reach consensus on a new communications strategy in the latest framework review, and that it will be up to the next Fed chair to make decisions on that front.

- And while it's certain that Powell will be asked once again about his concerns for Fed independence, it would be a surprise if he deviated from the previous script of underlining in general terms how important independence is for the central bank to be able to achieve its Congressionally-mandated goals.
- That's not to say Powell couldn't be drawn on a question or two. We would for example be intrigued to hear about whether Powell sees merit in Warsh's views on changing the Fed's approach to inflation targeting, particularly the use of "trimmed averages" vs the traditional PCE metrics.

Powell's Last Meeting As Chair...But Board Future In Question: And on his future, we wonder if Powell will make any announcements about his future on the Board now that the Warsh confirmation appears to be firmly on track. US Attorney General for DC Jeanine Pirro's statement dropping the DOJ case effectively turned the reins back to the Fed Inspector General's ongoing investigation, but she explicitly said that she would "not hesitate to restart a criminal investigation should the facts warrant doing so."

- Powell's comments at the March meeting suggest that this state of affairs could lead him to remain on the Board of Governors after his chairmanship is over (his Board term runs until January 2028): "on the question whether I will leave while the investigation is ongoing: I have no intention of leaving the Board until the investigation is well and truly over, with transparency and finality... On the question of whether I will then continue to serve as a Governor after my term ends and after the investigation is over, I have not made that decision yet. And I will make that decision based on what I think is best for the institution and for the people we serve".
- It's customary for the outgoing Fed Chair to also resign their Board seat, but it sounds as though Powell may stay aboard as something of a shadow Fed Chair through the ensuing year-and-a-half. We'd guess Powell won't give a straight answer but he was more candid than we had expected at the March meeting, and this could be a key point in the press conference.

Rate Expectations Steady Since March FOMC: Rate expectations are remarkably steady from the mid-March FOMC meeting, with futures continuing to imply a slight easing bent through year-end but no full rate cuts (11bp through December). Of course this marks a major shift from pre-war, when the market debate was between whether the Fed would cut by 25bp twice or three times by end-2026.

Meeting	Current FF Implieds (%), LH	Cumulative Change From Current Rate (bp)	Incremental Chg (bp)	Post-Mar FOMC (Mar 18)	Chg Since Then (bp)	Pre-MidEast War (Feb 27)	Chg Since Then (bp)
Apr 29 2026	3.64	0.2	0.2	3.65	-1.1	3.58	6.4
Jun 17 2026	3.63	-1.0	-1.2	3.63	-0.2	3.48	15.0
Jul 29 2026	3.60	-3.8	-2.8	3.60	-0.1	3.38	22.7
Sep 16 2026	3.57	-7.0	-3.2	3.57	0.1	3.24	33.0
Oct 28 2026	3.56	-8.5	-1.5	3.55	0.7	3.15	41.0
Dec 09 2026	3.53	-11.4	-2.9	3.50	3.1	3.03	49.7
Jan 27 2027	3.52	-11.7	-0.3	3.49	3.3	2.99	53.3

Statement: Two-Way Guidance Coming Soon?[\(Link to March FOMC statement\)](#)**Going paragraph by paragraph through the previous (March) statement in italics:**

*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.

- Not much needs to be changed in the first paragraph on current economic conditions, with activity by several measures continuing to expand at a “solid pace”, though a downshift to “moderate” is plausible given sub-par GDP for Q4 and Q1.
- March's employment report was undoubtedly strong in the main readings, and will have allayed concerns that February's pullback in payrolls portended a renewed leg of weakness in the labor market. The Statement may continue to refer to job gains having “remained low” with the unemployment rate “little changed” by adding something like “on average”. There's little reason the reference to inflation as remaining “somewhat elevated” would be changed.
- As for the 2nd paragraph on risks, barring a convincing and lasting Iran-US peace deal reached between now and the meeting, this will probably be left alone.

*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.*

- The main intrigue for Wednesday's 2pm release is whether there is any tweak to rate guidance in the Statement: “In considering the extent and timing of additional adjustments to the target range for the federal funds rate”.
- The “extent and timing of” was added in December 2025 when the Committee got rates down to the present level and a slowdown in the easing cycle was envisaged.
- The last couple of meetings however have seen an increasing number of participants supporting a potential change in guidance: the March meeting minutes noted “some” participants saw a “strong case” for changing the rate guidance from the existing easing bias to more “two-sided” language “reflecting the possibility that upward adjustments to the target range for the federal funds rate could be appropriate if inflation were to remain at above-target levels.”
- In Fed-speak terms, “some” was more than the “several” in January who said they could support such a move (and at the time, there was no reference to such a revision as having a “strong” case).
- While still apparently a minority, Powell acknowledged at March's press conference that at the most recent two meetings they discussed the possibility that the next move might be an increase - even if “the vast majority of participants don't see that as their base case”, “of course, we don't take things off the table.”
- MNI's base case is that the guidance remains unchanged at this meeting but we have seen some speculation by multiple analysts this could shift into a more two-sided phrasing.
- Our Instant Answers look for such a shift, and/or whether there are any dissents against the existing language should a hawkish regional president (likely either Hammack, Kashkari, or Logan) be so bold.
- Speaking of dissents, it's very likely Gov Miran will opt for a 25bp cut once again, in what could be his final FOMC meeting if (as Miran himself has suggested) Kevin Warsh takes his seat on the Board in order assume the chairmanship.
- We don't expect any changes to the administered rates (eg standing repo) in the implementation note, and the inter-meeting Treasury buying schedule from the NY Fed took out any uncertainty over the near-term trajectory of reserve management purchases.

Macro Developments Since The March 17-18 FOMC Decision

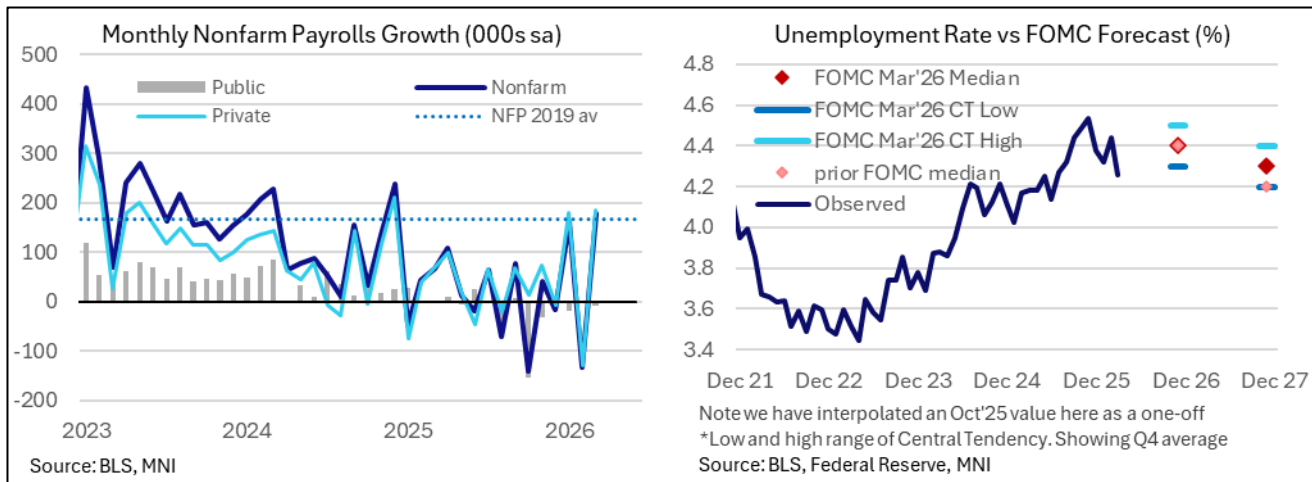
By Chris Harrison (Apr 24, 2026)

Data in the five and a half weeks since the last FOMC meeting have on balance shown initial resilience to the energy price shock seen in March, especially in the labor market, although surveys warn higher spillover to non-energy prices could be in the pipeline.

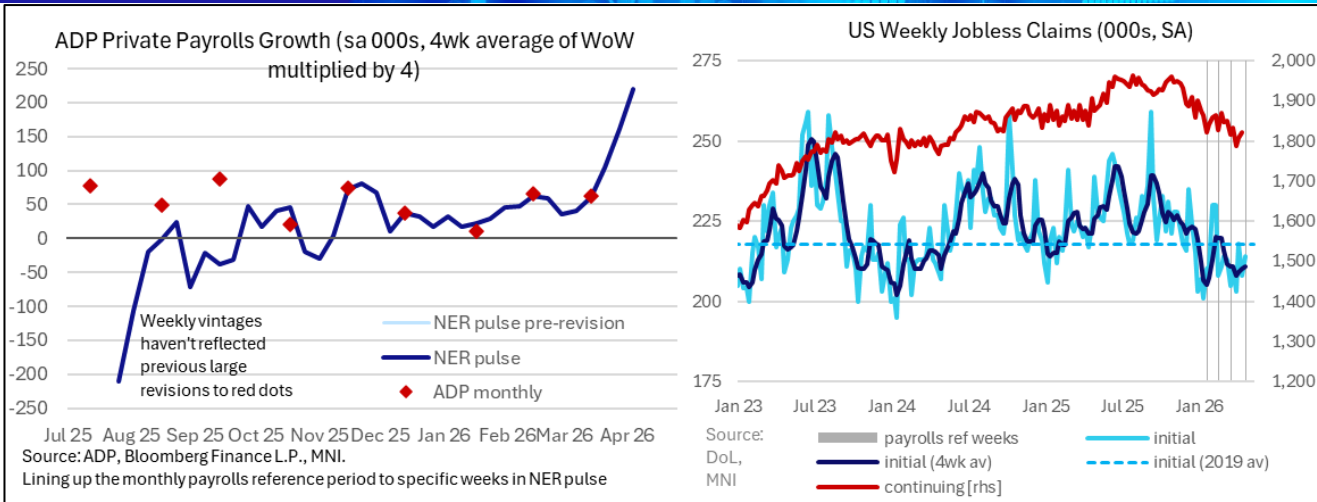
Labor Market: Resilient, And If Anything, Improving

The March BLS employment report was undoubtedly strong across its main readings and will have allayed concerns that February's pullback in payrolls portended a renewed leg of weakness in the labor market. Monthly nonfarm payrolls growth of 178k was the highest since December 2024, easily beating the 70k MNI dealer median, with private payrolls up 186k vs the 75k expected. In addition, the dip in the unemployment rate to a nine-month low 4.26% (consensus 4.4%, 4.44% prior) in the household survey suggested that the headline payroll gains were no fluke. But while this was a better-than-expected report, it came in the context of significant volatility in month-to-month figures, including sizeable revisions to February's reading (-113k vs -92k, offset by a +34k upside revision to January). And the rebound, while impressively broad across sectors, was still heavily driven by healthcare employment and other sectors that appeared impacted by one-off factors in February.

Stepping back, the three-month change in payrolls has firmed to +68k (an 11-month high), with the 6-month average gains rising to 15k from -2k in Feb for the highest since in 6 months. So, an improvement in trends, but not enough to suggest that employment gains are doing anything but trading water. Payrolls have grown by just 0.2% Y/Y. Indeed, while the unemployment rate drop was suggestive of reduced labor market slack, it was flattered by a decline in the size in the labor force as well as falls in the participation and employment-to-population ratios. The weakest response rate in survey history is also a concern. Additionally, growth in average hourly wages continued to decline to fresh post-2021 lows on a Y/Y basis and are far off post-pandemic highs.



The FOMC will probably be relieved that it has another month to assess the fallout from the Middle East war without being unduly concerned about an imminent collapse in the labor market. That lack of immediate concern has been further bolstered by higher frequency indicators with initial jobless claims holding at very low levels and weekly ADP employment accelerating to a monthly equivalent that would be its strongest since Jan 2024. The Committee will continue to see a low-hiring, low-firing labor market that is indicative of being roughly in balance, with the underlying data meaning the debate is set to continue over whether it is weakness in labor supply or demand that has the upper hand.

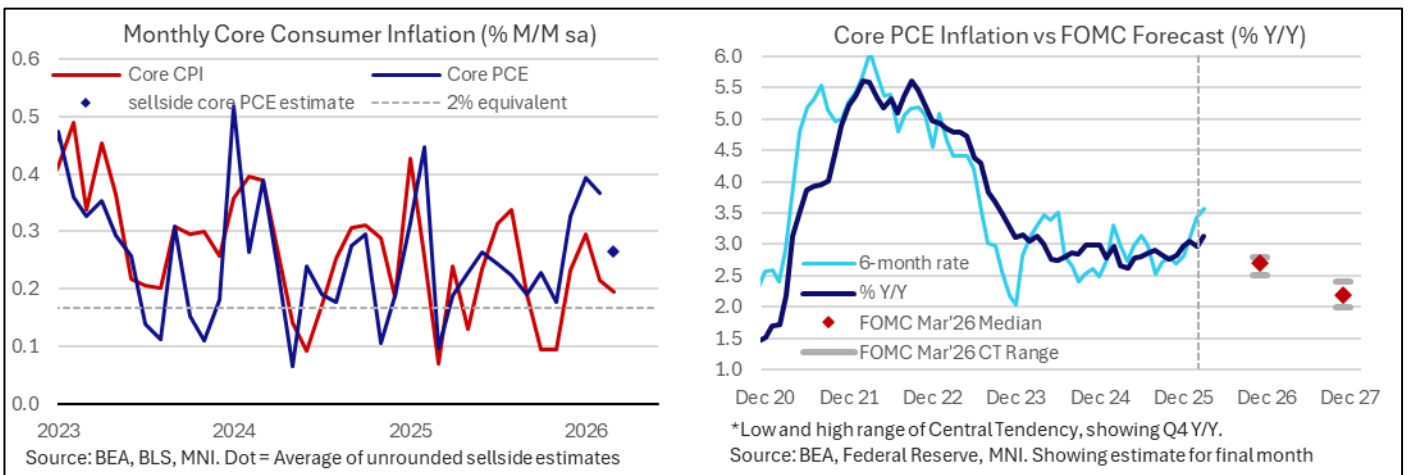


For more detail, see our latest Employment Insight - "Strong Bounce Alleviates Concerns" ([link](#)).

Inflation: Limited Initial Second Round Effects From Energy Surge, But PMIs Warn More Coming

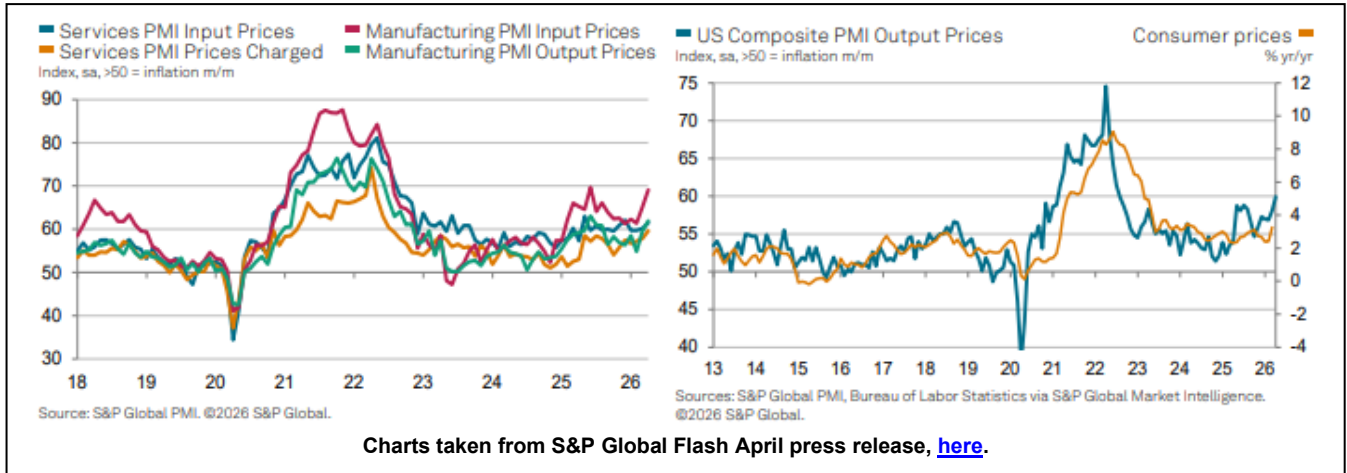
Core PCE inflation continued to run at a strong pace even before the onset of the Middle East conflict. It printed 0.37% M/M in February at 0.37% M/M to continue a strong run after 0.39% M/M in Jan and 0.33% M/M in Dec, and with the Y/Y at 2.97% for a third consecutive month rounding to 3.0 or 3.1%. It had previously last rounded to 3% or above in Feb 2025 via a low of 2.6% in Apr 2025 before tariff effects started to more materially show. Since then, CPI and PPI headline measures have shown strong increases linked to direct energy effects, with gasoline-driven energy in CPI seeing one of its strongest monthly increases on record. Underlying details have however avoided at least some of the more hawkish outturns that could have been seen.

Nevertheless, there have been strong increases in some sensitive areas, especially in tech-related areas due to shortages, and these typically carry a larger weight in PCE than CPI. Indeed, whilst cooling sequentially, we see analyst estimates centered around a still strong 0.26/0.27% M/M in March, albeit with a wider range than usual owing to oddities in sourcing legal services. The March PCE report won't be released until the day after the FOMC decision but we suspect this mid-point isn't a bad assumption for what Fed staff will be working from when updating policymakers. If accurate, that would see core PCE inflation at 3.1% Y/Y, and with a good chance of rounding to 3.2% Y/Y, for a continuation of no further progress towards the 2% inflation target. For context, whilst obviously still some time away, the median FOMC participant revised up their core PCE inflation forecast for 4Q26 up from 2.5% to 2.7% Y/Y in last month's March SEP. We are core PCE focused here but it's of course worth noting the 0.87% M/M rise in headline CPI on the back of a 11% M/M increase in energy as gasoline prices rose a historically sharp 21% M/M.



Away from official CPI/PCE inflation, business surveys have shown a marked increase in input costs which are starting to feed through to selling prices. ISM manufacturing prices paid soared to 78.3 in March (+7.8pp, or +19pp over two months) for a fresh post-June 2022 high, noting a variety of input costs from steel & aluminium, tariffs on many imported goods and now increases in petroleum-based products. ISM services prices paid meanwhile

jumped 7.7pps to 70.7 for the largest monthly increase since Aug 2012 to its highest level since Oct 2022. These were areas with clear impact from the Middle East War: the report notes "higher oil and fuel costs" impacting prices, with delivery times "unsurprisingly" longer "with shipping issues and flight disruptions due to the Middle East conflict and winter weather". Interestingly, the NFIB small business survey pointed to a notably weaker price outlook, with the diffusion of firms' expectations for their own price setting falling to a joint low (in this case narrowest) since Apr 2023. However, the more timely flash April PMI release published Thursday noted that "Input



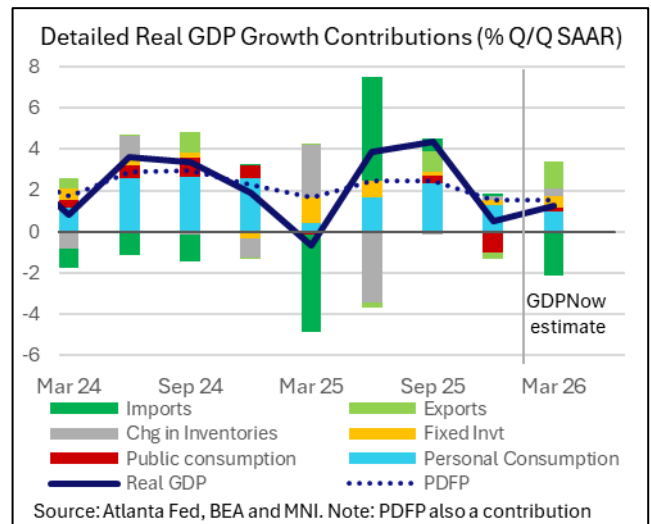
cost inflation accelerated and supply delays worsened at a pace not seen since mid-2022, contributing to the largest monthly jump in average selling prices for goods and services since July 2022."

For more detail on March inflation developments, see our latest *Inflation Insight - "Core Relief Overshadowed By Energy"* ([link](#)).

Growth: Tracking 1% Real GDP Growth As Volumes Are Depressed By Accelerating Inflation

Real GDP growth in Q1 is currently tracking at 1.2% annualized according to the Atlanta Fed's GDPNow for a tepid recovery after what is now estimated to have been 0.5% in Q4 after another downward revision. Focusing on private domestic final purchases helps look through some of the significant quarterly noise recently seen – tariff policies in 1H25 before the government shutdown in Q4 – and is currently tracking at a similar 1.8% annualized to the reasonable but moderating 1.8% in Q4. This measure of real domestic demand, at 2.4% Y/Y back in Q4, has gradually slowed from 2.9% Y/Y at the end of 2024 and 3.6% at the end of 2023.

For one of the higher profile recent monthly releases, retail sales came in higher than expected in March along with upward revisions which translated to a much more solid Q1 for goods consumption than previously anticipated. That's certainly in nominal terms though, as there has been a growing wedge between nominals and volumes as inflation picks up, which implies that real goods PCE could still be negative in Q1.

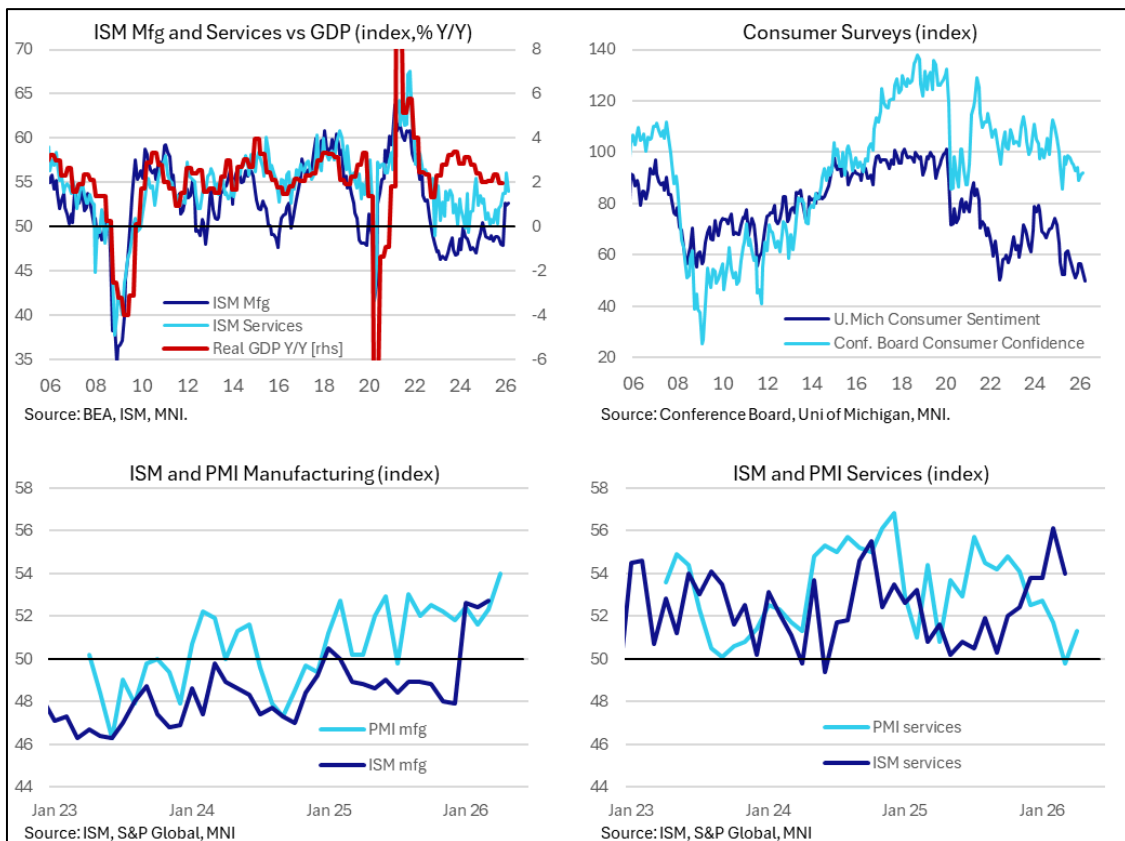


Surveys remain an important source of information in a fast-moving environment. The ISM surveys for March saw manufacturing activity hold up well (52.7) whilst the service index only gave back some of what have been strong recent gains (54.0). Focusing on services for its larger share of the economy, new orders saw a surprise rise to a rare 60+ reading and the highest since Feb 2023, possibly buoyed by pre-emptive ordering before anticipated price increases. Against that, the employment reading was substantially softer than expected at its lowest since Dec 2023, a "surprise" per the ISM press release given indications from the broader trend along with no anecdotes to support the drop. Since the ISM releases, the flash April US PMIs from S&P Global firmed after a mixed March, with manufacturing hitting a 47-month high and services ticking up for a 2-month high. Part of the strength in

manufacturing was explicitly attributed to "stock building in the face of concerns over supply availability and price hikes." As the below charts show though, there remains a marked difference between ISM and PMI surveys.

Separately, the two main consumer surveys both demonstrate trend weakness even if they have seen directionally different responses since the start of the Middle East conflict. The University of Michigan sentiment series has been the more eye-catching, slipping to its lowest on record in April (i.e. lower than anything in the pandemic or GFC) despite being revised up from the preliminary reading, whilst the Conference Board confidence series ticked slightly higher in March from depressed levels.

For an alternative look at timely developments, the Fed's April Beige Book made heavy mention of the conflict in the Middle East yet the portrayal of the economy in this edition was not substantially different, and arguably even more robust. More districts on net (8 vs 7) reporting slight/modest growth and gains in employment (4 vs 3; and just 1 seeing declines vs 3 prior), with very little change in inflation reporting (9 vs 8 describing "moderate" price pressures).



MNI Instant Answers:

The questions that we have selected for this meeting are:

- Federal Funds Rate Range Maximum
- Number of dissenters to size of rate move
- Interest rate paid on reserve balances
- Standing Repo (SRP) Operations Rate
- Does the statement acknowledge the possibility that upward adjustments to rates could be appropriate?
- Is there any dissent in favor of including two-sided rate guidance?

The markets team has selected a subsection of questions we think could be most market moving and will publish the answer to all of these questions within a few seconds of the Fed statement being released.

mni Central Bank Watch - FED

24 April, 2026

MNI FED Data Watch List						2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
Inflation		Current	3m ago	3m Chg	6m ago	6m Chg				
CPI	% y/y	3.3	2.7	↑	2.9	↑				1.49
PCE Deflator	% y/y	2.8	2.8	→	2.7	↑				0.41
UoM 1-Yr Inflation Exp	% y/y	4.7	4.0	↑	4.6	↑				0.97
Inflation Swap 5y/5y	%	2.41	2.45	↓	2.47	↓				-1.84
Economic Activity		Current	3m ago	3m Chg	6m ago	6m Chg				
ISM	Index	52.7	47.9	↑	48.9	↑				2.33
Industrial Production	% m/m	-0.54	0.52	↓	0.04	↓				-1.18
Factory Orders	% m/m	0.0	2.7	↓	1.3	↓				-0.12
Housing Starts	K	1487	1272	↑	1420	↑				1.76
Monetary Analysis		Current	3m ago	3m Chg	6m ago	6m Chg				
Corporate Spreads BBB/Baa	bps	1.02	1.00	↑	1.00	↑				-0.11
Chicago Fed Financial Con	Index	-0.50	-0.54	↑	-0.53	↑				1.99
Consumer Credit Net Chg	\$bn	9.5	3.3	↑	2.5	↑				0.09
New Home Sales	K	587	650	↓	639	↓				-1.66
Consumer / Labour Market		Current	3m ago	3m Chg	6m ago	6m Chg				
Retail Sales	% m/m	1.7	0.0	↑	0.1	↑				2.03
Consumer Confidence	Index	91.8	94.2	↓	95.6	↓				-0.59
Nonfarm Payrolls Net Chg	K	178	-17	↑	76	↑				1.35
Average Hourly Earnings	% y/y	3.5	3.7	↓	3.8	↓				-1.85
Markets		Current	3m ago	3m Chg	6m ago	6m Chg				
Equity Market	Index	7128	6846	↑	6688	↑				0.79
US 10-Year Yield	%	4.31	4.17	↑	4.15	↑				1.40
US Yield Curve (2s-10s)	bps	51.9	69.4	↓	54.2	↓				-0.75
USD TWI	Index	118.08	120.19	↓	120.03	↓				-0.08

Source: MNI, Bloomberg

Key Inter-Meeting Fed Speak – Apr 2026

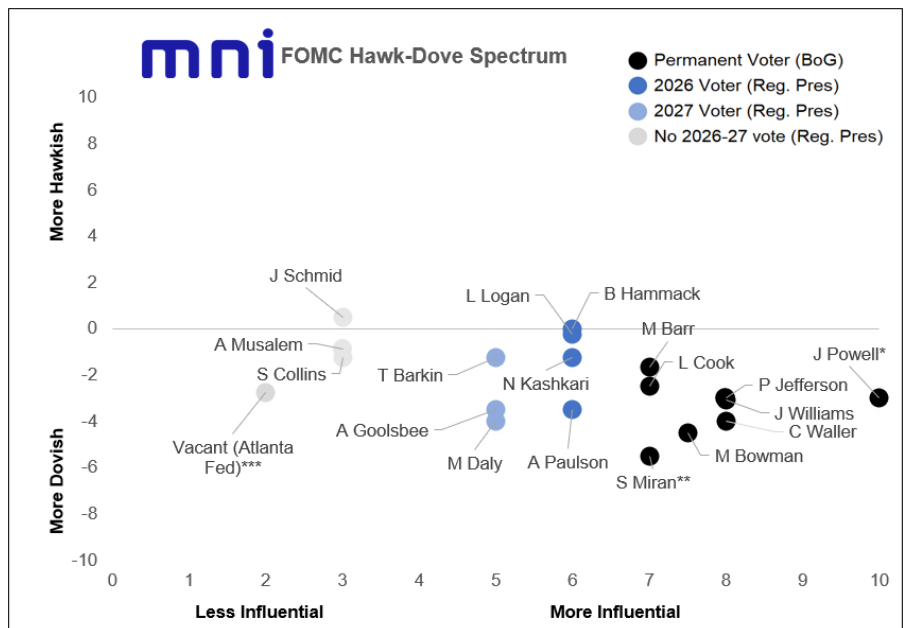
By Tim Cooper

April 23, 2026

Since the March 2026 FOMC meeting, participants' messaging has converged around a "wait-and-see" posture at a time of war-related uncertainty. Policy is viewed as well positioned and the next move is not urgent, particularly because the war-related energy shock and associated uncertainty complicate the outlook. Where views have started to diverge most, both in public commentary and in recent Minutes, is on whether and how quickly the Committee should re-open the possibility of tightening versus preserving an easing bias for later in 2026.

- Patience:** Carrying on from his March press conference comments, Powell framed the environment as presenting an unusually difficult tradeoff - downside risk to the labor market versus upside risk to inflation - arguing it would be "misleading to be really confident" about the right direction of travel under such tension. That emphasis on optionality is echoed across speakers, including Vice Chair Williams, Vice Chair Jefferson, and Governor Barr (i.e. the central leadership of the FOMC), who all describe the current stance as giving the Committee time to assess incoming data, evaluate conditions, and avoid over-committing to a path while the distribution of outcomes is wide.
- Inflation Expectations Key To Policy Response:** A second clear area of agreement is that inflation expectations are the key barometer for whether the oil/energy shock is set to be transitory or morphs into a broader, more persistent inflation problem. Powell explicitly pointed to expectations as "a critical essential aspect" in deciding how to respond to an energy supply shock, noting that they look "well anchored beyond the short term" but require careful monitoring given that inflation has not been brought down sustainably to 2%. Barr made a similar point in warning that "yet another price shock" could lift longer-term expectations and create persistence through household and business decision-making. Even officials more open to looking through the shock (e.g., Miran saying a response could be needed "if inflation expectations beyond the first year start to move higher. That has not happened thus far") framed their tolerance as conditional on longer-run expectations staying contained.

- Inflation Still Too High, With Upside Risks:** Participants also broadly agree on the diagnosis that inflation remains above target and that recent progress has been uneven, with tariffs and now energy costs central to the near-term inflation narrative. Williams repeatedly emphasized that higher energy prices are likely to lift headline inflation and add "maybe a 10th or two" to core via channels like airfares, while maintaining that the "story hasn't changed much" for underlying inflation and that tariff effects should wane over coming quarters. Jefferson likewise said an "extended bout of elevated energy prices" could become embedded across prices, and he highlighted that disinflation had



Hawkish/Dovish: Scores indicate MNI's subjective assessment of each member's stance on monetary policy. -10 implies member believes aggressive easing warranted; +10 is most hawkish, implies member believes aggressive tightening warranted. Scores around -2 to +2 considered relatively neutral.
Influence: The x-axis runs from 0 ('least influential') to 10 ('most influential'). Voters in the current year receive a minimum score of 6; the Chair receives a 10 and Board of Governors members receive at least 7. Those who are not voters in the current year are limited to a score of 5; among them, those due to vote next year receive higher influence scores (rising towards end of current year), and vice-versa. **Updated Apr 23, 2026**

* Powell's term as Chair expires on May 15 2026 but his term on the Board expires in Jan 2028

** Miran's term on the Board expired on Jan 31 2026 but he is remaining until a successor is confirmed

*** Atlanta's Bostic retired at the end of his term on Feb 28 2026 - his successor will vote in 2027

“stalled...mainly due to tariffs,” with energy likely to show up in upcoming readings. This common baseline of a sticky inflation backdrop plus an exogenous war-related shock was closely related to speakers’ patient outlook.

- Still A Low-Hire, Low-Fire Labor Environment:** On the labor market, there continues to be broad recognition that conditions are neither clearly weakening nor clearly reaccelerating, as a “low-hire, low-fire” equilibrium that makes traditional signals harder to interpret. Williams called the labor market “pretty complicated,” noting stability in the unemployment rate alongside more pessimistic sentiment and limited hiring dynamics; Daly similarly argued that with labor-force growth near zero, “zero” monthly job gains can be consistent with stability rather than recession. Several speakers emphasized that unemployment and broader ratios (vacancies, hiring, layoffs) may be more informative than payroll prints in this regime (Goolsbee, Musalem), and Logan pointed to breakeven payroll gains being “close to zero.” At the same time, the labor market is repeatedly cited as “fragile” or “precarious” at the margin (Cook, Paulson), which keeps alive the possibility that a growth shock from energy prices could ultimately revive the case for cuts.
- Division Between Hawks And Doves Becoming More Prevalent:** Where views diverge most is on how quickly the Committee should re-open the possibility of tightening versus preserving an easing bias for later in 2026. A number of officials who lean to the hawkish side are explicitly two-sided about the next move though haven’t made hikes their base case: Hammack said she can foresee scenarios requiring either cuts (if labor deteriorates) or hikes (if inflation remains persistently above target), and Logan described scenario analysis where adverse outcomes could push inflation and employment in opposite directions. Musalem openly entertained the idea of a hike if core inflation or medium- to long-term expectations move “persistently higher,” while still allowing for cuts if labor risks become more apparent. And we would think that Schmid (“more focused on the risks to inflation” than unemployment, and “I viewed high inflation as the more salient risk to our dual mandate even before the energy shock arrived”) is probably the member who penciled in a rate hike next year in his March but isn’t quite ready to say it publicly.
- On the dovish side, Miran argued policy should typically look through oil shocks absent rising longer-run expectations or a wage-price spiral, emphasizing the oil shock’s demand-dampening channel; Bowman continued to pencil multiple cuts to support what she views as a concerning job market; and Waller, while more cautious than he had been previously, still left the door open to cutting later in the year if labor softness persists and inflation pressures fade. The upshot is that the Committee is unified on patience, but not on the conditional triggers that would tip policy toward a cut versus a hike.

Member	Role	Voter		Monetary Policy Commentary Since March FOMC
		'26	'27	
J Powell	BOG, Chair	X	X	<p>Powell's opening remarks at a Q&A on March 26 largely repeat his March press conference sentiment in describing risks to both side of the dual mandate: "I think a situation like the present situation where there's sort of downside risk to the labor market, which suggests keep rates low, but there's upside risk to inflation, which suggests maybe don't keep rates low, you've got tension between the two objectives. And I think to try to expect unanimity at a time like that, where it's really quite historically challenging, it would almost be misleading to be really confident in which way that should go. In fact, it's been said that confidence is what you feel before you really understand the problem."</p> <ul style="list-style-type: none"> Asked if he's concerned about whether the "last mile" of getting inflation to 2% will prove difficult, Powell says "The FOMC is and will continue to be committed to getting inflation back to 2% on a sustained basis." He says that vs the previous period of high pandemic inflation, after which they achieved what he calls a "soft landing" by 2024, "we've had to face a much smaller source of inflation, which is the tariff inflation". Right now, "we feel like our policy is in a good place for us to wait and see how that turns out." Asked how the Fed should respond to the energy supply shock, Powell points firmly to inflation expectations: "a critical essential aspect of that is you have to have to carefully monitor inflation expectations, because you can have a series of these supply shocks, and that can lead, you know, the public, generally, businesses, price setters, households lead them to start expecting higher inflation over time... also in the current situation, you have to be mindful of the whole broader context. And the broader context is we've been coming down close to 2% post pandemic, but we've never, actually, gotten right and stayed at 2% so it's been a while, and we're very mindful of that fact. Inflation expectations do appear to be well anchored beyond the short term, but nonetheless, it's something as we will eventually maybe face the question of what to do here."

Member	Role	Voter		Monetary Policy Commentary Since March FOMC
		'26	'27	
J Williams	NY Fed, VChair	X	X	<p>Williams continues to see policy as well-positioned, while noting risks to both elements of the dual mandate. Williams doesn't appear to be that concerned about the inflationary implications of the conflict in the Middle East beyond the immediate impact, reaching the 2% target by 2027, though by the same token he expects the unemployment rate declining this year and next. Overall he's likely one of the 7 Dots penciling in one 25bp cut this year in the latest Dot Plot.</p> <p>Speaking on Bloomberg TV on April 7, Williams repeated that his view of underlying inflation is roughly where's it been for a while, with little sign of impact from the ~\$10/bbl increase in WTI prices since he last spoke on Mar 30. He has trimmed his GDP growth forecast to 2-2.5% from close to 2.5% on Mar 30, but he continues to see monetary policy as really well positioned. There was relatively little drawn from Friday's strong NFP report, noting that the labor market is in a "pretty complicated" situation with the stabilization in the unemployment rate but ongoing consumer wariness.</p> <ul style="list-style-type: none"> On how <u>inflation</u> impacts might show up: "I think it'll go directly into headline inflation. I expect that to be actually elevated in the middle of this year. Right now we are looking at inflation rate for the year as a whole of something like 2.75% but it of course depends on what happens with energy prices. [In the interim] Clearly we could get to above 3% inflation, markets expectations right now are for CPI to be something like 3-3.25% over the next year." "Personally I'm also very focused on what's happening with underlying inflation, core inflation, inflation expectations and other indicators as well. The story hasn't changed much. Clearly, higher energy prices does add a little bit to core inflation. You think about air fares, which is part of core inflation but it is influenced by fuel prices. So I expect that to add maybe a 10th or two to core inflation over the year, the energy price component, but we've seen tariff rates come down. We've seen some other, I think, more positive signs on underlying inflation. So overall, I'm kind of where I've been for a while, with core inflation around 2.5% this year." When asked how long, how high and how fast will inflation have to move to merit a rate response? "I think really it does go back to kind of the full set of factors influencing inflation. And I'm going to bring up tariffs, because it is a big part of the story so far about why core inflation has been elevated. [...] So to my mind, monetary policy today is really well positioned, given where all of those dynamics have been playing out, and well positioned to kind of wait in and see on some of the effects of what's happening today." On the <u>state of the economy</u>: "If you asked me this a month or two ago, we would be talking about remarkable resilience of the economy, growing to 2% last year, looking to grow even faster this year. Clearly, with the conflict in the Middle East, that changes that a bit. So I've been bringing down my forecast for growth this year, probably somewhere between 2-2.5% for growth this year, and unemployment rate probably staying around where it is now, 4.3% and in an economy that's continuing to grow, but roughly, roughly at trend, again, driven by consumer spending and investments, especially in AI". On the <u>labor market</u>: It's a "pretty complicated situation with the labor market. We are seeing various different signals. If you look at the unemployment rate, 4.3% today is where it was in July. So we've seen some stability there and in job openings and some of the other indicators. We've seen the labor market much more stable now, definitely not a labor market weakening based on the economic indicators. That said [...] we've seen a continuing process of people being more pessimistic about the labor market, not about a recession or something, but just a view that this is a pretty low hire, low, fire labor market. Maybe the kind of views are not as strong as you would think, just looking at the aggregate payroll and unemployment data, you're well positioned to do whatever you need to do to help the economy." Q on average hourly earnings coming down to 3.5% and what is the level at which it won't be a concern? "If you look at the indicators we have some very good real-time indicators. I think all of them are telling us that compensation is continuing to grow and it's growing in a way that's consistent with the productivity growth we are seeing." <p>Williams continued to describe monetary policy as well positioned in an April 17 speech (link). The ongoing uncertainty stemming from the Middle East conflict sees a reluctance to provide further guidance from a permanent voting member who pre-war saw further rate cuts as warranted, something he still expects conditional on inflation returning to the 2% target to prevent a rise in real rates.</p> <ul style="list-style-type: none"> "This is an unusual set of circumstances, but the current stance of monetary policy is well positioned to balance the risks to our maximum employment and price stability goals," Higher tariffs have contributed between 0.5-0.75pps to PCE inflation, at 2.8% in February ahead of the war, and should begin to wane over the next few quarters. If the conflict ceases and energy supply disruptions ease "reasonably soon," energy prices should come down, and the higher energy prices seen in March and April should partially reverse later this year. If not, the war could result in a large supply shock with pronounced effects that simultaneously raises inflation through a surge in intermediate costs and commodity prices and dampens economic activity, Williams said, noting increasing supply disruptions related to energy and related goods.

Member	Role	Voter		Monetary Policy Commentary Since March FOMC
		'26	'27	
				<ul style="list-style-type: none"> "This has begun to play out already. While the data have not pointed to significant broad-based supply-chain bottlenecks yet, we are seeing increasing disruptions related to the supply of energy and related goods. Not only are elevated energy prices showing up in the rising cost of fuel, but there are also pass-through costs in the form of higher airfares, groceries, fertilizer, and other consumer products." However: "There are still no signs of significant second-round effects from tariffs spilling over to the rest of the economy. Underlying inflation excluding imported goods has been moving in the right direction." Mixed labor market: "It's a reasonably good labor market if you have steady employment. But in a low-hire, low-fire labor market, it's not so good if you are looking for a job or worried you may need one soon." Following in Q&A, he adds that he doesn't think AI is the cause of a weaker US labor market last year. In media Q&A after the event, he added: "Given all the different things that keep changing day to day, week to week, it doesn't make sense for us to try to be giving strong forward guidance." Still, once inflation begins to ease there will be room for rate cuts to ensure policy remains only modestly restrictive. "As inflation comes back to 2%, we need to bring down nominal interest rates so the real interest rates don't rise kind of mechanically," he said.
P Jefferson	BOG, VChair	X	X	<p>Jefferson on March 26 said "An extended bout of elevated energy prices could put upward price pressure on a variety of other products...As a policymaker, I will monitor to see if these higher costs become embedded in prices throughout the economy."</p> <p>On April 7 he said "I believe that the current stance allows us to determine the extent and timing of additional adjustments to our policy rate based on the incoming data, the evolving outlook, and the balance of risks."</p> <ul style="list-style-type: none"> On the impact of the Iran war, "It is difficult to say how long the conflict in the Middle East and related disruptions could last. Should elevated energy prices persist, they can weigh on consumer and business spending...This potential adds considerable uncertainty to the global economic outlook." "If the current elevated level of uncertainty persists, there is a risk that firms' reluctance to hire could also persist and hold down job growth for longer," he said. "Still, overall, I see the labor market as roughly in balance, and my baseline forecast is for the unemployment rate to remain roughly steady this year." "Inflation has eased from its pandemic-era peak, but progress has stalled over the past year mainly due to tariffs. In addition, I expect elevated energy prices will be reflected in upcoming inflation readings...It has been my expectation that the disinflationary process would resume once higher tariffs are no longer pushing up consumer prices."
M Bowman	BOG, VChair	X	X	<p>Gov Bowman (permanent FOMC voter), one of the 3 biggest doves on the Committee, speaking on Fox Business on March 20 says she wrote in 3 cuts by end-2026 in her Dot Plot (same as she wrote in previously). That's despite her view that the US economy will continue to experience "strong growth", since she remains concerned about the labor market.</p> <ul style="list-style-type: none"> "I think what I'm hoping to see is that we'll see more hiring coming forward, because this February jobs report was really disappointing, and I think the January report was an anomaly, frankly. So I'm still concerned about the job the job market. I want to see a little bit of recovery there. But of course, I've written three cuts in for before the end of 2026, to hopefully support the labor market." On the impact of the US-Iran war: "I think it's too early to tell what the longer term imprint will be on the US economic activity and how we should think about that in terms of our longer term economic forecast, and how we should think about that in terms of our FOMC meetings, and any rate changes that we might make, as a result of economic evolution going forward." "Before the end of the year, a lot can happen. It's too soon to tell what the impacts of Iran and the conflict may be, but I do expect that we'll start to see some of the supply side policies working their way through the economy, as well as the 75 basis points of cuts that we put in place last year. "
L Cook	BOG	X	X	<p>Cook on March 26 said in a moderated discussion that "I see the balance of risk as being largely on net in balance. But I would argue that the inflation risk is greater right now as a result of the Iran war."</p> <ul style="list-style-type: none"> "Certainly we haven't seen in five years our inflation target being met," Cook said, noting that excluding tariffs inflation was close to the vicinity of the 2% target. "Tariffs have taken us away from that, and now this is added on. So, we could be at this for much longer than we anticipated. I think right now the balance of risk has shifted more to inflation." She added, "with respect to the labor market, I see it as being in balance, but precariously so."
C Waller	BOG	X	X	<p>Gov Waller on CNBC March 20 explained that the breakout of war in the Middle East changed his view on supporting a rate cut in March given the potential inflation implications. Waller - who is probably the 2nd biggest</p>

Member	Role	Voter		Monetary Policy Commentary Since March FOMC
		'26	'27	
				<p>dove on the Committee in terms of rates (behind Gov Miran), making his support essential for further rate cuts - warns about potential spillovers of higher energy prices into core inflation. However he says he could still advocate cutting rates later this year.</p> <ul style="list-style-type: none"> • "So two weeks ago, when the jobs report came out and it was, you know, negative 92,000 I thought, that's it. I'm dissenting. I'm supporting a rate cut. Because at that time, it looked to me like this was going to be a very short lived spike in oil, no inflation issues. Look through it. Since that time, the Strait of Hormuz was closed, this is looking like it's going to be a much more protracted conflict, and oil prices are going to stay high for a longer time. So that suggested inflation was more of a concern than I was putting it. The second piece of information that came out, and Chair Powell talked about this a bit on the press conference, was that we've seen a lot of research recently that suggests that this year, labor force growth is going to be zero or close to zero. If that's the case, then zero is the break even for net new jobs." • On energy inflation spilling out more broadly: "If it's a very high level, and it stays high for months on end, then at some point it bleeds through, because oil is an input into so many products, this is very different than, say, a tariff on toys. You put a tariff on toys. It doesn't bleed through into all the other goods in the economy, but oil is a major intermediate import, and it will at some point bleed through, and that's where you worry about high and persistent oil shocks. It's not like a transitory - goes up and then comes right back down." • He adds though: "It doesn't mean that I'm going to stay put for the rest of the year. I just want to wait and see where this goes and as if things go reasonably well and the labor market continues to be weak, I would start advocating again for cutting the policy rate later this year...I think once you get past the tariffs and maybe the second quarter, you're going to see inflation come back down. I don't think there's a need for rate hikes". • Waller says that his checklist for advocating further rate cuts include continued weak job reports like February, but he's wary about the "tricky business" of balancing the labor market against higher inflation risks. • "I don't think this war is going to help [the labor market] in any way going forward, but we'll have to see what happens with inflation if those tariff effects don't roll off by the second half of the year, and then inflation starts rising. Then, then you're in this tricky business of like, do we worry about inflation? Take a chance on recession or not? Back in [2022] when I was arguing we've got to hike rates like crazy, I said they're not going to be a recession. And that was true, but that was a very different labor market than we have now. So I'm really going to keep an eye on what the future labor markets look like to see whether I want to start advocating for rate cuts at future meetings, but I also want to see what happens with inflation." • He is worried about historical episodes in which when unemployment "goes up, it usually goes up big and in a hurry", and that consumers might "start backing off" if the war continues for "months on end". He says "all these things could end up tipping the air, now, I don't want to say, into a recession, but suddenly a much more weakening of the economy than we thought. And then the Fed would have to address that. Then that's our job, is to step in, even with inflation high. Now that's the trade off. So the colleagues of mine are probably saying, No, we have to worry about inflation. Let the unemployment rate go up, and others like me will be saying, no, we shouldn't do that. " <p>Waller's speech published April 17 ahead of the pre-FOMC meeting blackout period (text) is titled "One Transitory Shock After Another", and cautions that what appears to be a transitory inflation shock amid the conflict in the Middle East could turn out to be more lasting.</p> <ul style="list-style-type: none"> • He sounds like he could still support rate cuts later this year (he's one of the 3 or 4 biggest doves on the Committee in this respect) and it should be noted that his remarks were likely prepared before Friday's revelations that a more lasting US-Iran peace could be reached in short order. But his prescribed monetary policy response to the crisis "depends on how the conflict evolves and its effect on the economy, both highly uncertain. These will have a major influence on the path of policy." And this may include holding rates for longer, having previously said that he decided not to support a March rate cut due to inflation concerns stemming from the Iran-US war. • Even in a favorable scenario in the war (perhaps not unlike the one that may now be unfolding) in which "the Strait of Hormuz opens and trade flows return somewhat to normal, then I can look through the effect of recent higher energy prices on inflation because I know it will unwind, and my focus will be on how the labor market evolves in the current no-hire, no-fire environment. Here, abstracting from the effects of tariffs and energy, I see a forecast in which underlying inflation would continue to move toward 2 percent, leaving me cautious about rate cuts now and more inclined toward cuts to support the labor market later this year when the outlook is more steady." • He also considers a more adverse scenario in which inflation : "But the longer energy prices remain elevated and the Strait is constrained, the greater the chances that higher inflation gets embedded across a wide variety of goods and services, various supply chain effects start to emerge, and real activity and employment start to slow. I will be particularly attentive to indications that this latest price shock, on top of the effects from tariffs, has moved up inflation expectations. A slower economy would

Member	Role	Voter		Monetary Policy Commentary Since March FOMC
		'26	'27	
				<p>restrain demand for goods and services, and perhaps soften the increase in prices, but I expect higher inflation than in the first scenario and that it would be elevated for some time. In this case, I also believe we would have a weaker labor market. High inflation and a weak labor market would be very complicated for a policymaker."</p> <ul style="list-style-type: none"> • And "If I face this situation, I'll have to balance the risks to the two sides of the Fed's dual mandate to determine the appropriate path of policy, and that may mean maintaining the policy rate at the current target range if the risks to inflation outweigh those to the labor market." • He cites inflation expectations as key to ascertaining the dangers of higher sustained inflation, particularly given a series of shocks this decade that threatened to push expectations higher: "While intellectually it makes sense to look through each shock, with a sequence of shocks, policymakers need to be more vigilant. This is because if the shocks hit one after another, they will keep inflation elevated for quite some time. The standard "look through" can become problematic if businesses and households start to believe inflation is persistently high and it affects their price- and wage-setting behavior."
S Miran	BOG	X	X	<p>Gov Miran remains the FOMC's biggest dove, telling Bloomberg TV on March 23 that the Fed shouldn't conduct policy based on short-term developments including the recent jump in energy prices. He argues that the Fed should look through oil shocks, unless there were either rises in longer-term inflation expectations or a wage-price spiral. He's unconcerned about both, eyeing the potential negative demand shock arising from the jump in oil prices.</p> <ul style="list-style-type: none"> • Miran confirms that he penciled in 4 rate cuts by end-2026 in the March SEP (he'd said he would in an interview prior to the meeting; previously in December his Dot Plot had implied 6 cuts; in both cases he's got the most dovish outlook on the Committee). This came alongside an increase in his forecast for inflation for the year. • But "higher oil prices depress demand and take money out of the pockets of consumers and redirects it to gas and other energy costs. That depresses demand and causes unemployment to move higher. That offsets increase in inflation." • As a result, he says the "balance of risks changes but it changes evenly. Because the negative supply shock, that is, the oil prices, is also a negative demand shock. You are taking money out of goods and services. I see the labor market trend continuing the softening for the last three years. Taking money out of goods and services that is not energy to devote to higher energy prices is exactly the type of thing that worries me that the trend might accelerate. I think it got worse on both sides." • "Traditional Federal Reserve wisdom is oil shocks headline inflation but do not pass that much into core as much as they do into headline, and the two ways that you would want to respond to it, so therefore you look through an oil shock typically. The two exceptions would be if inflation expectations beyond the first year start to move higher. That has not happened thus far. Inflation expectations for the first year you have moved higher of course but be on the first year there has not been that much movement medium-term, longer-term expectations have been coming down lately. There is evidence of that. The reason you want to respond to an oil shock is if you saw a wage price spiral, responding to oil and gas price increases. That could result in reinforcing inflation. It has been declining on a steady basis so that is something that I don't really see right now." • "I boosted my inflation for the year reflecting that in part. However, as I said before, it is way too early to draw conclusions it is bleeding beyond headline inflation in a way that matters for monetary policy. Don't forget higher oil prices depress demand and take money out of the pockets of consumers and redirects it to gas and other energy costs. That depresses demand and causes unemployment to move higher. That offsets increase in inflation." <p>In an April 17 appearance Miran seemed to have trimmed his rate cut views a little further, now being open to three cuts for the year vs four previously. "If I were writing down a dot today, I might have three. I might have four. I haven't made up my mind." He previously penciled in 150bp of cuts for 2026 with the Dec SEP before 100bp in Mar SEP. He had stuck to ~100bps of cuts when speaking Mar 30, although that was over "a" year: "I think that we could be about a point easier, gradually done over the course of a year"</p> <ul style="list-style-type: none"> • He expects 12-month PCE inflation to be running at around 2% in the middle of next year. "I don't have a reason for thinking that the energy events - the war - has changed the modal outlook for inflation relative to where it was before the war," • "If the energy crisis remains, stays in place for a long period of time, or gets worse, it raises the distribution of risks further out. It still hasn't, in my mind, raised the modal outcome 12 to 18 months from now, but it's raised risks that it raises the modal inflation forecast for 12 to 18 months from now."
M Barr	BOG	X	X	<p>In a speech on March 24, Barr said "I supported [the decision to hold rates in March], and it is my view that we may need to keep rates steady for some time as we assess economic conditions." The labor market "appears to be stabilizing with low levels of job creation" and the central bank continues to "contend with inflation notably</p>

Member	Role	Voter		Monetary Policy Commentary Since March FOMC
		'26	'27	
				<p>above the FOMC's 2% goal."</p> <ul style="list-style-type: none"> Barr said he is hopeful that inflation will fall as the effects of tariffs on prices wane later this year, but he would like to see evidence that goods and services price inflation is sustainably retreating before considering reducing the policy rate further, provided labor market conditions remain stable. "Moreover, the conflict in the Middle East raises additional risks," the Fed governor said in a speech in Arizona. "Higher oil prices tend to pass through pretty quickly to gasoline prices, and higher gasoline prices can be particularly painful for low- and moderate-income families." <p>Barr said at an event on March 26 that "It makes sense to take some time to assess conditions...Our current policy stance puts us in a good place to hold steady while we evaluate incoming data." "If the conflict were to end soon, it is possible its effects on inflation and economic activity could be limited. But if it continues for some time, the spike in energy prices and other commodities could have broader implications for both prices and economic activity."</p> <ul style="list-style-type: none"> "We have had five years now of inflation at elevated levels, and near-term inflation expectations have risen again, so I am particularly concerned that yet another price shock could increase longer-term inflation expectations...Consumers and businesses factor future inflation into their current economic decisions, so there is a risk that this dynamic could lead to inflation persistence, making it more difficult to return inflation to 2%. We need to be especially vigilant."
B Hammack	Clev. Fed	X		<p>In an interview with the AP published April 6, Hammack (one of the FOMC's most hawkish members) reiterated that while her base case is that rates will remain on hold "for quite some time", she saw the possibility that the Fed's next move could be a hike and not a cut: "I can foresee scenarios where we would need to reduce rates ... if the labor market deteriorates significantly. Or I could see where we might need to raise rates if inflation stays persistently above our target."</p> <ul style="list-style-type: none"> With the Cleveland Fed estimating that inflation could rise to 3.5% Y/Y in April, Hammack is concerned that "Inflation has been running above our target for more than five years now" with any pickup meaning that it is "moving in the wrong direction, away from our 2% objective."
N Kashkari	Minn. Fed	X		<p>No commentary on current monetary policy since last FOMC meeting</p>
L Logan	Dall. Fed	X		<p>Logan in a post-speech Q&A April 2 (her prepared speech was focused on longer-term balance sheet matters) continued to be concerned about inflation in the context of war-related energy price increases. We continue to assume Logan, who is a voter this year and one of the most hawkish members of the FOMC, is one of the 7 Committee members who saw no 2026 cuts in their March Dot Plot submission.</p> <ul style="list-style-type: none"> She said that submitting her projections at the March meeting was "pretty challenging" given uncertainty. "On the one hand, if the conflict is resolved fairly quickly and we can reopen the Strait of Hormuz, then it's possible that the effects on both the economic activity and the labor market might be pretty moderate. On the other hand, if the conflict continues and it takes quite some time to reopen the Strait, then there could be more adverse impacts. And those adverse impacts could be moving in opposite directions with respect to our dual mandate and cause a lot of tension between our responsibilities. So I really like thinking about things in scenarios right now. I think policy is positioned to adjust to the data as it's coming in, and we're prepared to make adjustments to the policy path as appropriate, given the data that comes in and the developments in financial markets more broadly." She said she supported the decision to hold in March because "I saw the labor market that really stabilized in the second half of the year" with the unemployment rate of 4.4% "about where most economists believe the natural rate is", and private sector contacts suggesting stability. She noted the Dallas Fed's estimate of breakeven payroll gains is "close to zero." But "on the inflation side, even before the conflict in the Middle East, I wasn't convinced that we were headed on a path all the way to our 2% target." In particular she is concerned about core services ex-housing readings being sticky, against a backdrop of multiple growth tailwinds including investment demand for AI/data centers, strong household balance sheets, accommodative financial conditions, and fiscal stimulus. "Since then we've had the conflict in the Middle East, which has increased our level of uncertainty about the economy and the outlook. It's made our jobs more complex because it's increasing risks on both sides of our mandate." Overall, she said, balancing the dual mandate objectives is "what keeps me up at night", noting that "we've been running with inflation above our target for five years now".
A Paulson	Phil Fed	X		<p>Philadelphia Fed President Paulson (2026 FOMC voter, dove), doesn't have much to say on current monetary policy in a March 27 speech on longer-term productivity, but we assume she still supports at least one rate cut this year. Some key comments:</p> <ul style="list-style-type: none"> "Inflation has been above our 2-percent target for six years. While we've made significant progress, inflation is still 2.8 percent, not 2 percent. Long-term inflation expectations are consistent with 2 percent, but they may also be a little more fragile. And, of course, the conflict in the Middle East has created new risks to both inflation and growth."

Member	Role	Voter		Monetary Policy Commentary Since March FOMC
		'26	'27	
				<ul style="list-style-type: none"> "If the unemployment rate is high, there is clearly more room to be patient. In a situation like today though, where we are closer to full employment, the calculus is trickier. But trends in labor market momentum and wage growth can provide valuable signals about the extent to which a surge in growth is creating inflationary pressures. For example, I see no signs that the labor market is contributing to inflation today. <p>Comments from Paulson in her post-speech Q&A seemed a little more typically dovish-leaning than her prepared remarks, particularly on the labor market.</p> <ul style="list-style-type: none"> On the risks to the outlook from the US/Israel-Iran war: "If the war in the Middle East is short-lived, it will have a different impact for the economy and for policy than if it's long-lived. To my view, it raises the risk for both inflation and to growth and hence unemployment, and so we have to be cognizant of both of those risks. Those are risks right now, and how that actually plays out and what that might mean for policy depend a lot on how long the war lasts." On the difference between this supply shock and the Covid one: "I would say one thing that is really different now than during 2022-2023 is that the labor market is in a really different place...Unemployment rate, maybe it's close to full employment, but we're not creating a lot of jobs. We're not seeing wage growth that is putting upward pressure on inflation." On that note, she continues to sound concerned about labor market dynamics: "The labor market feels fragile. It doesn't seem like it would take that big of a shock for us to get different dynamics there." But while she says long-term inflation expectations remain anchored, she's worried about the impact of yet another inflationary shock: "It does make me worry that, even though our textbook models tell us that supply shocks do not leave lasting implications for inflation, that when you have a series of supply shocks, that is durable inflation to people, that it turns into something that we can't distinguish from actual inflation. I think that is a real risk. We certainly saw that during the pandemic."
T Barkin	Rich. Fed		X	<p>Richmond Fed Pres. Barkin's speech on March 27, "Driving Through Economic Fog (Still)" (link), adds another call for caution on the near-term Fed policy direction due to significant uncertainty.</p> <ul style="list-style-type: none"> Barkin votes on the FOMC in 2027. He's on the more hawkish end of the spectrum and we had guessed he was one of the 7 participants who pencilled in no rate cuts by end-2026 in his March projections. His speech appears to support that notion. He says that not only has the "fog" that has been distorting visibility of the economy not lifted, it has "deepened and spread" since last year. That includes both AI producing a "range of possible outcomes", and the "fog of war" ("No one knows how long the Iran conflict will persist, nor what its aftereffects will be"). Overall with policy at the high end of the FOMC's neutral range. "At our last meeting, with risks to both the labor market and inflation, and the outlook foggy, it felt prudent to hold rates and await more clarity on how we should be leaning to best support the economy going forward." "I for one am hoping to see some of this fog burn off." He points out, "Historically, oil price shocks are highly coincident with recessions: think 1974, 1979 and 1990. Even 2008 had a price shock, though I wouldn't blame that for the financial crisis". While "the labor market has stabilized", Barkin says "The job market doesn't feel nearly that good though". Likewise, he says that "Before the recent oil spike, the outlook looked solid, albeit narrow", but "demand continues to feel narrow". And "The foggiest part of the outlook is the path forward on inflation", as while there has been significant progress since 2022, "it's hard to ignore the PCE inflation data over the last few months, which suggests our progress on inflation may be at risk of stalling. And that was before the oil price spike — the latest in a series of cost-increasing supply shocks after the pandemic, semiconductor chip shortages, the war in Ukraine, tariffs, and immigration enforcement. I'll be watching carefully the impact of this latest shock on both inflation and inflation expectations."
Vacant	Atl. Fed		X	- No commentary from Atlanta interim president is expected
M Daly	S.F. Fed		X	<p>SF Fed's Daly wrote on X.com on March 23 re the impact on policy from the situation in the Middle East that the FOMC "need[s] to remain flexible" with "policy in a good place". Note she is one of the bigger doves on the FOMC though doesn't vote this year (she is a 2027 voter); she said as recently as March 6 after February nonfarm payrolls that the labor market looked "maybe a little weaker than we have seen so far" but she doesn't sound so convinced about cutting rates again in the near-term.</p> <ul style="list-style-type: none"> She writes today that if the war in the Middle East is resolved quickly, "it likely would make sense to look through the temporary rise in energy prices, assuming inflation expectations remain well anchored." But "if the conflict becomes more protracted, a different scenario is possible. Disruptions in energy supply and associated cost pressures could persist, with increased risks for higher inflation,

Member	Role	Voter		Monetary Policy Commentary Since March FOMC
		'26	'27	
				<p>slower growth, and a weaker labor market. This would amplify the current tradeoffs for monetary policy, making it harder to balance the risks to both sides of our dual mandate."</p> <ul style="list-style-type: none"> Against this backdrop, "With policy in a good place, we need to remain flexible, able to respond to rapidly evolving risks. Now, this may seem vague, even dissatisfying. But offering too much forward guidance in an uncertain world risks conveying a false sense of certainty, reducing rather than improving transparency, and making it harder for the public to clearly predict how the FOMC will react. So, for now, recognizing the uncertainty, examining potential scenarios, and staying focused on restoring price stability and supporting full employment no matter how the economy evolves is optimal communication and appropriate policy." <p>In a blog post on April 3 she commented on breakeven payroll rates:</p> <ul style="list-style-type: none"> "Simply stated, slower labor force growth translates into lower benchmark job gains... Slower labor force growth means that traditional 'rules of thumb' for labor market health are changing. When labor force growth was one to two or more percent, zero job growth in any month set off alarm bells, signaling a potential recession. But with labor force growth near zero, a 'zero' or even a negative month of net job gains could be consistent with expectations and not necessarily a sign of weakness." <p>Also on April 3 she said on Fox that the March payrolls data was "really good news" and "very welcome". "It tells us that the economy and the job market is staying steady" which "gives us more time to balance our risks and monetary policy is in a good place to do that right now where it sits."</p> <p>On April 17, Daly said she sees monetary policy in a good place with previously expected cuts not suitable right now. She details a range of scenarios with a) rates on hold through the year that leave good restraint on inflation, b) hikes if inflation really takes off or c) a return to mild cuts.</p> <ul style="list-style-type: none"> "I came in thinking before the oil price shock, I thought, well, okay, we can continue to adjust the rate down to neutral. So that would be 1 or 2 cuts as the economy's fundamentals continue and inflation continues to come down. At this point, we've got oil prices up and inflation is printing higher. And what I'm looking for is does that spill into other goods and services. It hasn't yet. But I think right now policy is in a very good place. Slightly restrictive, not constraining the economy so much that the labor market is faltering, not letting go of the reins completely so that inflation has no bridle. And that's a good place to be. So being in a wait and see the data mode and wait and see how the conflict resolves is a really nice place to be. The scenarios are we could leave that completely like it is this year. And that would be a good restraint on inflation. But not so restrictive to hurt the labor market. We could find ourselves if inflation really took off. Not my modal outlook, but if it did then we'd have to adjust the policy up. If we found that the labor market was faltering or that this conflict ended quickly and the inflation started to come back down, we could adjust like we had think it was one cut that was penciled in March []. That's about where I was in March. At this point. I think I wouldn't be surprised if the market pricing is for zero cuts this year, and that's really taking on board the fact that the oil price shock persists, at least for the end of the year." Daly offered color on growth risks, watching consumers with just a little bit of softening so far but most businesses optimistic: "Typically you would think of an oil price shock having both inflation and growth effects. But we're not that energy dependent in the United States. And so it's probably less on a growth effect and probably more on the inflation effect, because consumers are already paying higher prices at the pump. The piece that I worry the most about in this is that consumers are already facing a lot of things. They're vulnerable, persistently high oil prices chip away at their disposable income. And that means that at some point they'll have to give up on other goods and services. And that means that you get into this dynamic of a slowing economy, slowing demand. So those are the things we're watching. I haven't seen those things form yet. You just see a little bit of indication. But consumers are still out there. And most businesses we talk to, we just had a variety of meetings this week. Think this is going to be done quickly. And they're optimistic about the second half of the year. We'll see."
A Goolsbee	Chic. Fed		X	<p>Goolsbee on CNBC March 20 sounded concerned about the inflationary impact of the Middle East conflict, saying that the energy price shock "definitely throws a wrench" into disinflationary progress: "Last year, I was a voter, and I dissented at the last meeting of the year because we did not have the data to show that inflation was going away. The argument that rates should go down in the immediate term was premised on that the inflation was going to be transitory and go away. I remained fairly optimistic that by the end of 26 rates could go down, but I wanted to see proof that we're back on an inflation headed to 2% this definitely throws a wrench into the plans we do need to see progress. "</p> <ul style="list-style-type: none"> "To have already been operating at an inflation rate that was uncomfortably high and stuck well above the target, and now to add something that might be a lasting gasoline price shock, I think this is, as I say, an intense moment, and we have to hope that this does not prove to be a lasting impact on the economy," Goolsbee, asked about the possibility of the Fed hiking rates: "Everything is always on the table. We could be back to the environment with multiple rate cuts for the year. If inflation behaves, I could see

Member	Role	Voter		Monetary Policy Commentary Since March FOMC
		'26	'27	
				<p>circumstances where we would need to raise rates if it was going a different way and inflation was getting out of control. The key is, historically, oil shocks have been a stagflationary shock, that is: make employment worse, while at the same time they're making inflation worse. And that's the that's the worst kind of shock. That's the most uncomfortable thing for a central bank to have to face, because there's not an obvious playbook."</p> <ul style="list-style-type: none"> • But importantly, he doesn't see inflation expectations as problematic yet: "I've been optimistic over the longer term and a little more pessimistic on inflation in the shorter term, because it seemed to me that there were a number of things that could make this a repeat of the team transitory mistake, where everyone assumed the supply chain will just fix itself real quick and the inflation will go away. So far, inflation expectations do seem anchored, but it's a little bit of the sunburn theory of inflation expectations. Once they start to go wrong, you're going to wish you put on sunscreen. " • Asked how much job market weakness he would be willing to look through in the fight against inflation, Goolsbee says that the Fed's framework dictates that the FOMC would assess which side of the dual mandate has the higher deviation from target, and how long will it take to for each side to get back to "something acceptable". He suggests that it looks like inflation is the bigger problem of the two "at the moment": • "If you look at the unemployment rate, it hasn't gone up much. So the payroll job creation as an indicator of labor market slack, I think is a little fraught at a moment when population growth and immigration and there are a bunch of question marks about labor supply. So I prefer looking at rates like the unemployment rate, the layoff rate, the hiring rate, the vacancy rate, most of those have shown stability, and are at levels that are closer to full employment than we are on the target on the inflation side. So at the moment, I think the inflation has got to be a little ahead of the employment." <p>On April 7, Goolsbee mentioned the eerie current similarities with the 2021/22 inflationary episode. He deems the labor market to be stable but not great whilst attributing the high youth unemployment rate to low hiring rather than AI-directly. Combined with being cautious/nervous about the economy at the moment, he is still trying to work out what is the appropriate action.</p> <ul style="list-style-type: none"> • <u>On inflation similarities with 2021/22</u>: "My concern at this immediate time is that we've got to get our heads around an oil shock, which is going to drive up prices in a stagflationary way, potentially before the other one [from tariffs] has gone away. So the prices spiked from tariffs and they were supposed to go away. And this is now hitting before that went away. And that's eerily reminiscent of that period where the Covid supply shock damage happened driving up inflation. And then the war breaks out in Ukraine before that's fixed itself. And it's another supply shock on top of it. So this is how persistent this is going to be I think is going to have a major impact on how you view the economy." • <u>On stable but not great labor market</u>: "I think the job market is basically stable but not great. Unusual in that there's very low hiring, which feels like a recession, but there's very low layoffs, which normally is the opposite of a recession. So it's strange for those both to be happening at the same time. I think that's what happens when businesses are uncertain and they say, we're just going to sit on our hands until we figure out is the war, is this going to be a temporary shock? Since the 70s - if you're old enough you might remember the awful economic outcome from high oil prices in the 70s - we've gotten less oil-using as an economy since then. And we've become a much bigger energy producer since then. So if this sustains, there is likely to be at least some part of the economy that's rebounding and producing energy. But in summary I'm cautious/nervous about it in the moment." • <u>On JPMorgan and BofA heads on stickiness of inflation, perhaps at 4%</u>: "We've been above the 2% inflation target for five years consecutively now. We were making progress and then kind of stalled out and now it's been inching itself up the other way. We got down almost to 2%, now it's been 3% and if we're headed to 4% that's not stable. The longer you go and the higher you are above the 2% target, the more it just gets ingrained into cost plus contracts. So I hope they're not describing that. Yet I still can't get past, it doesn't look like a regular recession. They're not describing a regular recession. We're all still trying to work out what is the appropriate action." • <u>On AI impacts</u>: "In the right now impact, I am a skeptic that almost anything we've seen in the job market or in the economy is due to AI, because the adoption simply hasn't been great enough. [When then pushed on the high u/e rate of young graduates] The hiring rate is extremely low. And any time the hiring rate is low, the most impacted group of going to be new graduates because they're disproportionately trying to get hired."
S Collins	Bos. Fed			No commentary on current monetary policy since last FOMC meeting
A Musalem	St. Louis Fed			Musalem appears to have tempered his slight easing bias since the outbreak of the war in the Middle East. He's always been on the hawkish side of the FOMC, and says (unsurprisingly) in an April 1 speech , supported the January and March rate holds, but he now sees increasing risks of higher core inflation than he previously anticipated - and is openly entertaining the possibility of the next move being a hike. The comments affirm our view that he was one of the 7 FOMC members who eyed a hold through year-end in the March Dot Plot.

Member	Role	Voter		Monetary Policy Commentary Since March FOMC
		'26	'27	
				<ul style="list-style-type: none"> As for current policy, "In real terms, the policy rate appears to be in the lower portion of the neutral range, which I believe is appropriate given the economic outlook, balance of risks and unusual degree of uncertainty. Policy is well positioned to address risks to both dual mandate objectives, and I expect the current setting of the policy rate will remain appropriate for some time. However, I will support adjustments in the stance of policy if the evidence indicates the economy requires them." He says he could support further cuts "if a greater risk of a weakening labor market becomes apparent, provided inflation and inflation expectations are not moving persistently higher. I could also support lowering the policy rate to prevent the real rate from rising if actual or expected inflation falls." This is very similar to comments he made prior to the March FOMC meeting. However he also says that "I could support raising the policy rate to avoid an inadvertent real easing that would result from holding the policy rate constant if core inflation or medium- to long- term inflation expectations moved persistently higher and away from 2%." His outlook is relatively constructive. "A baseline scenario for 2026 has real GDP growing close to potential, the unemployment rate holding around its current level, and core inflation beginning to gradually ease toward 2% later in the year. But other outcomes are plausible. The risks to the labor market and inflation both tilt in unfavorable directions." But he's watching for economic and inflation headwinds from the Middle East conflict. "Uncertainty from the Middle East conflict and unsettled tariff policy could weigh on consumer and business spending in the first half of the year". But "Several tailwinds are supporting the economy". On inflation, "I perceive upside risk to inflation—at least of extended persistence of inflation above target." In particular, the Middle East conflict means that he has adjusted his outlook - note the mention of "core" and not just headline: "I have been expecting core PCE inflation to begin to edge toward 2% in the second half of 2026. But geopolitical developments have clouded that forecast, and I now see more risk of persistent above-target inflation throughout 2026." As he says, "The recent increases in energy prices will put upward pressure on headline inflation in the near term with some pass-through to core inflation." In Q&A, he said that he has marked up his core/headline inflation forecasts by a few tenths for now. And echoing other hawks, including KC Fed's Schmid this week, he says "It might be tempting to always "look through" the effects of negative supply shocks on inflation and to focus on their impacts on labor markets and growth. History suggests caution is warranted, however, especially when underlying inflation is persistently above target." After 18 months of cooling, he says, "recent data indicate [the labor market] may have stabilized, albeit in a 'low hire, low fire' state". Unemployment is "close to the natural rate" and with supply constraining nonfarm payrolls growth, "the unemployment rate and other ratios, such the vacancy to unemployed ratio, provide more information about current labor market conditions than payroll growth." Overall though "I perceive labor market risks as weighted to the downside".
J Schmid	K.C. Fed			<p>Schmid on March 31 delivered the most hawkish Fed commentary since the outbreak of the war in the Middle East, saying in a speech that he's "more focused on the risks to inflation" than unemployment, and "I viewed high inflation as the more salient risk to our dual mandate even before the energy shock arrived". As perhaps the FOMC's most hawkish participant, it's unsurprising rhetoric, and he's possibly the member that penciled in a 2027 rate hike in his Dot Plot - he was a dissenter against the last two rate cuts of 2025, but he is not a voter in either 2026 or 2027.</p> <ul style="list-style-type: none"> He says "the economy enters this period of heightened geopolitical risk from a position of strength", with "a number of fundamental strengths in the U.S. economy, including solid demand momentum, strong productivity gains, and relatively low unemployment"; on the latter he says that it seems the labor market "remains broadly in balance". He nods to growth risks from the recent spike in oil prices (as well as demographics). But even so, he doesn't appear to be particularly concerned: "Large oil price increases have historically had a negative impact on U.S. economic growth. Much of this history stems from the severe oil shocks experienced in the 1970s and 1980s. I expect that the growth effects today will be less severe....increased spending on energy is no longer a transfer of money from U.S. energy consumers to foreign energy producers. Instead, it is more akin today to a transfer of money from U.S. energy consumers to U.S. energy producers." In sum he sees "sustained higher oil prices" as only "a modest drag on economic growth". While there's some dispute about the growth impact, he says "the effects of the recent rise in energy prices on inflation are far less ambiguous. Higher energy prices will increase inflation. Headline inflation figures will be directly affected by higher gasoline prices. However, measures of inflation that exclude energy prices—referred to as core inflation—will increase as well. From food production to delivery and transportation costs to airfares, higher energy prices will also increase core measures of inflation." He says progress toward the 2% inflation target "has stalled", and on other FOMC colleagues' arguments that the energy price jump will prove only transitory in terms of inflation impact: "this oil shock comes at a time when inflation already has been too high for too long. I don't think we can be complacent about the risks to inflation expectations. With inflation already running hot, now is not the

Member	Role	Voter		Monetary Policy Commentary Since March FOMC
		'26	'27	
				<p>time to assume that the inflation from higher oil prices will be transitory."</p> <ul style="list-style-type: none"> In particular, this is a question of Fed credibility, a theme Schmid has highlighted before. "price pressures never arise as either intrinsically persistent or transitory. Rather, whether a price shock is ultimately transitory or not depends on the Fed's perceived actions ... The observed stability in inflation expectations reflects the earned credibility of the Fed and the belief that monetary policy will keep inflation in check. It is now our job to follow through with policy actions that validate those expectations."

Beige Book: Growth, Employment Resilient Amid Breakout Of War

The Fed's April Beige Book makes heavy mention of the conflict in the Middle East, which broke out after the response for the prior edition (February's) were compiled.

- That said, the portrayal of **economic activity** in this edition was not substantially different, and arguably even more robust, with more districts on net (8 vs 7) reporting slight/modest growth and gains in employment (4 vs 3; and just 1 seeing declines vs 3 prior), with very little change in inflation reporting (9 vs 8 describing "moderate" price pressures). Our summary of the main sections is below.
- Economic activity was described as follows: "The conflict in the Middle East was cited as a major source of uncertainty that complicated decision-making around hiring, pricing, and capital investment, with many firms adopting a wait-and-see posture....On balance, consumer spending increased slightly despite harsh winter weather in some regions and higher fuel prices. Many Districts continued to report signs of consumer financial strain, increased price sensitivity, and rising demand at food banks and other social service organizations, while spending among higher-income consumers was resilient.
- Inflation** pressures didn't appear to be much worse in the April Beige Book than in the prior edition, but it was clear that while overall price rises weren't particularly onerous, there was increasingly intense pressure across some sectors. Margins compressed, and tariffs continued to be a consideration.
- Overall, 9 districts characterized price increases as moderate/robust (was 8 in the prior Beige Book), with 3 seeing increases as modest (was 4 prior).
- For employment**, April's was the strongest Beige Book since July 2025 in terms of the breadth of regional headcount gains. 4 districts saw slightly higher employment levels, marking a sequential rise from 1 in November, 2 in January, and 3 in February. See summary table below.
- This was of course indicative more of stability rather than a vastly improving labor market (and "overall wage competition remained muted", in line with the "low hiring, low firing" theme), but we highlight that just 1 district saw a decline in headcount - the fewest since March 2025.

District-By-District Descriptions of Current Conditions - Apr 2026 Beige Book (Apr 15, 2026)

	Econ Act	Previous Report	Employment	Previous Report	Inflation (Selling Prices)	Previous Report
Boston	Declined slightly	Flat	Stable on balance	Down slightly	Increased moderately	Rose modestly
NY	Continued to decline modestly	Continued to decline modestly	Steady	Flat	Remained moderate	Remained moderate
Phil	Grew slightly	Grew modestly	Declined slightly	Increased modestly	Rose moderately	Moderate increases
Cle	Increased modestly	Increased modestly	Increased slightly	Flat	Remained robust, intensifying further	Remained robust
Richmond	Grew at a modest rate	Grew at a modest rate	Increased slightly	Increased slightly	Grew moderately	Grew moderately
Atl	Grew modestly	Grew at a modest to moderate pace	Flat	Flat to slightly down	Rose modestly	Flat to slightly up
Chicago	Increased slightly	Rose slightly	Unchanged	Flat	Rose moderately	Rose moderately
Stl	Unchanged	Unchanged	Unchanged	Unchanged	Increased moderately	Increased moderately
Minn	Increased slightly	Down slightly	Rose slightly	Down slightly	Increased modestly	Increased modestly
KC	Grew slightly	Increased slightly	Little to no change	Unchanged	Increased modestly	Increased slightly
Dallas	Rose slightly	Expanded moderately	Edged up	Grew slightly	Remained moderate	Modest-to-robust
San Fran	Largely stable	Slowed slightly	Generally stable	Stable on net	Remained moderate	Rose moderately

Source: Federal Reserve, MNI. MNI's characterization is derived from the individual Fed reports, not the overall summary

March Minutes: More Participants Want Hawkish Guidance Tweak

The key passage in the March FOMC minutes, addressing the Committee's discussion around the forward guidance in the Statement, is below. Note that in Fed speak, "some" is more than "several", which was the number of FOMC participants who at the prior meeting in January saw a case for changing the rate guidance from the existing easing bias to more two-sided language. In other words, slightly more participants in March saw potential for the next move being a hike, compared with January's meeting:

- "With regard to the outlook for monetary policy, in light of the heightened degree of economic uncertainty, participants emphasized the importance of being nimble in adjusting the stance of policy in response to incoming data, the evolving outlook, and the balance of risks. Many participants judged that, in time, it would likely become appropriate to lower the target range for the federal funds rate if inflation were to decline in line with their expectations. A couple of these participants highlighted that, in their projection for the appropriate path of the policy rate, they had pushed their assessment of the most likely timing of rate cuts further into the future in light of recent readings on inflation. Some participants judged that there was a strong case for a two-sided description of the Committee's future interest rate decisions in the postmeeting statement, reflecting the possibility that upward adjustments to the target range for the federal funds rate could be appropriate if inflation were to remain at above-target levels. All participants agreed that monetary policy was not on a preset course and would be determined on a meeting-by-meeting basis."
- This isn't a majority yet but it's headed in that direction, though the March Dot Plot showed only one participant saw future hikes (one, in 2027).
- That said there wasn't meaningful dissent to the actual decision to hold; there was "one participant" (Miran) who wanted to cut rates; otherwise "almost all participants supported maintaining the current target range for the federal funds rate at this meeting".
- Indeed "a couple" pushed back their expected timing for easing rates due to recent inflation readings.

"Most" Concerned About War Hurting Labor Markets: There was, predictably, extensive discussion at the March FOMC meeting on the impact of the risks to the outlook presented by the war in the Middle East. As suggested by inter-meeting commentary, the Committee sees risks to both sides of the mandate having increased. "In discussing risk-management considerations that could bear on the outlook for monetary policy, the vast majority of participants judged that upside risks to inflation and downside risks to employment were elevated, and the majority of participants noted that these risks had increased with developments in the Middle East.

- The Committee overall appears to have retained its slight easing bias in part due to the perception that downside growth/labor market risks were more prominent than inflation risks due to the spike in energy prices (note in the below "most" is more participants than "many").
- "In particular, most participants raised the concern that a protracted conflict in the Middle East could lead to a further softening in labor market conditions, which could warrant additional rate cuts, as substantially higher oil prices could reduce households' purchasing power, tighten financial conditions, and reduce growth abroad."
- "Many participants pointed to the risk of inflation remaining elevated for longer than expected amid a persistent increase in oil prices, which could call for rate increases to help bring inflation down to the Committee's 2 percent objective and keep longer-term inflation expectations firmly anchored."
- "Most participants reiterated, however, that it was too early to know how developments in the Middle East would affect the U.S. economy and judged it prudent to continue to monitor the situation and assess the implications for the appropriate stance of monetary policy. With upside risks to inflation and downside risks to employment both elevated, some participants remarked that it was important that the Committee follow its balanced approach in promoting the Federal Reserve's employment and inflation goals, taking into account the extent of departures from those goals and the potentially different time horizons over which employment and inflation were projected to return to levels judged consistent with the Committee's mandate."

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MNI INTERVIEW: Oil Shock Requires Vigilant Fed – Mester

By Jean Yung (Apr 17)

WASHINGTON – The Federal Reserve faces an inflation problem beyond that caused by tariffs and the oil shock and risks moving too quickly to resume rate cuts without sufficient evidence that price pressures are headed durably lower, former Cleveland Fed President Loretta Mester told MNI.

In an interview on the sidelines of the Semafor World Economy conference in Washington, Mester said the FOMC is right to keep interest rates on hold as geopolitical tensions cloud the outlook, warning that inflation risks remain tilted to the upside even as markets lean toward a more benign scenario.

"We never got back down to 2%," Mester said. "The inflationary pressures that were supporting a 2.5, 2.6, 2.7% reading are still in the economy -- and now they're being exacerbated by the oil price shock."

An end to the Iran war could allow conditions to normalize by late this year or early next, but the range of outcomes remains unusually wide and include much more adverse scenarios, Mester said.

The right posture for the Fed is vigilance and patience, to hold rates and preserve the optionality to tighten if necessary, she said.

"If they have to react by raising at some point -- and they're not there yet, and I don't think they should be doing that at this point -- but they need to be making sure that people understand they are going to be taking inflation back to price stability."

UNEASY BALANCE

Mester, who retired from the Cleveland Fed in 2024, worries the FOMC could ease too soon due to labor market softness rather than clear progress on inflation. The oil shock simultaneously threatens growth and keeps inflation elevated, a classic stagflationary dilemma.

"Probably the reason for the next move will be because of labor market concerns, not because of sufficient evidence that inflation is on a downward path," she said. "I have some concern they may be a little too quick to pivot to rate cuts again."

The job market already exists in what she calls an "uneasy balance" with a much lower pace of job creation in recent months than has been usual, she said.

Reduced immigration has tightened the labor supply, meaning firms that have held back on hiring amid broad uncertainty were able to do so without unemployment rising meaningfully, she said.

"If we could get beyond the uncertainty, there is a possibility that things will pick up," she said, cautioning that a return to the labor market dynamics of previous years is still unlikely given aging demographics. (See: [MNI INTERVIEW: US Jobs Market In Fragile Equilibrium - Sahin](#))

FRAGILE INFLATION EXPECTATIONS

A pressing concern is that the oil shock is landing on an inflation backdrop that never fully normalized, leaving inflation expectations more fragile than they appear, Mester said.

"When we went through the post-COVID inflation surge, it was short-run expectations that jumped while medium- and long-run stayed stable," she said. "But that stability wasn't sufficient to avoid high inflation. It's a necessary condition but not a sufficient one."

Already core price pressures were proving stubborn before the war, partly due to tariffs but also on climbing health care and insurance costs. Many firms were attempting to protect margins by raising prices but have met consumer resistance.

That dynamic could shift if elevated inflation persists, Mester said.

"If customers begin to see prices staying up at these levels, I think they're going to be more willing to accept those higher prices -- and that could support inflation remaining higher."

The Fed would need to see inflation clearly moving upward, not merely staying elevated, to consider rate hikes, Mester said. Current conditions do not meet that bar, but once that threshold is crossed, a single move would likely be insufficient.

"If inflation really is moving up, it's reasonable that it's going to be more than one."

MNI INTERVIEW: Fed Hikes Possible If Inflation Lingers- Adrian

By Pedro Nicolaci da Costa (Apr 14)

WASHINGTON – Top central banks including the Federal Reserve might need to consider raising interest rates if inflation pressures linger and appear to be boosting longer-run price expectations, senior IMF official Tobias Adrian told MNI.

"There's a more adverse scenario where inflation is more persistent and more pronounced, and central banks ultimately have to hike policy," said Adrian, Financial Counselor and Director of the Fund's Monetary and Capital Markets Department, in an interview at his office ahead of this week's IMF Spring Meeting.

"Fed Chair Powell talked about looking through for the moment. The way I will put it is that there's a lot of value in that option while they are waiting to see how the situation evolves, and then depending on whether inflation is expected to feed into core or into the expectations to take the policy action."

Adrian, also a former New York Fed economist, said the key will be to monitor expectations to ensure they are not becoming unanchored because of elevated energy and food prices linked to the war and the closure of the Strait of Hormuz.

"You do see a hump shape where in the short term there's more inflation being priced in, but over the medium term and long term, expectations are well-anchored," said Adrian. (See [MNI INTERVIEW: Fed Will Hold Pat, Inflation To Spike-Benigno](#))

READY TO ACT

The Fed should not shy away from possibly using its balance sheet to offset any big market disruptions that could emerge from tightening financial conditions related to the Middle East conflict, said Adrian.

"If there's an acute liquidity crisis, central banks including the Federal Reserve would be expected to step in to provide liquidity, and that could take the form of collateralized lending, like through the repo facility or through outright purchases," he said. (See [MNI INTERVIEW: Long Fed Pause Looms On Iran Shock - Sahm](#))

“We don't really see dysfunction in markets, but we do recommend that central banks are operationally ready for lending of last resort and any other emergency actions. That is clearly aligned with the financial stability mandate of central banks. It would certainly apply to the Federal Reserve as well.”

ELEVATED RISKS

Risks to global financial stability remain elevated due to tighter credit conditions following the Iran war energy shock which could expose pressure points ranging from high debt levels to vulnerabilities in private credit, Adrian said.

“Yields have gone up, spreads have gone up, equity markets have come down, but it's somewhat contained for the moment. So markets are optimistic about the length and the depth of the war,” said Adrian, whose department has just released its yearly Global Financial Stability Report.

Still, as the report warns, there is a chance that investors' sanguine attitude towards the conflict could be misplaced.

“There's a severe scenario where you may have a hit on real activity and inflation may be even more persistent. And this is where we worry about financial stability concerns,” Adrian said.

The report warns that “markets have corrected in an orderly manner so far, but risks are asymmetric. The longer the conflict continues, the greater the risk that global financial conditions – which had been very accommodative before the war – could tighten further and more abruptly.”

MNI INTERVIEW: Long Fed Pause Looms On Iran Shock – Sahn

By Pedro Nicolaci da Costa (Apr 7)

WASHINGTON – The Federal Reserve is likely to keep interest rates on hold for some time, even if Kevin Warsh takes the helm of the central bank mid-year, because the Iran shock has accentuated risks to both inflation and unemployment, former Fed Board economist Claudia Sahn told MNI.

Warsh had been expected to push for lower interest rates given his dovish rhetoric in advance of the nomination, but Sahn believes current conditions will preclude any abrupt shift in policy.

“I suspect that we will end up with more continuity at the Fed because the economic backdrop is so uncertain that nobody would come in and rock the boat at a moment like this,” she said in an interview. “The Fed is very much in a waiting pattern. Warsh will understand that.”

Sahn said the Iran war's hit to global energy supplies complicates the ability of the Fed to react because, despite a possible hit to economic growth down the line, the most immediate effect is at least a temporary spike in inflation.

RESTARTING CLOCK

“We are going to get, and have already gotten, a burst of inflation from this,” she said.
(See [MNI INTERVIEW: Fed Will Hold Pat, Inflation To Spike-Benigno](#))

Before the war, the Fed appeared inclined to lower rates further later in the year, assuming that policymakers would be able to confirm that last year's tariff increases had indeed had only a temporary impact on inflation. Now, there's another new shock that needs to be waited out, one with a highly uncertain timeline and outcome.

“They want to get us past the crest in the core goods inflation, because then that's a sign that, yes, those tariffs, those were one off price effects. But they want to see it, and then they will respond to it,” said Sahn.

“There's definitely a question as to whether we're just going to restart the clock with that same kind of thinking on the energy shock? We're going to want to see evidence that it doesn't have the second round effects. So in terms of cuts driven by inflation, it's going to take some time.”

THIN BUFFER

Sahm thinks the economy was already softening before the war started.

“It's not just the energy shock itself, but also the backdrop that the consumer had already been under some pressure. While consumer spending has continued to grow, I think you could argue there had been some slowing in the pace as we went into this year,” she said.

“We definitely see in the labor market wage growth has moderated. You might see some of this show through to slower consumer spending, bigger hits in disposable income.”

Sahm -- also a former White House economist and inventor of the Sahm rule that is used to predict recessions based on the unemployment rate trend -- does not see a full-blown downturn on the horizon but rather a muddling through, with perhaps some redistribution of growth toward the energy sector.

If the economy were to falter, however, the Fed would not hesitate to support it, even if inflation were still fairly elevated, she added.

“Are you really going to take the U.S. economy down over a percentage point of inflation?” she said. “If the unemployment rate starts to rise, or a series of contractions in employment payrolls, I feel like they will backstop the labor market.”

MNI INTERVIEW: Fed In Extended Hold On Inflation Risk-Roberts

By Pedro Nicolaci da Costa (Apr 7)

WASHINGTON – The Federal Reserve is likely to keep interest rates on hold for the foreseeable future, and may at some point have to consider a hike, as the Iran shock to energy markets and global supply chains raises the risk of both higher inflation and weaker economic growth, former New York Fed staffer Rick Roberts told MNI.

“As we get longer into this, the odds of a stagflation outcome increase. I would view the risks equally on both sides, higher inflation and slower growth,” said Roberts in an interview.

That leaves policymakers in wait-and-see mode as they gauge which side of the mandate is damaged more severely, said Roberts.

While interest rate cuts made some sense against what Roberts saw as a recent backdrop of weakening growth and employment, it would be hard for officials to lower borrowing costs now, because inflation could surge in the near-term.

“I could see inflation getting up towards 4% again,” said Roberts, who also spent many years at the Kansas City Fed and is now a professor at Monmouth University. (See [MNI INTERVIEW: Prolonged Fed Hold On Stagflation Risk-Lavorgna](#))

HIKES ON TABLE

The Fed might instead have to consider interest rates increases at some point, he added.

"I would think that as we get into the upper threes [for inflation], with serious measures, ones that adjust for the housing lag story, I would think we'd be looking at a hike," Roberts said.

Incoming Fed chair Kevin Warsh might be less inclined to raise rates than Jerome Powell might have been had he remained in office, concluded Roberts.

"I think he tilts the view towards a hold, whereas if Powell had continued we might be looking at a hike," he said.

TARGET IN QUESTION

One key problem for the central bank is that after five years of overshooting its 2% inflation target, investors and the public could start to lose faith in the Fed's commitment to actually hit it.

"We do have at some point get around to addressing this 2% target. If the Fed's performance never approaches it, the benchmark has no credibility," said Roberts. "If we don't converge to that target, which it doesn't look like we are, then that target isn't anchoring anything, and that's the danger."

Nor is Roberts especially comforted by the economy's performance, and he believes the state of the labor market is "so-so at best."

He noted that despite a stronger-than-expected gain of 178,000 jobs last month, the trend was worrisome because of its general weakness and concentration.

"If you look at the trend on a three-month basis, the job growth is closer to stall speed," Roberts said.

"The war showed up on the laps of an economy that's pretty tired anyway, so that doesn't help. It seems like all the factors, the cushions that got us through the series of shocks post-Covid are all pretty much spent," he said, referring to fiscal relief for Americans and businesses as well as a large stock of excess savings. "Even investment in AI seems to be waning a bit."

MNI INTERVIEW: Fed Will Hold Pat, Inflation To Spike-Benigno

By Pedro Nicolaci da Costa (Apr 1)

WASHINGTON – Federal Reserve officials are likely to keep rates on hold for the foreseeable future as the Iran war appears set to boost inflation to uncomfortably high levels in coming months, former New York Fed economist Gianluca Benigno told MNI.

"The sensible approach for the central bank is to wait and see," Benigno said in an interview. "My feeling is that real-time indicators, monitoring the supply chain, you'll see soon these things are going to probably affect the prices."

Benigno, who helped launch an index of global [supply chain stresses](#) during his time at the Fed, said the shock from Iran extends well beyond energy and has started to affect infrastructure that could a long time to get back online.

"There are already, even if the situation goes back to normal, disruptions that are going to last far beyond the reopening of the Strait – and we're not even in that situation," he said.

"That is what makes me think that this time we might see inflationary pressure building in, not immediately, but we should see first at the level of producer inflation and then propagating in the economy."

While it's difficult to conduct scenario analysis under such high uncertainty, one plausible prospect is for "a relatively big shock even for one month" to send PPI above 6% and CPI to around 4% by the first half of next year, he said.

That's not to say that growth is not also at risk from the Iran shock, though Benigno is not worried about a recession on the horizon and believes the inflation threat is more prominent for the Fed. "I see more risk on the inflation side," he said.

Fed officials have recently indicated they are in no rush to lower rates further until they gain clarity about how any new shocks will affect the outlook. (See [MNI INTERVIEW: Prolonged Fed Hold On Stagflation Risk-Lavorgna](#))

BALANCE UNDER WARSH

Benigno, now a professor of economics at the University of Lausanne, said Fed chair nominee Kevin Warsh is also likely to keep rates on hold when he takes over from Jerome Powell later in the year given renewed price pressures.

But he also sees any rate hikes as a low probability. "I don't see that happening, even though there are some FOMC participants that have that inclination."

Just as it would be difficult for Warsh to push for a cut against the committee's wishes, so would it be a tall order for hawks to make the case for actively hiking into an energy shock, said Benigno.

"There is always a bit of mediation among different positions," he said.

The different responses from the Fed, which has signaled a prolonged hold, and the ECB, which is flirting with possible hikes, are explained in part by the different geographic hit from the energy supply disruptions, he said.

Benigno believes the first line of defense against a prolonged energy shock should be some amount of fiscal support that shields consumers from the worst effects of the crisis, like some measures already being implemented in Asia.

MNI INTERVIEW: Fed Has Little Room to Look Past Iran Inflation

By Jean Yung (Mar 31)

WASHINGTON – The Federal Reserve has forfeited the flexibility to look through the inflationary shock from the Iran war after having never fully restored price stability post-Covid, and will be forced to raise rates if inflation moves meaningfully higher, Joe Tracy, a former senior adviser to the Dallas Fed president, told MNI.

Had the Fed pursued more decisively its 2% inflation target earlier, it would now have the optionality to treat the surge in oil prices as a temporary supply shock, Tracy said. Instead, with inflation above target for six years running, the Fed may have to respond more aggressively to any further uptick in core measures.

"They can't wait," Tracy said in an interview. "If inflation starts to move up reasonably, I think they're going to have to raise rates and basically follow a Taylor rule and make sure that their real policy rate is rising."

The central bank's credibility is too fragile to risk another episode of apparent passivity, Tracy said, adding that inflation expectations remain anchored "until they're not" -- and that by the time policymakers notice the change, it may be too late.

"The last thing the Fed can allow to happen is for inflation expectations to shift up," he said. "Then you can be sure they're going to have to be much more aggressive. Think back to Volcker -- they certainly want to avoid that."

SELF-INFLICTED CONSTRAINT

A sustained move higher of 30 to 50 basis points by any of the core inflation measures would force the Fed's hand, Tracy said, adding that President Donald Trump's nominee for Fed chair, Kevin Warsh, is unlikely to yield to pressure from the administration to cut rates either.

The Fed's dilemma is partly of its own making, said Tracy, now nonresident senior fellow at the American Enterprise Institute. By opting for a cautious approach to avoid recession, policymakers left themselves exposed to precisely the kind of external shock they now face.

"Instead of achieving a soft landing, they achieved no landing," he said. "They ran out of time, this event happened, and they would have been in a much better situation had they more decisively dealt with the inflation issue a couple years ago."

Financial conditions have tightened as market expectations shift from pricing in two quarter-point cuts this year to roughly even odds of a rate increase, and term premiums are rising to reflect the wider range of uncertainty around the conflict's duration, resolution and ultimate impact on energy prices, Tracy said.

Still, conditions remain easy, an indication that Fed rates are near neutral, Tracy said.

"The question is, given where inflation was and still is, is that the appropriate policy?" he said. (See [MNI INTERVIEW: Prolonged Fed Hold On Stagflation Risk-Lavorgna](#))

MNI INTERVIEW: Fed Will Have Room To Cut Later This Year-Levy

By Evan Ryser (Mar 26)

WASHINGTON – The Federal Reserve should be able to lower interest rates in the second half of the year because the erosion of consumer spending and employment conditions resulting from the spike in energy costs will likely outweigh a temporary boost to prices, Mickey Levy, an outside advisor to several Fed Banks, told MNI.

The Fed is likely on hold for the next couple of meetings, he said in an interview. "And then I think the the transitory impact on inflation will work its way through," said Levy, a member of the Shadow Open Market Committee, a group of private academic economists that acts as the Fed's outside watchdogs. At this point, he expects one or two rate cuts by the end of the year.

The most likely scenario is the conflict in the Middle East lasts a couple more weeks and continues to pressure higher oil prices, before some sort of messy ceasefire. "With that scenario you would be touch and go with a mild recession and the Fed would be on hold between now and June but there would be room to cut rates after that," Levy said.

RESIDUAL IMPACTS

"After the temporary zooming of oil prices works its way through the CPI temporarily on the monthly data over a two to three month period, then the Fed is stuck looking at the economy that is going to get hit by this," Levy said. "Growth in consumption was already slowing in response to the slowdown in the growth of real disposable income, and now that's going to be accentuated."

"Then beginning in June, the monthly inflation readings will come back down, and as they come down, the Fed will be looking at that transitory impact, but they'll be looking at the residual negative impact on the real economy and labor markets," he said. "Enter Kevin Warsh and there will be room for them to lower rates." (See: [MNI INTERVIEW: Prolonged Fed Hold On Stagflation Risk-Lavorgna](#))

A more negative scenario, however, would be that the bombing and the disruption to global oil continues for another month or two. "Then the impact on inflation lasts longer and the impact on the real economy in labor markets becomes more negative for longer."

Levy, a visiting fellow at the Hoover Institution, said interest rate increases are unlikely, but the central bank should nonetheless keep its communications open to the possibility given that it hasn't reached its 2% inflation target in 5 years.

Beyond the near-term outlook, Levy noted advancements in AI and a boost in the trend of productivity growth. "I find it very interesting that the Fed basically is on board with the productivity growth," Levy said. The Fed's latest median SEP estimates showed increases in the U.S. economy's long-run GDP growth rate to 2.0% from 1.8%, while the estimate of the neutral interest rate rose to 3.1% from 3.0%.

COMPROMISE

Levy has known Fed chair-designate Kevin Warsh, also a Hoover visiting fellow, for many years. "He is going to talk as a conservative central banker: price stability, moving back from its mission creep," he said. "But at the same time, he will be a pragmatist. He will be very collegial within the Fed."

A number of Fed officials have acknowledged an upcoming debate about the central bank's balance sheet and its ample reserves operating framework. On the balance sheet, "they'll end up compromising," Levy said. "My speculation is they'll compromise by saying ample still means a lot [of reserves] but we will accelerate the reduction of our holdings of MBS, maybe even through a swap with the Treasury." (See: [MNI POLICY: Long Road To Scarcer Reserves For Warsh](#))

"I think there will also be compromises on monetary policy," he added, which could also mean more dissents on the FOMC. "I will view them as healthy debate."

MNI INTERVIEW: Fed Could Need To Hike By Early 2027-Croushore

By Pedro Nicolaci da Costa (Mar 20)

WASHINGTON – The Federal Reserve will likely be debating interest rate increases by the end of the year and putting them into effect in early 2027 as the energy and supply shocks from Iran boost inflation further above the central bank's target, former Philadelphia Fed economist Dean Croushore told MNI.

"With the rise in inflation, the Fed should consider hiking rates by the end of the year. But it depends on the length of the conflict and how the economy responds. My best guess is that the Fed will hold steady with rates all year and then raise them early next year if growth doesn't slow too much and core PCE inflation hits 3%," said Croushore, currently a visiting scholar at the Philly Fed.

He thinks that depending on how protracted the war becomes, it will shave about 0.25 percentage points from GDP growth in 2026 and push headline PCE inflation another 0.75 percentage point higher.

"I'm thinking that core PCE inflation will indeed be 3% by the end of the year, as rates were not high enough long enough to push it down. So, Fed rate hikes will be discussed by year end and likely put into effect in early 2027," he said. (See [MNI INTERVIEW: Fed On Pause Amid Two-Sided Risks - Rosengren](#))

Croushore said the Fed's inflation credibility was at risk even without the Iran crisis, given how long price pressures have remained above target. "I still don't think the Fed was right enough for long enough to keep inflation at bay, even before the rise in oil prices."

The Fed this week kept rates on hold and continued to pencil in one rate cut for this year, though Chair Jerome Powell downplayed policymaker forecasts as unusually uncertain because of the war.

POWELL LIKELY TO STAY

Following Powell's press conference statement that he will stay on the job until his successor Kevin Warsh is confirmed and the Department of Justice probe into his conduct is fully concluded, Croushore said the chair appears increasingly likely to break with tradition by staying on as a governor even after his term as Fed chief ends in May.

"I think Powell will end up staying. Maybe Warsh will not even be confirmed until much later this year, but either way, Powell seems likely to remain on the Board, so Warsh would have to replace Miran," he said.

"The president is forcing the Fed governors to play politics, which is quite undesirable and detrimental to the institution, but it must be done to maintain a semblance of independence."