

MNI Fed Review: Apr 2026

MNI View: Easing Bias Could End Soon

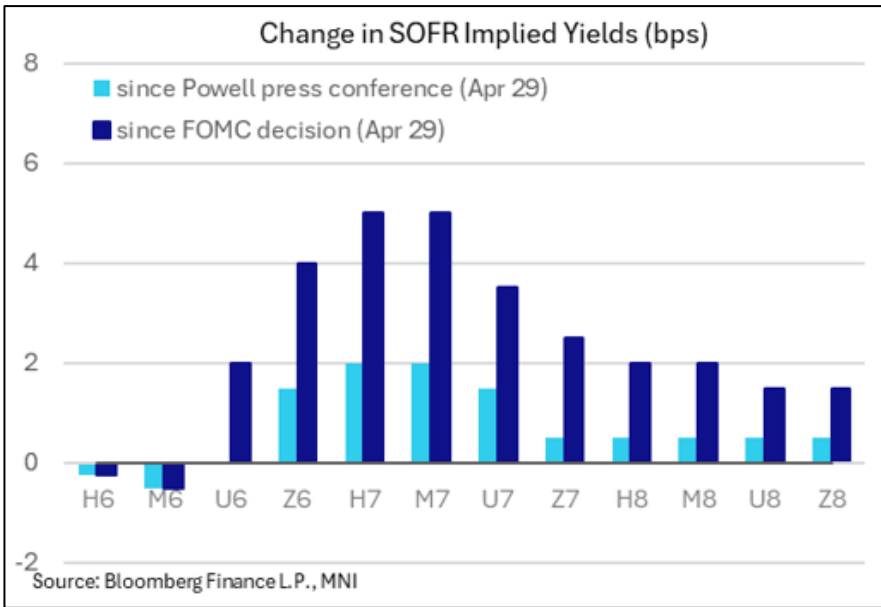
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The communications following Jerome Powell's final FOMC meeting as Fed Chair had two major undercurrents. The first was a vocal assertion of policy independence from political influence, in anticipation of the arrival of Kevin Warsh as Chair by the next meeting in June. The second - and related - undercurrent was that the door to further rate cuts appears to be closing, with current FOMC members looking increasingly reluctant to support a continuation of the easing cycle regardless of the preferences of the incoming Chair. Rates markets concluded the meeting pricing in slightly more tightening. But appropriately given Powell's continued emphasis on seeing more data before making future decisions, most of this hawkish repricing through the meeting could probably be attributed to rising oil prices on developments in the US-Iran war.

Easing Bias Could End Soon: While the FOMC Statement didn't remove the easing bias in favor of a more two-sided outlook on rates, three of the four voting regional Fed presidents (Hammack, Kashkari, and Logan) dissented, noting they "did not support inclusion of an easing bias in the statement at this time". That set an initial hawkish tone and made it clear that whatever his preferences on the direction of rates, Warsh will preside over a Committee with a very sizeable contingent (perhaps even a majority by the time he arrives) that at least wants to consider that the next move in rates will be up and not down.

- The minutes of the last two meetings have seen an increasing number of participants favor 2-sided guidance, rising in March to "some" (5 or so) from "several" (4 or so) in January; we would be unsurprised given Powell's characterization in the post-meeting press conference about the discussion over the guidance that this number rose to perhaps 6 or seven at this meeting. That plausibly sets it up for 3-4 more members and thus a majority supporting an end to the easing bias by the next meeting, though it remains to be seen whether such a contingent on the 19-member FOMC would also constitute a majority on the (currently) more dovish 12-member voting group. Such a shift wouldn't rule out future rate cuts, but it would certainly indicate that it's not the Committee's base case.
- Powell said "we had quite a vigorous discussion about .. the guidance and is it still appropriate and that kind of thing. I would say the number of people on the Committee who either could support that language change, changing to a more neutral stance so that a hike is likely as a cut, that number has increased over the intermeeting period. It's easy to see why ... It really was just a question of why do we need to do that now. We have so much to learn. There's so much uncertainty about the path ahead. There doesn't need to be any rush to make that decision now. Because what happens in the next thirty, sixty days, even by the next meeting could really change the picture around that language. So, you know, it was a much closer thing on the Committee than it was in March. That makes all the sense in the world seems to me."



Not Powell's Last Stand: Unsurprisingly, much of the post-meeting press conference focused on Powell's future at the FOMC. He cleared up speculation about his future in saying that he would stay on indefinitely as a Fed Governor (term ends Jan 2028) past his mid-May Chair term end date: "I will not leave the Board until this [DOJ] investigation is well and truly over with transparency and finality and I stand by that. I am encouraged by recent developments and watching the remaining steps in this process carefully. My decisions on these matters will continue to be guided entirely by what I believe in the best interest of the institution and the people we serve. After my term as chair ends on May 15th I will continue to serve as a governor for a period of time to be determined...In terms of when I leave, I will leave when I think it's appropriate to do so."

- He added that "I plan to keep a low profile as a governor. There's only ever one Chair of the Federal Reserve Board. When Kevin Warsh is confirmed and sworn in he will be that Chair. Once sworn in his colleagues will elect him to Chair the FOMC as well."
- By staying on the Board, though, it blocks the Trump administration from appointing a fresh board member - which, given the direction the current FOMC appears to be headed on the policy stance, could mean less support overall for a rate cut under Warsh.

Independence Day: In his opening commentary and indeed throughout the press conference, Powell spoke extensively about his concerns over Fed independence, saying of recent events: "My concern is really about the series of legal attacks on the Fed which threaten our ability to conduct monetary policy without considering political factors. And I want to note here, this has nothing whatever to do with verbal criticism by elected officials. I've never suggested that such verbal criticism is a problem, and neither has anyone else here, but these legal actions by the administration are unprecedented in our 113 year history, and there are ongoing threats of additional such actions. I worry that these attacks are battling the institution and putting at risk the thing that really matters to the public, which is the ability to conduct monetary policy without taking into consideration political factors."

- Ultimately, Powell said, "I am confident ... that the Fed will continue to make its decisions based on analysis, rigorous analysis, and not on political considerations. But we've had to fight for it."
- But his endorsement of Warsh as an independent actor wasn't exactly whole-hearted: asked if Warsh will stand up to political pressure from President Trump, Powell said that Warsh "testified very strongly to that effect in his hearing, and I'll take him at his word."

Policy In A "Very Good Place", High End Of Neutral: In the end one can argue that Powell's opinions means even less than usual given that his term as Chair ends soon. But the current situation is unusual, and Powell's commentary on the current stance of rates appeared to capture what we could consider the broad opinion on the Committee. He repeated language on rate restrictiveness that he's used before, which has previously triggered a bit of a dovish reaction given that it implies potential for further rate cuts (though didn't bring that kind of reaction this time): "we're right kind of at the high end of neutral, or perhaps mildly restrictive. The labor market shows more and more signs of stability, whereas inflation is kind of misbehaving, so maybe a little bit of restriction, or the high end of neutral is just the right place to be. So, we can wait here and see and see how things work out before we act"

- Despite growing discomfort with the current guidance, there doesn't appear to be appetite for a hike just yet. Powell referred multiple times to policy being well positioned ("our policy stance is in a very good place for us to wait and see"), and on whether there is a growing sense on the FOMC that monetary policy isn't sufficiently restrictive: "If we need to hike, we will, we will certainly signal that, and we will certainly do it. And if we need to cut, then if it's appropriate to cut, then we'll signal the opposite.. nobody's calling for a hike right now... a much closer question this cycle on changing the guidance. But but, ultimately, we didn't".

Far From Convinced On Inflation: On the data that will ultimately drive the Fed's future decisions: Powell sounded cautious but likewise still constructive on the outlook for inflation, saying "for a long time, we've been working on the hypothesis that tariffs would lead to a one time price increase and that that would go away over time. In other words, it would be no further change. So measured inflation would reflect that higher level going up more and more. ... we really do expect that to be happening in the next two quarters, so we watch them very carefully to see that what we thought all along would happen. That's the critical part of the forecast. We need to really see that."

- But the FOMC will be "very cautious" about that constructive outlook given that inflation has been above target for a prolonged period, and "the question about about looking through energy really is not not in front of us right now, it hasn't even peaked yet and I think we want to see the back side of that and progress on tariffs before we even thought about reducing rates."
- On the labor market, there is clearly less and less concern, with Powell merely saying that "the labor market is still probably cooling off just a little bit". Powell called the economy "quite resilient", "growth is really solid ... Some of that is that consumer spending is hanging in pretty well. The most recent data are good. Some of it is just apparently insatiable demand for data centers...and every reason to think that continues. So you've got an economy that is growing at 2% or better...private domestic private purchases, which is really a better signal of a momentum in the economy, is higher than that....If you look at the unemployment rate it's 4.3 percent. So that's a low rate."
- In the end: "Inflation is a thing we need to work on. And it's partly tariffs which we think, that inflation should subside over the course of this year because it's kind of a one-time increase that shouldn't be repeated. That should start happening pretty soon. The energy inflation that we're getting should go through fairly quickly. And we'll just have to see how that works out."

FOMC Statement: Two-Way Rate Guidance Dissents Lend Hawkish Tone: The Statement contained some mark-to-market changes that were roughly expected in MNI's base case, but also a somewhat surprising set of dissents that add a hawkish tone to the release.

- As we wrote in our preview re any changes to guidance moving to a two-sided phrasing (vs the prior phrase that is considered to be expressing an easing bias "In considering the extent and timing of additional adjustments to the target range for the federal funds rate"), while our base case was that a change wouldn't be introduced today, "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 were a little surprised that all three of those FOMC presidents dissented on guidance in favor of a more two-sided approach (they "supported maintaining the target range for the federal funds rate but did not support inclusion of an easing bias in the statement at this time") - and the four total dissentes, including Miran's for a 25bp cut as expected, means that it was the most voters in opposition to the Committee's decision (an 8-4 vote) since 1992.
- It also makes it clearer that future chair Warsh enters office with a sizeable contingent that is wary, at best, about easing rates further. But the recent meeting minutes have been hinting at a shift in tone in the guidance and we would guess that other non-voting FOMC members would have joined those three on the two-way language, though they obviously constitute a minority among the current 12 voters.
- The 2nd paragraph on the risks to outlook was cleaned up more than substantively changed, again highlighting the "uncertainty" presented by the war in the Middle East but not hinting any more clearly that it was posing relatively greater risks to inflation than to growth (some analysts had seen hawkish risks here).
- Elsewhere, there were small changes to the opening paragraph on current economic conditions, noting "on average" job gains have remained low, while adjusting "inflation remains somewhat elevated" to "is elevated, in part reflecting the recent increase in global energy prices" though we interpret this as marked-to-market for headline inflation readings as opposed to anything substantive about the Committee's view of underlying pressures.

Rates See Slight Hawkish Extension: US rates saw a slight hawkish extension with Powell's final press conference, again led by 1H27 contracts, but it's small compared to the day's shift on surging crude oil futures (WTI 1st +7.5%).

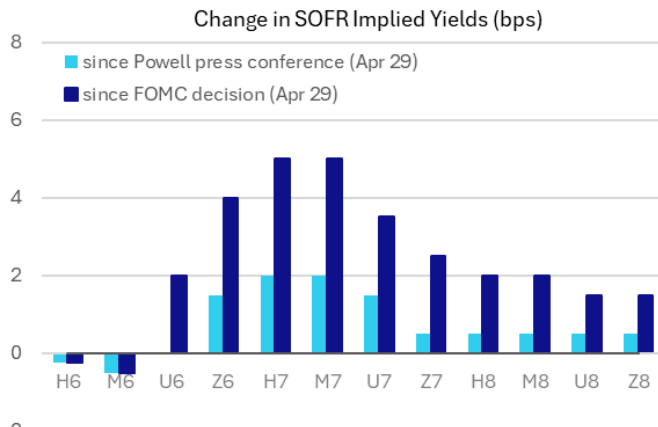
- SFRM7 is -0.02 since Powell took to the podium, -0.05 since the decision itself and -0.155 on the day.
- Currently at 96.200 off an earlier low of 96.175, SFRM7 came close to the recent low of 96.165 early on Mar 27 having last been lower in Feb 2025.
- The terminal implied yield of 3.605% (H8, +9bp) is on track for comfortably its highest close of the Middle East conflict. It has seen a range of 3.075% (Mar 2) - 3.55% (Mar 26) for closes since first US-Israel strikes on Iran on Feb 28.

- FF cumulative moves from 3.64% effective: 0bp Jun, -1bp Jul, -0.5bp Sep, 0bp Oct, +2bp Dec before +9bp Mar 2027 and +10.5bp Jun 2027.

FOMC-dated Fed Funds futures implied rates

Meeting	Latest			pre Powell presser (Apr 29)			chg in rate	pre FOMC decision (Apr 29)			chg in rate
	%	step (bp)	cum. (bp)	%	step (bp)	cum. (bp)	bp	%	step (bp)	cum. (bp)	bp
Effective	3.64			3.64				3.64			
Jun'26	3.64	0.0	0.1	3.64	0	0.1	0.0	3.64	0	0	0.0
Jul'26	3.63	-0.9	-0.8	3.64	0	-0.2	-0.6	3.63	-1	-1	0.4
Sep'26	3.64	0.5	-0.3	3.64	0	-0.3	0.0	3.63	0	-2	1.2
Oct'26	3.64	0.5	0.2	3.65	1	0.8	-0.6	3.62	0	-2	2.0
Dec'26	3.66	1.8	2.0	3.66	1	2.0	0.0	3.63	1	-1	2.8
Jan'27	3.69	3.3	5.3	3.69	3	4.8	0.5	3.66	3	2	3.5
Mar'27	3.73	3.7	9.0	3.73	4	8.8	0.2	3.69	3	5	4.4
Apr'27	3.76	2.5	11.5	3.75	2	10.7	0.8	3.71	2	7	4.8
Jun'27	3.74	-1.1	10.4	3.74	-1	9.8	0.6	3.70	-1	6	4.7

Source: Bloomberg Finance L.P., MNI. Assuming same EFRR-target lower bound spread from latest fix going ahead



Source: Bloomberg Finance L.P., MNI

Implied Yields At Bottom Of Rate Cutting Cycles in US, EZ and UK



Source: Bloomberg Finance L.P., MNI. Minimum implied yield looking out to end-2028

FOMC Instant Answers

Fed Holds Rates, Division Over Guidance

- Federal Funds Rate Range Maximum: **3.75%**
- Number of dissenters to size of rate move: **One. Stephen Miran preferred to cut 25bps at this meeting.**
- Interest rate paid on reserve balances: **3.65%**
- Standing Repo (SRP) Operations Rate: **3.75%**
- Does the statement acknowledge the possibility that upward adjustments to rates could be appropriate? **NO.** Guidance was unchanged.
- Is there any dissent in favor of including two-sided rate guidance? **YES. Beth Hammack, Neel Kashkari, and Lorie Logan** supported maintaining the target range for the federal funds rate but did not support inclusion of an easing bias in the statement at this time. (The most dissents since October of 1992)

Press Conference Transcript:

Press Conference Q&A live-reported by MNI Analysts and Policy Reporters on our MainWire, IB and Bullets services (transcript may not exactly match what what said). MNI's Unofficial Press Conference Transcript:

https://media.marketnews.com/Rough_Transcript_of_Chair_Powell_e9328b4dc2.pdf

FOMC Links:

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>

Statement Changes (Vs Previous FOMC)

~~March 18~~ April 29, 2026

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

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

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

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

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

MNI POLICY TEAM: Fed Holds Rates; Three Dissents Against Easing Bias

By Pedro Nicolaci da Costa
Apr 29, 2026

WASHINGTON - Federal Reserve officials looked increasingly divided on the direction of interest rates even as they held borrowing costs steady for a third meeting Wednesday, with three FOMC members voting against a bias toward lower rates while another sought a quarter point rate cut -- the most dissents since 1992.

In what was probably Jerome Powell's last meeting as Fed chair, the Fed held the federal funds rate at 3.5-3.75% and reiterated its forward guidance on rates, which by referring to the "extent and timing of additional adjustments" implies the next move is still likely to be a cut.

That was a step too far for three voting Fed presidents, Beth Hammack of Cleveland, Neel Kashkari of Minneapolis and Lorie Logan of Dallas, who "supported maintaining the target range for the federal funds rate but did not support inclusion of an easing bias in the statement at this time."

"Inflation is elevated, in part reflecting the recent increase in global energy prices," the statement said.

Fed Governor Stephen Miran also dissented, as he has in every meeting since he became governor, this time in favor of a quarter point cut.

HIGH UNCERTAINTY

In their March Summary of Economic Projections, Fed officials had penciled in a median of one rate cut for this year. However, the prolonged war in Iran and its effect on the global energy supply have raised the specter of more entrenched inflation, leaving many policymakers reluctant to look past this shock.

"Developments in the Middle East are contributing to a high level of uncertainty about the economic outlook," the Fed said.

Inflation is expected to keep rising in coming months while the employment outlook, which served as the justification for last year's rate cuts, appears to have stabilized.

"Job gains have remained low, on average, and the unemployment rate has been little changed in recent months," the statement said.

POWELL'S FUTURE

Fed Chair Powell will face key questions about his future after the Justice Department dropped an investigation into cost overruns for building renovations of the central bank's headquarters. Powell said in March that he would not step down from his role as governor, which extends to January 2028, until the investigation was completed with "transparency and finality."

U.S. Attorney for the District of Columbia Janine Pirro has reserved the right to reopen the investigation if she is not happy with the Fed inspector general's own probe. Her dropping of the investigation cleared the way for a Senate Banking Committee vote on the nomination of Kevin Warsh to replace Powell, which advanced to the full Senate along strict party lines in a 13-11 vote Wednesday.

Warsh has called for regime change at the Fed and been sharply critical of what he calls "mission creep" at the central bank.