

# MNI Fed Review: Jan 2026

## MNI View: Patient FOMC Treads Neutral Path

By Tim Cooper  
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The FOMC treaded a largely neutral path with its January decision, maintaining its easing bias but sounding slightly more patient in making its next move than it did last month. Markets took a very mildly hawkish interpretation with implied rates rising under 1bp for meetings to July but even less of a move further out, and the dollar remaining largely unmoved. As it stands, there is under 4bp of cuts priced for the next meeting in March.

- The Statement leaned marginally more hawkish in tone vs the previous edition but no moreso than was warranted given solid data since the December meeting and the Committee's clear shift to a "wait and see" stance on rates. It was edited to reflect more solid-than-expected economic growth and labor market data since December's meeting, no longer noting that "downside risks to employment rose in recent months". However the more substantive part of the statement – the forward rate guidance – was unchanged, continuing to say the FOMC was "considering the extent and timing of additional adjustments".
- While Chair Powell said there was "broad support" on the Committee for holding today, including among non voters, Govs Miran and (in a very mild surprise) Waller dissented in favor of a 25bp cut, with the latter seeing a slight boost in his prediction market-implied probability of being named Fed Chair.
- In the press conference, Chair Powell (as expected) refused to answer questions about his own future or the Department of Justice investigation into the Fed. But headlines published during the press conference reported US Tsy Sec Bessent saying that President Trump's Chair pick may come in the next week or so somewhat overshadowed proceedings.
- On the monetary policy front, Powell at times sounded very relaxed on the current policy configuration, with the opening statement of the press conference including the line: "we see the current stance of monetary policy as appropriate to promote progress toward both our maximum employment and 2% inflation." When asked whether the Committee's timeline for rate cuts had been pushed back, he pointed out that since December there has been a "clear improvement in the outlook for growth". And multiple times he noted both "the upside risks to inflation and the downside risks to employment" have "diminished".
- But Powell also said that current rates were at the "higher end" of the range of plausible estimates of neutral, implying that there was further room to come down. He highlighted "ongoing disinflation" across services, and the expectation of goods disinflation over 2026 as tariff impacts wane. Finally, he emphasized that a rate hike was not any participant's base case for the next move.
- Attention turns to a potentially busy schedule next week, which may include the long-awaited announcement of Powell's would-be successor (Blackrock's Rieder and ex-Fed Gov Warsh remain the front-runners). If a federal government shutdown is avoided, we will get January nonfarm payrolls next Friday too.

**Statement Largely Marks-To-Market, With Mild Surprises In The Dissents:** The changes in January's Statement vs December's were in line with MNI's expectations.

- The first paragraph describing recent economic developments upgraded activity to "solid" from "moderate" (a change flagged by Gov Jefferson in his pre-FOMC blackout period speech).
- For employment, job gains are now characterized as having "remained low" (saying they "slowed this year" was effectively marked-to-market), though as we cautioned there is a slightly hawkish if merely factual revision in that the unemployment rate has "shown some signs of stabilization" (vs "edged up through September" - as of December the unemployment rate has reverted back to the 4.4% in September).
- The second paragraph removed the mention that "downside risks to employment rose in recent months", again a common-sense change given that this was introduced in order to justify rate cuts last year and that's no longer the case.
- The Statement also removed "and in light of the shift in the balance of risks" which would have made little sense in describing why it decided to hold rates at 3.50-3.75%.

- Other than that though there was no tweak to forward guidance (in line with broad expectations) and December's paragraph announcing the launch of reserve management purchases was deleted.
- There were two modest surprises in the dissent department. First is that Gov Miran dissented in favor of a 25bp cut, after having called for 50bp in each of the last 3 meetings (though even he had said pre-meeting he hadn't decided the size of the cut he wanted). Second is that it was Gov Waller and not Gov Bowman who was the second dissenter, as he had been seen as relatively more cautious on further near-term cuts. A cynic would argue that this dovish dissent keeps him in the running to be the White House's Fed Chair candidate but for now we await to see his explanation (likely out Friday) for the economic underpinnings for his decision.

Powell emphasizes A few highlights from Powell's press conference:

- **On the current policy stance:** "Having lowered our policy rate by 75 basis points over the course of our previous three meetings, we see the current stance of monetary policy as appropriate to promote progress toward both our maximum employment and 2% inflation...What we say is it's, it's within the range of plausible estimates. This is the higher end of that range. But for some people, they think it's neutral, I think, and many of my colleagues think it's hard to look at the incoming data and say the policy is significantly restrictive at this time. Maybe it may be sort of loosely neutral or maybe somewhat restrictive. You know, it's in the eye of the beholder and of course no one knows with any precision."
- **On the timeline for cuts being pushed back due to recent data developments:** "After the three recent rate cuts, we're well positioned to address the risks that we face on face, on both sides of our dual mandate, and we'll continue to make our decisions meeting by meeting, based on the incoming data, implications for any applications, for the outlook and the balance of risks. We haven't made any decisions about future meetings. But you know, the economy is growing at a solid pace. The unemployment rate has been broadly stable, and inflation remains somewhat elevated, so we'll be looking to our goal variables and letting the data light the way for us."
- **On the labor market:** "In the labor market, indicators suggest that conditions may be stabilizing after a period of gradual softening." "Indicators, including openings, layoffs, hiring and nominal wage growth show little change in recent months." He again highlights weaker supply (immigration) and demand (which has weakened "a very similar amount [as supply], maybe just a little bit more, which is why the unemployment rate has gone up") as complicating the Fed's read of the labor market. "Part of payroll job softening is that both the supply and demand for labor has come down.. Imagine they both came down a lot to the point where there is no job growth. Is that full employment? In a sense, it is, if demand and supply are in balance, you know, that you could say that full employment at the same time. Is that, do we really feel like that's, that's a maximum employment economy? It's a very challenging and quite unusual situation."
- **On inflation:** While "somewhat elevated relative to our 2% longer run goal... elevated readings largely reflect inflation in the goods sector, which has been boosted by the effects of tariffs. In contrast, disinflation appears to be continuing in the services sector." "If you look away from goods and look at services, you do see ongoing disinflation in all the categories of services...The expectation is that we will see the effects of tariffs flowing through goods, prices peaking and then starting to come down, assuming there are no new major tariff increases that are beyond and that's what we expect to see over the course of this year."
- **On goods disinflation by mid-2026:** "We had 3.0% core PCE inflation over the 12 months ending in December, and that's pretty much what we had the year before. So on net, no progress. But the story behind that is modestly positive in that most of the overshoot was in goods prices, which we think is really tariffs, and ultimately, we think those will not result in inflation as opposed to a one time price increase... no one thinks they will, you know, ex-ante understand really clearly precisely when this will happen, but there's an expectation that sometime in the middle quarters of the year we'll see tariff inflation topping out...our estimate is that it will be sometime in the middle of the year. But I wouldn't look for great precision in that. But you know we'll be able to see whether things are moving in that direction, I think, you know, we'll be able to see."
- **On what it would take for the FOMC to move rates:** "It could be combinations, infinite numbers of combinations, that would cause us to want to move. Certainly, a weakening labor market would be an

argument for loosening. But what's happening with inflation - if inflation were at the same time getting worse? You know, you just have a very difficult situation there. So we'll be looking at both. Clearly, a weakening labor market calls for cutting. A stronger labor market says that the rates are in a good place."

- **On a possible rate hike:** "It isn't anybody's base case right now, anybody's base case that the next move will be a rate hike. But you know, ultimately, we'll do, we'll do what we think is the right thing."
- **On the importance of Fed independence:** "I think if you lose that... It would be hard to restore the credibility of the institution. If people lose their faith, that we're making decisions only on the basis of our assessment of what's best for everyone, for the for the wide public, rather than trying to benefit one group or another. If you lose that, it's going to be hard to retain it, and we haven't lost it. I don't believe we will. I certainly hope we won't, but it's very important, and the reason it's important is that it's enabled central banks generally not to be perfect, but to serve the public well."
- **On recent weakness in the US dollar:** - "We don't comment on the dollar, we don't talk about what moves it around. Really the Treasury Department has their role, their bailiwick."

**Market Reaction: Very Marginally Hawkish**

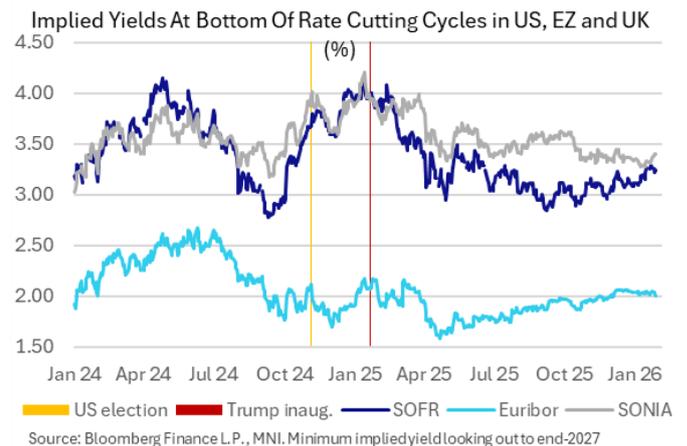
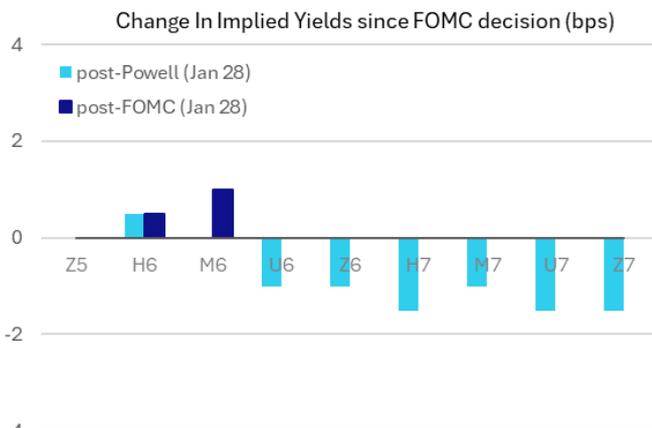
- **Rates:** Fed rates saw an at best marginally hawkish reaction in US rates. The combination of the FOMC decision and Powell's press conference has seen implied rates 0.5-1bp higher for meetings out to July but even less of a move further out. FF cumulative cuts from 3.64% effective: 3.5bp Mar, 7bp Apr, 19bp Jun, 26bp Jul, 36bp Sep, 41.5bp Oct and 46bp Dec. SOFR futures rallied modestly during the Q&A but only to reverse a small hawkish reaction that slowly built after initially very limited moves on the decision announcement. The terminal implied yield of 3.245% (SFRZ6) held a 2.5bp increase seen on the day
- **FX:** The dollar remained largely unchanged following the Fed decision and statement, where changes were in line with MNI's expectations. A very moderate boost in the direct aftermath may have been a result of Miran only voting for a 25bp cut.

FOMC-dated Fed Funds futures implied rates

Meeting	Latest			pre Powell presser (Jan 28)			chg in rate	pre FOMC announce (Jan 28)			chg in rate
	%	step (bp)	cum. (bp)	%	step (bp)	cum. (bp)	bp	%	step (bp)	cum. (bp)	bp
Effective	3.64			3.64				3.64			
Mar'26	3.61	-3.5	-3.5	3.60	-4	-4.3	0.8	3.60	-4	-4	0.7
Apr'26	3.57	-3.7	-7.2	3.56	-3	-7.7	0.5	3.56	-4	-8	1.1
Jun'26	3.45	-11.6	-18.8	3.45	-12	-19.3	0.5	3.44	-12	-20	1.0
Jul'26	3.38	-7.4	-26.2	3.37	-8	-26.8	0.6	3.37	-7	-27	1.0
Sep'26	3.28	-9.9	-36.1	3.28	-9	-36.2	0.1	3.28	-9	-36	0.2
Oct'26	3.23	-5.2	-41.3	3.23	-5	-41.3	0.0	3.23	-5	-41	0.0
Dec'26	3.18	-4.7	-46.0	3.18	-5	-46.0	0.0	3.18	-5	-46	0.0

Source: Bloomberg Finance L.P., MNI.

Assuming same EFFR-target lower bound spread from latest fix going ahead



## FOMC Instant Answers

### Fed Holds Steady; Waller, Miran Preferred 1/4 Cut

- Fed funds rate range maximum: 3.75%
- Number of dissenters on rate move: **TWO. Stephen Miran and Christopher Waller preferred a 0.25% fed funds rate cut at this meeting.**
- Interest rate paid on reserve balances: 3.65%
- Standing repo operations rate: 3.75%

## 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\\_POWELL\\_JAN\\_PRESSER\\_5b11a66948\\_e14e459b2d.pdf](https://media.marketnews.com/ROUGH_TRANSCRIPT_OF_POWELL_JAN_PRESSER_5b11a66948_e14e459b2d.pdf)

## FOMC Links:

**Statement:** <https://www.federalreserve.gov/newsevents/pressreleases/monetary20260128a.htm>

**Implement. note:** <https://www.federalreserve.gov/newsevents/pressreleases/monetary20260128a1.htm>

**Press Conference:** <https://www.federalreserve.gov/monetarypolicy/fomcpresconf20260128.htm>

## Statement Changes (Vs Previous FOMC)

~~December 10, 2025~~

~~January 28, 2026~~

Available indicators suggest that economic activity has been expanding at a ~~moderatesolid~~ pace. Job gains have ~~stowed this year remained low~~, and the unemployment rate has ~~edged up through September. More recent indicators are consistent with these developments shown some signs of stabilization.~~ Inflation ~~has moved up since earlier in the year and~~ 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 Committee is attentive to the risks to both sides of its dual mandate ~~and judges that downside risks to employment rose in recent months.~~

In support of its goals ~~and in light of the shift in the balance of risks~~, the Committee decided to ~~lower maintain~~ the target range for the federal funds rate ~~by 1/4 percentage point to 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.

~~The Committee judges that reserve balances have declined to ample levels and will initiate purchases of shorter-term Treasury securities as needed to maintain an ample supply of reserves on an ongoing basis.~~

Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michael S. Barr; Michelle W. Bowman; ~~Susan M. Gollins~~; Lisa D. Cook; ~~Beth M. Hammack~~; Philip N. Jefferson; ~~Alberto G. Musalem~~ Neel Kashkari; Lorie K. Logan; and ~~Christopher J. Waller~~ Anna Paulson. Voting against this action were Stephen I. Miran ~~and Christopher J. Waller~~, who preferred to lower the target range for the federal funds rate by 1/24 percentage point at this meeting; ~~and Austan D. Goolsbee and Jeffrey R. Schmid, who preferred no change to the target range for the federal funds rate at this meeting.~~

## Fed Holds Rates; Waller, Miran Dissent For 25 BP Cut

*By Pedro Nicolaci da Costa (Jan 28, 2026)*

WASHINGTON - The Federal Reserve kept interest rates on hold Wednesday, citing signs of stability in employment and still elevated inflation, though Governors Chris Waller and Stephen Miran dissented in favor of a quarter-point cut.

"Available indicators suggest that economic activity has been expanding at a solid pace. Job gains have remained low, and the unemployment rate has shown some signs of stabilization," the Fed said in its post-meeting statement. "Inflation remains somewhat elevated."

The FOMC indicated in its December Summary of Economic Projections that the median official is penciling in just one more rate cut for 2026, though internal divisions on the path of policy are rife.

The economic backdrop for today's meeting is a mixed bag. On the one hand, growth has been remarkably strong, registering 4.4% in the third quarter and by some estimates set to surpass 5% in the fourth.

While employment risks remain a concern for the Fed, the unemployment rate did tick lower to 4.4% in December, matching its September level, which seems to have provided some relief to policymakers. Inflation remains above the Fed's 2% target, with the November PCE measure coming in at 2.8%.

More hawkish members of the central bank argue that inflation is too high for comfort, but the more dovish camp sees that figure as artificially boosted by tariff-related pressures that are likely to subside soon.

### POLITICS LOOM

The central bank is meeting at a time of heightened political pressure, with the attempted firing by President Donald Trump of Fed Governor Lisa Cook now being litigated at the Supreme Court, as well as a criminal investigation into Fed Chair Jerome Powell looming in the backdrop.

Trump is also expected to announce a replacement for Powell at any moment, and he continues to vacillate between top candidates, with former Fed Governor Kevin Warsh and BlackRock CIO Rick Rieder currently battling it out for the top spot in betting markets, depending on the president's latest hints. Governor Waller is seen as having an outside chance.

The president has repeatedly called for sharply lower interest rates, but many former Fed policymakers interviewed by MNI argue a chair alone will have trouble convincing the rest of the FOMC to lower borrowing costs aggressively if the data do not warrant it.