

MNI Fed Review: Mar 2026

MNI View: When In Doubt, Do Nothing

By Tim Cooper
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March's FOMC meeting brought few surprises on the immediate monetary policy front, but there were intriguing longer-run developments, including on Chair Powell's future. Markets modestly priced out the degree of upcoming rate cuts, though this was largely a continuation of price action throughout the day on the back of developments in the Middle East war. The press conference concluded with just 18bp of cuts priced through the end of 2026, vs 22bp just before the release of the decision.

Easing Bias Retained Amid Uncertainty: Along with the unanimously expected Fed funds rate hold (at 3.50-3.75%), the FOMC retained its policy easing bias: that included unchanged rate guidance in a largely unchanged statement ([Policy Statement Changes](#)), while the Summary of Economic Projections' Dot Plot maintained the same end-year rate medians for 2026, 2027, and 2028 showing a 25bp cut this year and another next year ([Dot Plot/Econ Projections](#)).

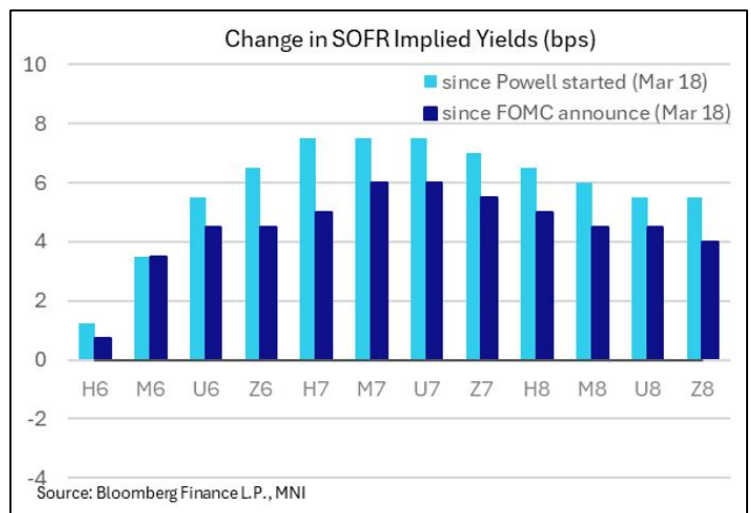
- Such inertia in participants' forecasts was largely expected, given the massive uncertainty to the economic outlook presented by the ongoing conflict in the Middle East. As Powell said in the post-meeting press conference, "if we were ever going to skip an SEP, this would be a good one, because we just don't know... [but] you've got to write something down."
- The new macroeconomic projections did shift to acknowledge the upside inflationary implications of the energy price shock since the end of February, both in terms of headline and core. Powell says the oil shock "for sure shows up" in the new estimates, with "some of that" in core as well.

Longer-Run GDP, Rate Projections Up: But the projections also brought two surprises. First, while GDP expectations were revised up for 2026 (despite the energy price shock), the SEP also upped the longer-run growth projection was to the highest in a decade: 2.0% (from 1.8%). Powell attributed this to participants' higher expectations for productivity, though warned that one factor behind the pickup – namely the AI data center buildout – may be raising inflation and boosting the short-term neutral rate.

- Second, the longer-run Fed funds rate median was upped to 3.1% from 3.0%. This wasn't a shocking development, as it only took one participant raising their dot to move the needle, but along with the upped growth (and steady unemployment) projections in the wake of a major supply-side shock underway, it underlined that the Committee is slowly coming to terms with rates being "higher for longer".

Powell Staying On Longer Than Expected? The other surprise is that Powell addressed his future at the Fed after his Chairmanship is done in May, a subject he has been reluctant to speak about previously. He said he is prepared to continue to serve as Chair until his replacement (Kevin Warsh) is confirmed by the Senate (serving as Chair "pro tem" if his successor hasn't yet been confirmed), and that he has "no intention of leaving the Board until the [Department of Justice] investigation [into the Fed] is well and truly over, with transparency and finality."

- The bigger surprise yet was that "on the question of whether I will serve as a Governor after my term ends and the investigation is over, I have not made that decision yet." Leaving the Board after being replaced as Chair is customary; if he stays on, then the Trump administration would have one less seat to influence policy until his Board term expires in 2028.



- Indeed, Powell has only one meeting remaining as Chair, in April, should Warsh be confirmed on schedule. That meeting looks unlikely to produce a change in rates.

No Core Goods Progress, No Rate Cuts: On the subject of near-term policy, Powell warned that "the rate forecast [in the SEP] is conditional on the performance of the economy. So if we don't see that progress, then you won't see the rate cut." This was probably the most hawkish part of the press conference. In particular he said that progress on core goods inflation was the "main" criterion for determining whether further easing would be possible (while adding that inflation expectations remain important).

- Overall he said current rates were "appropriate", and "within a range of plausible estimates of neutral", and that last year's "normalization of our policy stance should continue to help stabilize the labor market while allowing inflation to resume its downward trend toward 2%".
- But he adds "the implications of events in the Middle East for the US economy are uncertain. In the near term, higher energy prices will push up overall inflation, but it is too soon to know the scope and duration of the potential effects on the economy. " Overall, if higher oil prices persist, "the net of it, of the oil shock will still be some downward pressure on spending and employment and upward pressure on inflation of course. "

Rates In Neutral Range: Powell fielded some mentions of possible rate hikes, but overall he pushed back against any notion that the Committee was considering adopting a hiking bias. On the January minutes' mention that some participants wanted to change the rate guidance from the current easing bias, to reflect two-sided risks to rates, Powell said " it did come up today, the possibility that our next move might be an increase did come up at the meeting, as it did at the last meeting. The vast majority of participants don't see that as their base case. And of course, we don't take things off the table." On how high oil prices would have to get, and for how long, before the FOMC considered hiking rates: "I'm not going to give you an example or specific answer. You know, we're prepared to do what needs to be done, but I wouldn't want to hypothesize about what that might be."

- He said that the Committee isn't "comfortable" with the "balance" in the labor market, which he says is in "a zero employment growth equilibrium" and has a "feel of downside risk". Re the labor market, "a number of indicators that suggest a degree of stability, but the thing that I think a good number of people on the Committee are concerned about is just the very, very low level of job creation."
- He characterized the current restrictiveness of rates as being at the high end of neutral, potentially signalling that they had some room to come down: "The rate is, you can characterize it as in the high end of neutral, or you can carry it characterize it as perhaps mildly restrictive, even modestly restrictive. No one knows for sure, but it's in that range, where it's somewhere around the border line between restrictive and not...we also think it's important, though, to keep policy either mildly restrictive or close to that, but not too restrictive. Because of the weakness in the downside risk in the labor market."

Statement Changes: The March FOMC statement vs the last edition in December is little changed - the description of current conditions says that the unemployment rate has "been little changed in recent months" (previously "has shown some signs of stabilization").

- It notes pithily that "The implications of developments in the Middle East for the U.S. economy are uncertain", not nodding to whether it has upside implications for inflation / downside implications for growth.
- Miran dissented in favor of a cut, which is no surprise (though some had expected Waller and / or Bowman to join him).

Rate "Dot Plot" Changes: Below is a comparison of the end-year Fed funds rate "dot" distribution from the March FOMC meeting, vs the previous edition in December.

- The 2026 distribution is exactly in line with MNI's estimates, with the 2026 through 2028 medians unchanged from December.
- The longer-run dot has finally drifted up, to 3.1%, from 3.0% (a risk we flagged in the preview).
- Note, somebody's looking for a hike in 2027, but the lower end of the distribution is basically the same:

March 2026: FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate

	2026	Dec SEP	2027	Dec SEP	2028	Dec SEP	Longer-Run	Dec SEP
4.500								
4.375								
4.250								
4.125								
4.000								
3.875		3	1	2	1	2	1	1
3.750							1	1
3.625	7	4	3	2	3	2	1	1
3.500							1	1
3.375	7	4	4	3	3	2	2	2
3.250							1	1
3.125	2	4	6	6	7	6	3	2
3.000							5	5
2.875	2	2	3	3	3	3	2	1
2.750							1	1
2.625	1	1	1	2	2	3	2	3
2.500								
2.375			1	1				
2.25								
2.125		1						
MEDIAN	3.4	3.4	3.1	3.1	3.1	3.1	3.1	3.0

Medians Bolded. Source: Federal Reserve, MNI

New Macro Projections Show Surprise Rise In Longer-Run GDP Growth: The table at right shows the FOMC's latest set of macroeconomic projection medians, vs the last edition in December.

- In a slight surprise (but not a shock), GDP expectations were revised up for 2026 and 2027. This was expected by some analysts, though a small majority saw a reduced growth projection for 2026 at least. In a bigger surprise, outer-year projections were increased, with 2027 upped to 2.3% from 2.0%.
- And the biggest surprise of all is, the longer-run growth projection was upped to 2.0% from 1.8%. From what we can see it's been at 1.8% since 2016 when it was downgraded from 2.0%, aside from a brief bump up to 1.9% in 2019-20. This should be a subject of interest in Powell's press conference.
- The PCE inflation forecast for this year was upped to 2.7% (was 2.4%), with core up likewise to 2.7% (was 2.5%), in a largely in-line upgrade on the back of the ongoing energy shock and incoming data.
- Unemployment forecasts were basically unchanged.

Variable	Median ¹			
	2026	2027	2028	Longer run
Change in real GDP	2.4	2.3	2.1	2.0
December projection	2.3	2.0	1.9	1.8
Unemployment rate	4.4	4.3	4.2	4.2
December projection	4.4	4.2	4.2	4.2
PCE inflation	2.7	2.2	2.0	2.0
December projection	2.4	2.1	2.0	2.0
Core PCE inflation ⁴	2.7	2.2	2.0	
December projection	2.5	2.1	2.0	
Memo: Projected appropriate policy path				
Federal funds rate	3.4	3.1	3.1	3.1
December projection	3.4	3.1	3.1	3.0

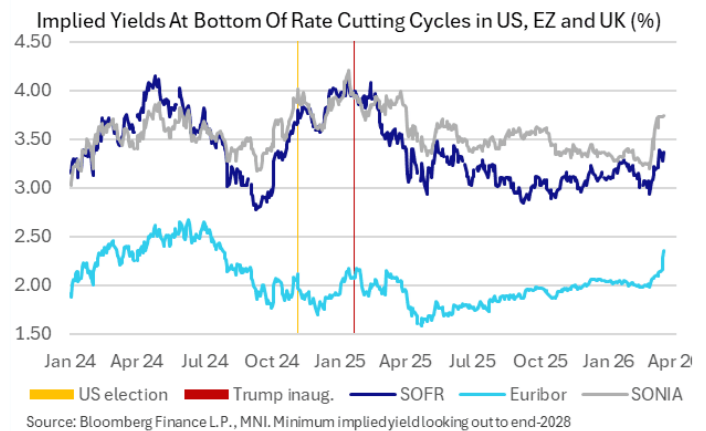
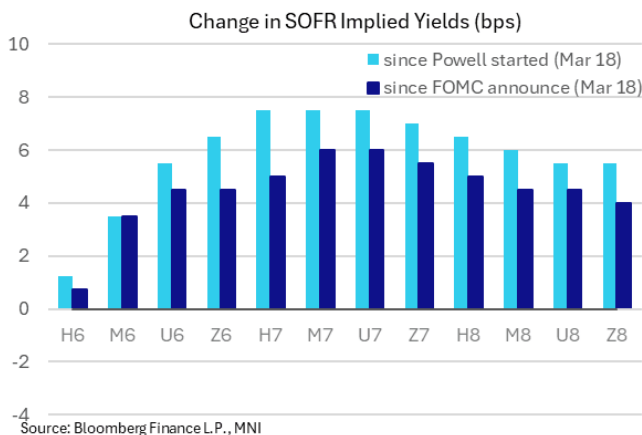
Market Reaction: Yields Pick Up, Dollar Gains

- US yields rose and the dollar gained through the Fed meeting communications, though in truth the moves were largely extensions of earlier price action stemming from developments in the Middle East.
- Weaker risk sentiment on the day provided a supportive tone for the US dollar, a theme that extended as the market digested the Fed decision and press conference. The DXY is 0.5% higher in sympathy, reestablishing itself back above the psychological 100 mark.
- SOFR futures easily more than reversed the modest rally seen after the FOMC decision and SEP. Moves started with inflation comments including that the main thing the FOMC is looking for is progress on goods inflation and that if we don't see that progress, then you won't see the rate cut.
- There was little immediate reaction to Powell saying he would serve as Fed Chair pro-tem until his successor is confirmed and that he hasn't made a decision yet on how long he'll stay on the Board of Governors. However, it didn't hurt selling momentum which continued through the press conference.
- FF cumulative implied cuts: 0bp Apr, 2.5bp Jun (vs 4bp pre-FOMC), 6bp Jul, 10bp Sep (vs 12bp), 17.5bp Dec (vs 21bp). Next Fed cut priced for Jun 2027 (25.5bp).
- The SOFR terminal yield of 3.365% (Z7, +9bp) is close to last week's fresh ytd highest close of 3.39% (when it ticked into the H8).

FOMC-dated Fed Funds futures implied rates

Meeting	Latest			pre Powell presser (Mar 18)			chg in rate	pre FOMC announce (Mar 18)			chg in rate
	%	step (bp)	cum. (bp)	%	step (bp)	cum. (bp)	bp	%	step (bp)	cum. (bp)	bp
Effective	3.64			3.64				3.64			
Apr'26	3.65	0.8	0.8	3.64	0	-0.2	1.0	3.64	0	0	1.0
Jun'26	3.62	-2.6	-1.8	3.60	-4	-3.8	2.0	3.60	-4	-4	2.1
Jul'26	3.58	-4.0	-5.8	3.56	-4	-8.3	2.5	3.56	-4	-8	1.9
Sep'26	3.55	-3.4	-9.2	3.51	-4	-12.7	3.5	3.52	-4	-12	2.8
Oct'26	3.52	-2.8	-12.0	3.48	-4	-16.3	4.3	3.49	-3	-15	2.7
Dec'26	3.46	-5.6	-17.6	3.42	-6	-22.0	4.4	3.43	-6	-21	3.1
Jan'27	3.46	-0.9	-18.5	3.41	-1	-23.2	4.7	3.42	-1	-22	3.3
Mar'27	3.43	-2.2	-20.7	3.39	-2	-25.4	4.7	3.40	-2	-24	3.4
Apr'27	3.43	-0.8	-21.5	3.38	-1	-26.5	5.0	3.39	-1	-25	3.5
Jun'27	3.39	-3.9	-25.4	3.34	-4	-30.5	5.1	3.35	-4	-29	3.6

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



FOMC Instant Answers

Fed Holds Steady; Median Sees 1 Cut This Year

- Fed funds rate range maximum: **3.75%** (UNCH)
- Number of dissenters on rate move: **One**. Stephen Miran preferred 0.25% cut at this meeting.
- Interest rate paid on reserve balances: **3.65%** (UNCH)
- Standing repo operations rate: **3.75%** (UNCH)
- Median projection of fed funds rate at end of 2026: **3.4%** (UNCH)
- Median projection of fed funds rate at end of 2027: **3.1%** (UNCH)
- Median projection of fed funds rate at end of 2028: **3.1%** (UNCH)
- Median longer run projection of fed funds rate: **3.1%** (was 3.0%)
- Number of 2026 dots > 3.625%: **ZERO**
- Number of 2026 dots < 3.625%: **12**
- Number of 2026 dots > 3.375%: **7**
- Number of 2026 dots < 3.375%: **5**

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_march_transcript_44ac5b5e41_ee31382dcf.pdf

FOMC Links:

Statement: <https://www.federalreserve.gov/newsevents/pressreleases/monetary20260318a.htm>

SEP/Dot Plot: <https://www.federalreserve.gov/monetarypolicy/fomcprojtabl20260318.htm>

Implement. note: <https://www.federalreserve.gov/newsevents/pressreleases/monetary20260318a1.htm>

Press Conference: <https://www.federalreserve.gov/monetarypolicy/fomcpresconf20260318.htm>

Statement Changes (Vs Previous FOMC)

~~January 28~~ March 18, 2026

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~~. 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.

In support of its goals, the Committee decided to maintain the target range for the federal funds rate at 3 $\frac{1}{2}$ to 3 $\frac{3}{4}$ 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; ~~and~~ Anna Paulson; ~~and~~ Christopher J. Waller. Voting against this action ~~were~~ was Stephen I. Miran ~~and~~ Christopher J. Waller, who preferred to lower the target range for the federal funds rate by 1/4 percentage point at this meeting.

Dot Plot / Econ Projections

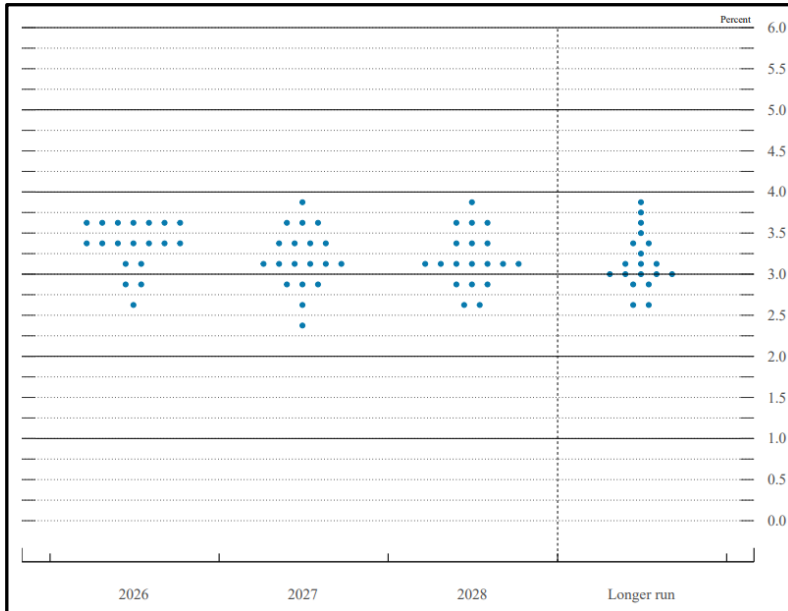
March 2026 - Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy. Source: Federal Reserve

Percent

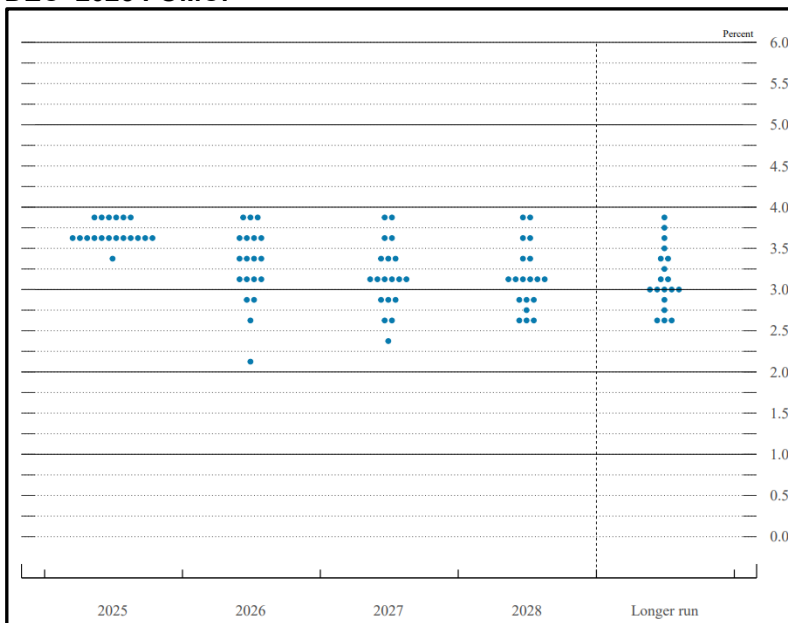
Variable	Median ¹				Central Tendency ²				Range ³			
	2026	2027	2028	Longer run	2026	2027	2028	Longer run	2026	2027	2028	Longer run
Change in real GDP	2.4	2.3	2.1	2.0	2.2-2.5	2.0-2.4	2.0-2.3	1.8-2.0	2.1-2.7	2.0-2.7	1.8-2.7	1.7-2.5
December projection	2.3	2.0	1.9	1.8	2.1-2.5	1.9-2.3	1.8-2.1	1.8-2.0	2.0-2.6	1.8-2.6	1.7-2.6	1.7-2.5
Unemployment rate	4.4	4.3	4.2	4.2	4.3-4.5	4.2-4.4	4.0-4.4	4.0-4.3	4.3-4.6	4.0-4.5	4.0-4.5	3.8-4.5
December projection	4.4	4.2	4.2	4.2	4.3-4.4	4.2-4.3	4.0-4.3	4.0-4.3	4.2-4.6	4.0-4.5	4.0-4.5	3.8-4.5
PCE inflation	2.7	2.2	2.0	2.0	2.6-3.1	2.0-2.3	2.0	2.0	2.3-3.3	1.8-2.4	1.9-2.2	2.0
December projection	2.4	2.1	2.0	2.0	2.3-2.5	2.0-2.2	2.0	2.0	2.2-2.7	2.0-2.3	2.0	2.0
Core PCE inflation ⁴	2.7	2.2	2.0		2.5-2.8	2.0-2.4	2.0		2.2-3.0	2.0-2.5	2.0-2.2	
December projection	2.5	2.1	2.0		2.4-2.6	2.0-2.2	2.0		2.2-2.7	2.0-2.5	2.0	
Memo: Projected appropriate policy path												
Federal funds rate	3.4	3.1	3.1	3.1	3.1-3.6	2.9-3.6	2.9-3.6	2.9-3.5	2.6-3.6	2.4-3.9	2.6-3.9	2.6-3.9
December projection	3.4	3.1	3.1	3.0	2.9-3.6	2.9-3.6	2.8-3.6	2.8-3.5	2.1-3.9	2.4-3.9	2.6-3.9	2.6-3.9

Participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate. Source: Federal Reserve

MARCH 2026 FOMC:



DEC 2025 FOMC:



MNI POLICY TEAM: FOMC Holds Rates, Sees One Cut This Year

By Pedro Nicolaci da Costa
Mar 18, 2026

WASHINGTON - The Federal Reserve kept interest rates on hold for the second meeting in a row Wednesday and again penciled in one rate cut for the remainder of this year as officials saw the war in Iran as having uncertain economic effects.

The Fed's Summary of Economic Projections showed seven officials want to keep rates on hold this year while the rest of the committee wants to cut rates one or more times in 2026. Fed Governor Stephen Miran again dissented in favor of a quarter point cut.

"Job gains have remained low, and the unemployment rate remained little changed in recent months. Inflation remains somewhat elevated," the central bank's policy statement said.

"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."

The Fed raised its inflation view because of the Middle East conflict, and now sees core PCE ending the year at 2.7%, up from 2.5% in the December SEP.

Members' GDP forecast was bumped up to 2.4% from 2.3%, while the unemployment projection was steady at 4.4%.

The longer-run fed funds rate, seen as a proxy for the neutral rate, was revised up to 3.1% from 3.0%.

The Fed already looked to be firmly on hold even before the U.S. and Israel attacked Iran, causing a closure in the Strait of Hormuz that has pushed oil prices near USD100 per barrel.

Before the conflict started, the data appeared to support a Fed pause, with the unemployment rate appearing to stabilize at 4.4% and PCE inflation still uncomfortably high at 3.1%.

The Fed is heading to a key leadership transition with nominee Kevin Warsh set to take over as chair from Jerome Powell later this year. The timing of Warsh's confirmation has been complicated by a Department of Justice probe against Powell, which the chair dismissed as politically motivated.