April 29, 2026

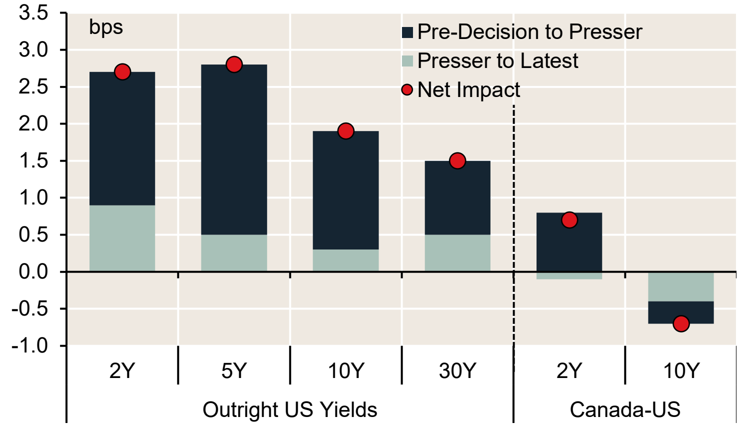
Powell era ends with a hawkish hold, divided Fed

By Taylor Schleich & Ethan Currie

Decision Details & Rate Statement

- The **FOMC** left the target for the fed funds rate **unchanged at 3.50-3.75%,** as widely expected, marking the third straight hold.
    - Again, there was one dissenter on the rate decision—Governor Stephen Miran—who preferred to lower the policy rate by 25 bps. Governor Chris Waller had dissented in earlier meetings (in favour of lower rates) but voted with the majority in March and again today. Meanwhile, three members—Hammack, Kashkari, and Logan—supported maintaining the target range but voted against the inclusion of an easing bias in the rate statement.
- There were no meaningful changes made to the statement's *economic* assessment. They still say economic activity is expanding at a "solid pace", that job gains have "remained low" and that the unemployment rate has been little changed recently. On inflation, they now say inflation "is elevated, in part reflecting the recent increase in global energy prices".
- The Fed's forward-looking rate guidance did not change: "*In considering the extent and timing of additional adjustments to the [policy rate], the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks.*" Recall, the minutes from the March meeting showed "some" members pushed for "two-sided" rate guidance, meant to reflect the possibility of rate *hikes*. In line with this, three FOMC voters objected to the statement's implicit easing bias.

Hawkish hold for Powell's swan song
Change in yields/differentials: Pre-decision to presser



Sources: NBC, Bloomberg | Note: Latest as at 4:00pm EST

Press Conference

Below, we outline some of the highlights from the Q&A segment of the press conference.

- Powell congratulated Kevin Warsh on his advancement through the Senate, acknowledging this would be his final press conference as Chair. However, Powell stands by his earlier statements that he wouldn't leave the Fed entirely until the legal investigation against him is well and truly over. He will therefore continue to serve as a Governor for a period of time to be determined.
- On inflation, Powell reiterated the Fed's hypothesis that tariffs would represent a one-time price increase. He explained it's time for 2025 tariff inflation to fall out of annual inflation calculation in the next two quarters. With energy inflation, he explained that it's hard to say how that will evolve. He noted that while the textbook response is to look through energy inflation, they're going to be very cautious about doing so. That's because they're already looking through tariff inflation *and* the U.S. economy has endured above target inflation for five years. He explained that they want to see the backside of that energy inflation and some progress before they consider cutting rates. Powell judged that the labour market is still probably cooling off just a little bit and is not a source of inflation.
- In speaking to the dissents on the Fed's forward guidance, Powell that explained that they had "vigorous" discussions at this meeting, as they did in March. He noted that the number of participants who would support more symmetric, two-sided guidance has increased. In Powell's own view (and that of the majority), he didn't think making a change was necessary at this meeting. That's because uncertainty remains very high and a lot can change over the intermeeting period. However, he did concede two-sided guidance could conceivably come as soon as the next meeting.
- Further on the policy outlook, Powell emphasized that nobody is saying, "we need to hike now". Most see policy as in a good place to wait and let things develop. He added that policy looks "pretty close" to neutral.

Bottom Line

Powell's final decision as Fed Chair produced some notable surprises, even if the policy rate was left unchanged as widely expected. Consistent with what has appeared to be growing rifts within the committee, three of twelve voters dissented against the implicit easing bias that has long been contained in FOMC press releases. There were signs of this before today's decision as the March minutes indicated "some" participants preferred two-sided rate guidance to reflect the possibility that the next rate change could be a hike. Still, the decision to go on record against the majority comes as a surprise and suggests that convincing a majority of the committee to ease later this year could be difficult. Already, the justification for further cuts was growing weaker given what appears to be a pick-up in hiring and of course, higher inflation. What's clear is that in the near term, as long as geopolitical tensions and oil prices remain elevated, there is no urgency to bring the policy rate closer to neutral. The incoming Fed Chair, who has historically been more of an inflation hawk, is unlikely to alter this near-term policy path.

The Fed's next decision will take place on June 17th and will include an updated SEP. The minutes for this meeting will be published on May 20th.

Interest Rate Statement (April 29, 2026):

Federal Reserve issues FOMC statement

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 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. Developments in the Middle East are contributing to a high level of uncertainty about the economic outlook. 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; Philip N. Jefferson; Anna Paulson; and Christopher J. Waller. Voting against this action 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.

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