



ROSA & ROUBINI
ASSOCIATES

MONETARY AFFAIRS:

**Review: The Fed Remains on Hold,
But With A Severely Divided FOMC**

by

Brunello Rosa and Nato Balavadze



29 April 2026

Brunello Rosa and Nato Balavadze

Review: The Fed Remains on Hold, But With a Severely Divided FOMC

29 April 2026

Executive Summary

- ✧ **Decision Made:** *The Fed kept US interest rates unchanged in April.* The FOMC kept its target Fed funds range at 3.50% - 3.75%. The Fed maintained its data-dependent approach. Markets had fully priced a hold, but the FOMC delivered an 8-4 split, the largest dissent since 1992. Stephen Miran backed a 25bp cut, while Beth Hammack, Neel Kashkari, and Lorie Logan supported holding rates but opposed signalling an easing bias. The FOMC said inflation remains elevated, partly due to higher energy prices. Markets see rates on hold into 2027, with only gradual cuts projected toward a neutral level near 3.1%
- ✧ **Policy Discussion:** *Powell signalled that the next policy move is not necessarily a cut, as the Federal Open Market Committee edges toward a more neutral stance.* The meeting delivered an unusually divided FOMC, revealing growing internal tension. Stephen Miran again pushed for a 25bp cut, while Beth Hammack, Neel Kashkari, and Lorie Logan (regional Fed Presidents) supported holding rates but opposed signalling an easing bias. Their concern centered on guidance implying further cuts, arguing persistent inflation risks may instead require higher rates. Powell emphasized that “nobody’s calling for a hike right now,” but acknowledged the decision was a much closer call than previous meetings.

On the macro backdrop, the Fed noted inflation remains elevated, partly due to rising global energy prices. Markets expect rates to remain on hold into 2027, with only gradual easing projected toward a neutral level around 3.1%. Powell added that policymakers are closely watching whether tariff-driven inflation proves temporary or more persistent. While central banks typically “look through” energy shocks, he stressed greater caution this time, given inflation has stayed above target and the shock is ongoing—raising the risk of more durable price pressures.

Meanwhile, Kevin Warsh is set to become the next Fed chair, with Senate confirmation expected. Powell confirmed he will remain on the Federal Reserve Board of Governors after his term ends, aiming to serve quietly through 2028. He framed the decision as defensive rather than political, citing ongoing legal pressures linked to Donald Trump’s push for lower rates. While he had intended to step down, Powell said concerns over threats to the Fed’s independence left him with “no choice” but to stay, stressing he supports scrutiny—but not actions that undermine institutional autonomy. In fact, last week the DoJ dropped the investigation; but Jeanine Pirro, the US attorney general spearheading the probe, said she was prepared to reopen, it pending a review by the Fed’s inspector general.

Key Picture: US Federal Reserve Forecasts – 2025-2028

	2026f			2027f		2028f		Longer Run	
	Latest Reading	March Report	December Report	March Report	December Report	March Report	December Report	March Report	December Report
GDP (real growth, y-o-y)	2.0	2.4	2.3	2.3	2.0	2.1	1.9	2.0	1.8
Unemployment rate (% , y-o-y)	4.3	4.4	4.4	4.3	4.2	4.2	4.2	4.2	4.2
PCE Inflation (% , y-o-y)	2.8	2.7	2.4	2.2	2.1	2.0	2.0	2.0	2.0
Core PCE Inflat. (% , y-o-y)	3.0	2.7	2.5	2.2	2.1	2.0	2.0	-	-
Federal Funds Rate (%)	3.75	3.4	3.4	3.1	3.1	3.1	3.1	3.1	3.0

Source: Federal Reserve ‘Summary of Economic Projections’ March 2026 and December 2025. Note: 1. GDP reading for Q4-2025; 2. Unemployment rate as of March 2025; 3. PCE and core PCE inflation as of February 2026; 4. Projections reflect the median of FOMC projection.

Analysis

- ✦ **DECISION MADE:** *On April 29, the US Federal Reserve's kept its Fed funds range at 3.50% - 3.75%.* Markets had been pricing in a nearly 100% chance of no change. Despite expectations of a routine hold, the FOMC split 8-4, with differing rationales behind the votes, the largest dissent since 1992. Powell and most members were in favor. Stephen Miran broke ranks again, advocating a 25bp rate cut. Three members (Hammack, Kashkari, Logan) backed holding rates but opposed signalling an easing bias in the statement.

Regarding *forward guidance*, the Fed continues to be data-dependent with decisions being made meeting by meeting. The post-meeting statement reused language from last year's FOMC communication. It said: *"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 flagged that inflation remains elevated, partly due to higher global energy prices. Markets expect rates to stay unchanged through 2026 and into 2027, while officials project just one cut this year and another in 2027, bringing the policy rate toward a neutral level around 3.1%.

Regarding *balance sheet policies*, the Fed said it will sustain ample reserves through Treasury bill purchases, roll over maturing securities, and keep the primary credit rate at 3.75%.

- ✦ **POLICY DISCUSSION:** *Powell signalled that the next move is not necessarily a cut: while three dissenters pushed to make that explicit, others preferred not to over-signal a shift toward hikes.* The FOMC delivered an unexpectedly divided outcome, with an 8-4 split despite expectations of a routine hold, the most dissent since 1992. Miran again broke ranks in favor of a 25bp cut, while Beth Hammack, Neel Kashkari, and Lorie Logan supported holding rates but opposed signalling an easing bias. Their concern centered on forward guidance implying further cuts, arguing persistent inflation risks warrant caution and could require higher rates rather than continued easing. A key point of contention was the guidance stating the Committee will assess *"the extent and timing of additional adjustments"* to rates, language that implies further easing. Some policymakers opposed this phrasing, arguing persistent inflation risks warrant greater caution. Powell said that despite dissent, *"nobody's calling for a hike right now."* The dissenters aimed to signal that the next move could be upward, but not immediately, and he added that this meeting was a *"much closer call"* than the previous one.

The FOMC noted inflation remains elevated, partly due to rising global energy prices. Markets see rates on hold into 2027, while officials anticipate one cut this year and another in 2027, gradually moving the policy rate toward a neutral level near 3.1%. Powell said Fed economists are watching closely whether tariff-driven inflation proves temporary, as theory suggests, or more persistent. On energy, he noted that while central banks typically *"look through"* price spikes, the Fed is more cautious given inflation has stayed above target and the shock is ongoing, raising the risk of longer-lasting effects.

The Senate Banking Committee has advanced Kevin Warsh as the next Fed chair, with the full Senate expected to confirm, paving the way for the first leadership change since Jerome Powell took office in 2018. Powell now faced a choice: step down as chair or remain on the Board. During the press conference, Powell confirmed that he will remain on the Federal Reserve Board of Governors after his chair term ends on May 15, aiming to serve quietly through 2028.

He framed the decision as defensive rather than political, citing ongoing legal pressures tied to Trump's push for lower rates. While he had planned to step down, Powell said the risk to the Fed's independence left him with *"no choice"* but to stay. He stressed he welcomes scrutiny of the Fed, but draws a line at actions that threaten its institutional autonomy. As said during the press conference, he does not intend to be a *"high-profile dissident,"* aiming instead for a return to consensus-driven policymaking. Meanwhile, Warsh has proposed revisiting the Fed-Treasury framework, favouring closer coordination

and a reduced central bank footprint in bond markets. Meanwhile, Powell has defended Fed independence and may remain to oversee ongoing issues, including institutional autonomy and internal governance changes.

- ✦ **ECONOMIC ASSESSMENT:** *Developments in the Middle East are adding to already elevated uncertainty around the economic outlook.* Higher The Fed is closely assessing whether tariff-driven inflation will prove temporary, as standard models suggest, or become more persistent. On energy, Powell noted that while central banks typically “look through” commodity price spikes, the current context is different: inflation has been above target for several years and the oil shock tied to Middle East tensions is ongoing, warranting a more cautious approach. Inflation rose 3.5% year-on-year in March, largely driven by higher global energy prices, while core PCE inflation stood at 3.2%, reflecting tariff-related pressures in goods. Short-term inflation expectations have increased, likely due to rising oil prices, although most longer-term expectations remain anchored around the Fed’s 2% target. During the press conference, Powell said high gas prices could eventually weigh on growth by squeezing consumer spending, but so far the impact hasn’t materialised. The US economy continues to absorb shocks, with consumers still spending.

Against this backdrop, the FOMC kept the policy rate unchanged at 3.5-3.75%. Policymakers highlighted elevated uncertainty, particularly from geopolitical developments, and signalled that higher energy prices will lift near-term inflation. Beyond that, the scale and persistence of the impact remain unclear, leaving policy firmly data-dependent and decided on a meeting-by-meeting basis as the Fed balances risks to growth and inflation.

- ✦ **OUR TAKE:** *Assuming Warsh is confirmed he will have hard time cutting rates soon.* Even if Warsh is confirmed, he won’t be able to cut rates as fast as Trump would like, e.g. as early as June. First, because economic conditions (with a strong economy and rising inflation) don’t warrant further easing. Second, because – as today’s FOMC split shows – he does not have a majority to cut rates at the moment. So the first time he may realistically coalesce a consensus around a cut could be in September, assuming inflation has eased since then.
- ✦ **MARKET REACTION AND IMPLICATIONS:** *Markets reacted little to the Fed, as signals were largely priced in.* The statement was more hawkish than last time, with inflation pressures already building amid resilient growth, reducing the urgency for rate cuts. Bond markets have reflected this for weeks, with yields rising as easing expectations fade, while the bar for rate hikes remains high absent a downturn. *In the fixed-income space,* Treasury yields climbed, with the 10-year up 6bp to 4.41%, while stronger selling in the front end pushed the 2-year yield 8bp higher to 3.92%—its highest since March 27—signalling fading expectations for rate cuts. *In the currency space,* the dollar rose, supported by higher oil prices, as investors awaited remarks from Powell on his future at the central bank. The euro slipped 0.29% to \$1.1679, while sterling fell to 0.31% to \$1.34765. *In the equity space,* the S&P 500 edged lower after the Fed decision, slipping about 0.3%.



Rosa & Roubini Associates Ltd is a private limited company registered in England and Wales (Registration number: 10975116) with registered office at 75 King William Street, London EC4N 7BE, United Kingdom.

For information about Rosa&Roubini Associates, please send an email to info@rosa-roubini-associates.com or call +44 (0)20 7101 0718.

Analyst Certification: *We, Brunello Rosa and Nato Balavadze, hereby certify that all the views expressed in this report reflect my personal opinion, which has not been influenced by considerations of Rosa & Roubini Associates' business, nor by personal or client relationships. We also certify that no part of my compensation was, is or will be, directly or indirectly, related to the views expressed in this report.*

Disclaimer: *All material presented in this report is provided by Rosa & Roubini Associates-Limited for informational purposes only and is not to be used or considered as an offer or a solicitation to sell or to buy, or subscribe for securities, investment products or other financial instruments. Rosa & Roubini Associates Limited does not conduct "investment research" as defined in the FCA Conduct of Business Sourcebook (COBS) section 12 nor does it provide "advice about securities" as defined in the Regulation of Investment Advisors by the US SEC. Rosa & Roubini Associates Limited is not regulated by the FCA, SEC or by any other regulatory body. Nothing in this report shall be deemed to constitute financial or other professional advice in any way, and under no circumstances shall we be liable for any direct or indirect losses, costs or expenses nor for any loss of profit that results from the content of this report or any material in it or website links or references embedded within it. The price and value of financial instruments, securities and investment products referred to in this research and the income from them may fluctuate. Past performance and forecasts should not be treated as a reliable guide of future performance or results; future returns are not guaranteed; and a loss of original capital may occur. This research is based on current public information that Rosa & Roubini Associates considers reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. Rosa & Roubini Associates, its contributors, partners and employees make no representation about the completeness or accuracy of the data, calculations, information or opinions contained in this report. Rosa & Roubini Associates has an internal policy designed to minimize the risk of receiving or misusing confidential or potentially material non-public information. We seek to update our research as appropriate, but the large majority of reports are published at irregular intervals as appropriate in the author's judgment. The information, opinions, estimates and forecasts contained herein are as of the date hereof and may be changed without prior notification. This research is for our clients only and is disseminated and available to all clients simultaneously through electronic publication. Rosa & Roubini Associates is not responsible for the redistribution of our research by third party aggregators. This report is not directed to you if Rosa & Roubini Associates is barred from doing so in your jurisdiction. This report and its content cannot be copied, redistributed or reproduced in part or whole without Rosa & Roubini Associates' written permission.*