



The Fed decision -- hitting pause to start the new year

The U.S. Federal Reserve (Fed) Federal Open Market Committee (FOMC) decided to leave the policy rate unchanged for the first time in four meetings. While the steady decision was universally expected by markets and forecasters alike, resulting in negligible market response, there was dissension among the [\(new slate¹\)](#) of voters for the fifth straight meeting (the longest streak since 2013 as per [data compiled by the St. Louis Fed²](#)), with Governors Christopher Waller and Stephen Miran preferring to cut rates by a further 25 basis points today (January 28, 2026).

Both Miran and Waller (who are under consideration for the Fed Chair role after Powell's term ends in May) have been on record expressing their concerns about the underlying strength of American labour markets; however, it appears that the other members of the FOMC are feeling less worried.

Specifically, the [statement³](#) accompanying today's policy announcement (which reflects the consensus views of the group), the text is provided below with the [additions](#) and ~~deletions~~ versus [December⁴](#) highlighted by me) dropped the assessment that "*downside risks to employment rose in recent months*", which had served as a key rationale for previous cuts, while it was noted that the unemployment rate has "*shown signs of stabilization*" rather than having "*edged up*" even as job gains "*remained low.*" The "decision by Committee" approach to policy-setting emphasizes the challenge that Fed Chair Powell's presidentially appointed successor will face in pushing a more dovish tilt to deliberations.

Elsewhere in the statement, economic momentum was upgraded (activity has been expanding at a "*solid*" pace rather than a "*moderate*" one), while lip service was paid to the recent downside surprises in consumer price data with the removal of the comment that inflation "*has moved up since earlier in the year*" though it does remain "*somewhat elevated.*"

From my lens, today's decision, its broad support from the new FOMC voters who had the opportunity to join the dissents, and the post-meeting communication (including the reiteration from Powell in his post-meeting press conference, that rates are "*within range of plausible estimates of neutral*") suggest

¹ Board of Governors of the Federal Reserve, Monetary Policy, Federal Open Market Committee, January 28, 2026, <https://www.federalreserve.gov/monetarypolicy/fomc.htm>

² Federal Reserve Bank of St. Louis, FOMC Dissent Data Appendix to "Making Sense of Dissents: A History of FOMC Dissents." Federal Reserve Bank of St. Louis Review, Third Quarter 2014 Vol. 96, No. 3, January 28, 2026, https://www.stlouisfed.org/-/media/project/frbst/stlouisfed/files/excel/fomc_dissents_data.xlsx

³ Board of Governors of the Federal Reserve, News & Events, Press Release, Federal Reserve issues FOMC statement, January 28, 2026, <https://www.federalreserve.gov/newsevents/pressreleases/monetary20260128a.htm>

⁴ Board of Governors of the Federal Reserve, News & Events, Press Release, Federal Reserve issues FOMC statement, December 10, 2025, <https://www.federalreserve.gov/newsevents/pressreleases/monetary20251210a.htm>

that the Fed is moving to the sidelines for at least the final two meetings of Jerome Powell's term rather than simply skipping one following three consecutive rate cuts. The direction thereafter will depend on how the dataflow progresses and how persuasive the Fed's new leadership can be (for what it is worth, the market is still pricing just under 50 basis points worth of cuts over the second half of this year).

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~~December 10, 2025~~ January 28, 2026

Federal Reserve issues FOMC statement

For release at 2:00 p.m. EST

Available indicators suggest that economic activity has been expanding at a ~~moderate~~ solid pace. Job gains have ~~slowed this year~~ remained low, and the unemployment rate has ~~edged up through September~~ shown signs of stabilization. ~~More recent indicators are consistent with these developments.~~ 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~~.

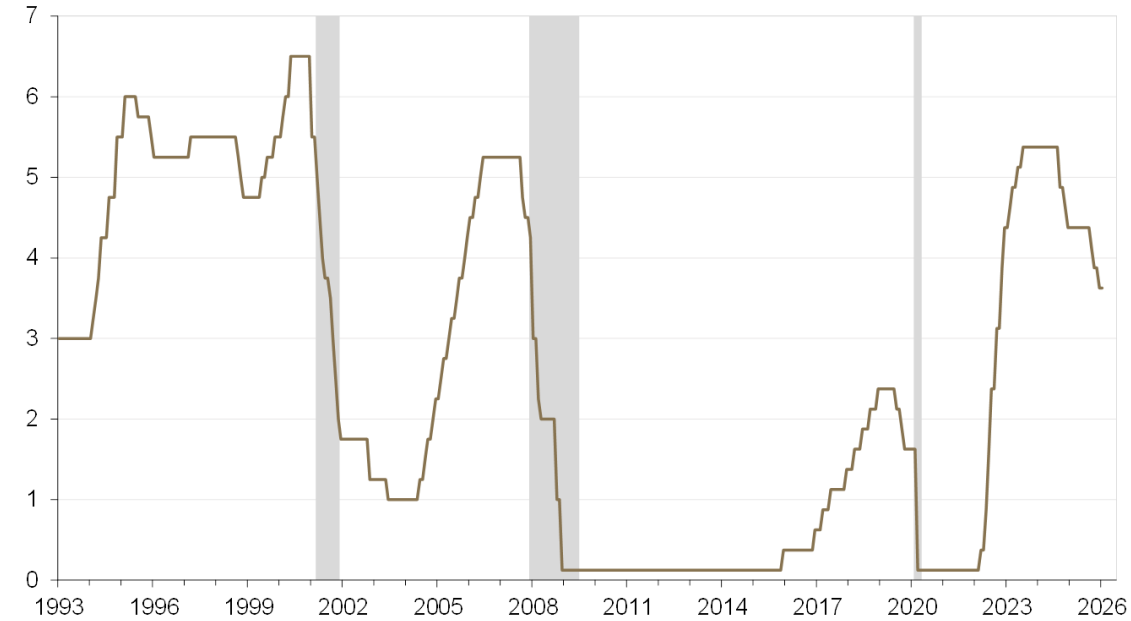
In support of its goals ~~and in light of the shift in the balance of risks~~, the Committee decided to ~~lower~~ maintain the target range for the federal funds rate ~~by 1/4 percentage point to~~ at 3-1/2 to 3-3/4 percent. In considering the extent and timing of additional adjustments to the target 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.~~

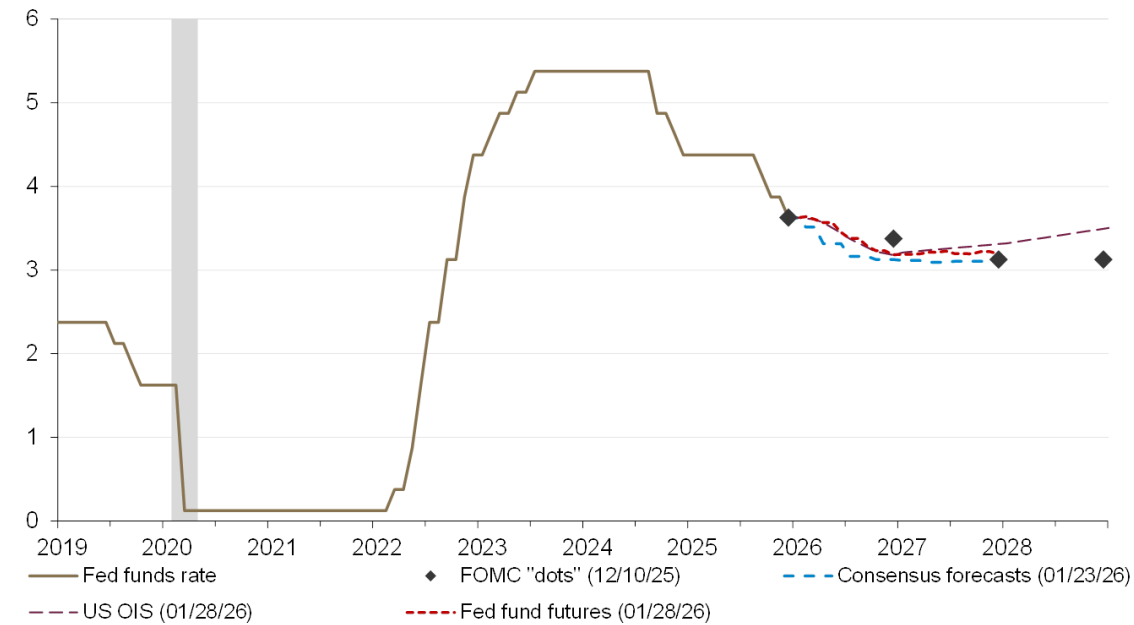
Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michael S. Barr; Michelle W. Bowman; ~~Susan M. Collins~~; Lisa D. Cook; Beth M. Hammack; Philip N. Jefferson; Neel Kashkari; Lorie K. Logan; and Anna Paulson ~~Alberto G. Musalem~~; ~~and Christopher J. Waller~~. 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 ~~1/2~~ 1/4 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 Funds Rate target midpoint (percent)



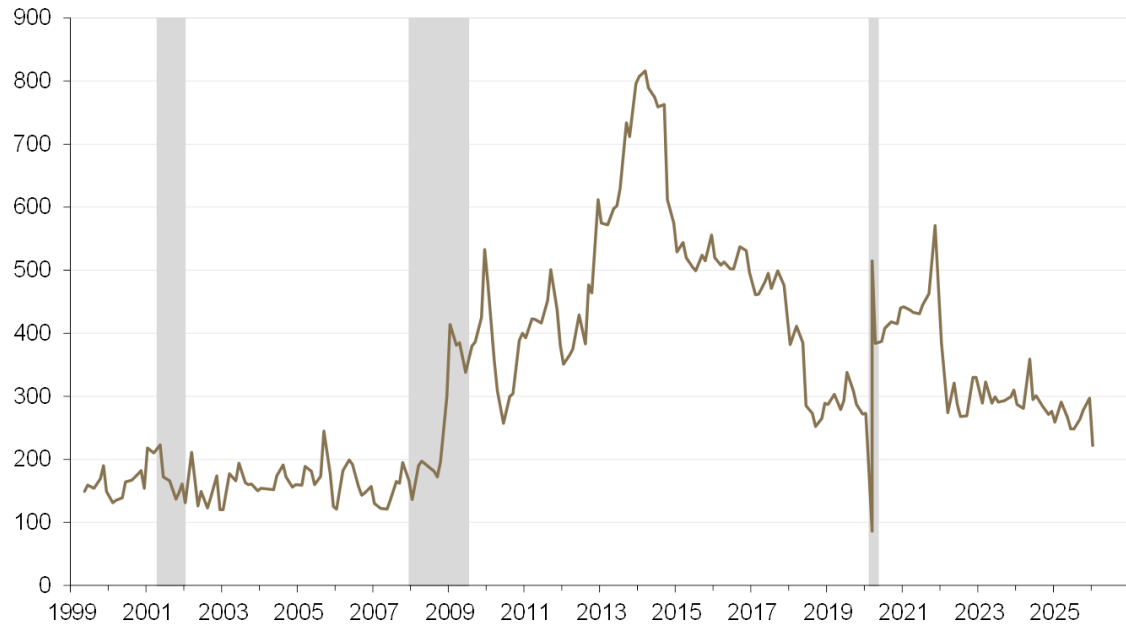
Shaded regions represent periods of U.S. recession; source: Guardian Capital, based on data from the Federal Reserve as at January 28, 2026

Fed funds rate target midpoint and expectations (percent)



Source: Guardian Capital, based on data from the U.S. Federal Reserve and Bloomberg to January 28, 2026

FOMC statement word count* (number)



*Includes only the body text, not voting nor supplementary materials; source: Guardian Capital, based on data from the U.S. Federal Reserve to January 28, 2026

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