



PREVIEW: Federal Reserve Rate Decision due January 28th at 19:00GMT/14:00EST

- FOMC rate decision due at 19:00 GMT/14:00 EST, followed by Chair Powell press conference at 19:30GMT/14:30EST. .
- The FOMC is widely expected to leave rates unchanged at 3.50-3.75%, with focus on any forward guidance. .
- Despite a hold being widely anticipated, dissent is expected.

SUMMARY: The Federal Reserve is widely expected to leave the policy rate unchanged at 3.50-3.75%, with the latest Reuters poll showing unanimous expectations for no change at this meeting, and also 58% of economists surveyed by Reuters also see rates staying on hold through the quarter. Money markets are pricing in around 45bps of cuts by year-end, with the first 25bps reduction seen by July. Goldman Sachs said the meeting is likely to be uneventful, with no change to the Federal Funds Rate, only minor statement tweaks, and few clues on the future policy path. The bank expects Chair Powell to stress that the FOMC has already delivered three cuts to help stabilise the labour market and is well positioned to assess the impact. As in recent meetings, guidance is likely to matter more than the decision itself, particularly around how long policymakers intend to remain patient before easing eventually comes into view.

FED CHAIR: Markets will scrutinise Chair Powell's press conference for signals on the policy path ahead, but there is added focus on uncertainty around his role and the central bank's independence. Investors will watch for any tonal shift amid growing political pressure on the central bank from those calling for lower rates. Public criticism from President Trump and ongoing legal scrutiny over the Fed's HQ renovation have raised questions about institutional independence, though officials are expected to avoid political comment. On his successor, an announcement is expected at any time, and BlackRock CIO Rick Rieder has emerged as the betting market's favourite in recent days, followed by Warsh and Waller. Bloomberg, citing sources, said Wall Street credentials and openness to change at the Fed have boosted Rieder's candidacy. On 13th January, Trump said the country has a bad Fed Chair and that a pick would come in the next few weeks, adding on 22nd January that he had finished interviews and had someone in mind.

PATH AHEAD: Analysts said the balance of risks still points to rates remaining on hold through Q1, with cuts more likely later in the year if inflation shows clearer signs of easing. Further hikes are seen as very unlikely, but strong growth and expansionary fiscal policy suggest any easing cycle is likely to be gradual. Few surprises are expected from the meeting, keeping markets focused on Powell's assessment of inflation persistence, labour market tightness and financial conditions. Goldman Sachs said that if the labour market stabilises this year, as it and the FOMC expect, further cuts would be less urgent. Goldman has pencilled in the next 25bps cut in June, followed by a final cut to 3.00-3.25% in September. It sees risks over the next year or two tilted to the downside, with hikes unlikely but scope for additional cuts, leaving its probability-weighted Fed forecast slightly below both its baseline and market pricing.

RECENT FED COMMENTARY: The committee remains divided, with no clear consensus on the policy path. While rates are widely expected to be left unchanged, this is likely to be the fifth consecutive meeting with dissent. Governor Miran is seen as almost certain to vote for a cut, though the size remains unclear. In recent remarks, the dove said he sees 150bps of cuts this year and noted that, given moves so far, the need to dissent with a 50bps cut has become somewhat less. Governor Miran's term expires in January 2026, but his future remains uncertain; he has said he does not know what will happen, and will do what Trump thinks is best. Treasury Secretary Bessent has suggested Miran will likely return to the Council of Economic Advisors in February or March. The Fed's Vice Chair for Supervision Bowman is also expected to dissent, having said the Fed should be ready to cut again amid job market risks, and should not signal a pause in the easing campaign. By contrast, NY Fed President Williams said monetary policy is well positioned amid a favourable outlook and closer to neutral ahead of the January decision. Philly Fed's Paulson, a 2026 voter, is comfortable holding rates steady. Minneapolis Fed's Kashkari, also a 2026 voter, sees no impetus to cut in January, while Kansas City Fed's Schmid, a 2028 voter, sees little reason to ease.

RECENT DATA: Recent data continue to point to resilient US growth and sticky inflation, arguing against any urgency to cut rates. The economy expanded strongly in the second half of 2025, while inflation remains above target, reinforcing the Fed's preference for patience. Policymakers are therefore likely to repeat their data-dependent message and avoid signalling that easing is imminent.

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