

Hawks and Doves - Federal Reserve (April)

Federal Reserve Recap

MARCH MEETING: The FOMC left rates unchanged at 3.50-3.75%, with no change to forward guidance, balance sheet plans or implementation guidance. Miran was the sole dissenter, favouring a 25bps rate cut. The statement changed little, though it now says unemployment has been "little changed in recent months" and adds that developments in the Middle East pose uncertain implications for the US economy. The updated projections were modestly hawkish. Growth forecasts were raised across 2026-2028, including 2026 GDP to 2.4% from 2.3%, while long-run growth was lifted to 2.0% from 1.8%. Inflation projections were also revised higher, most notably for 2026, with both headline and core PCE raised to 2.7%. The unemployment forecast for 2026 was unchanged at 4.4%, with only a slight upward revision for 2027. The median rates path was unchanged through 2028, though the longer-run fed funds estimate edged up to 3.1%. Powell's press conference came across as hawkish despite the unchanged median dots. He stressed that persistent inflation, not weak growth, remained the main concern, highlighting sticky non-housing services, the need for more goods disinflation and upside risks from tariffs, oil and the Middle East. He said rate cuts would require renewed progress on inflation, while also noting that a rate rise was discussed, though most officials did not see it as the base case. Overall, the message suggested policy would remain on hold for longer unless inflation data improved materially. Goldman Sachs chief economist Jan Hatzius said the statement and Powell's repeated "wait and see" remarks were "a bit hawkish". The bank had expected three dissenters - Miran, Waller and Bowman - but still expects two 25bps rate cuts, in September and December, taking rates to 3.00-3.25% by year-end.

MINUTES RECAP: The minutes of the FOMC's March policy meeting broadly validate the hawkish hold, but show a more explicit debate over two-sided risks beneath the unchanged decision. The key message from participants was that officials were not yet ready to react mechanically to the oil shock from the US-Iran war, with most judging it too early to know how developments in the Middle East would affect the economy and policy. Even so, the vast majority said progress back to 2% could now be slower and the risk of inflation remaining persistently above target had increased, perhaps explaining why the Fed held rates steady despite lifting its 2026 inflation outlook in the March SEP. Almost all saw the funds rate as broadly within plausible estimates of neutral after last year's 75bps of easing, and said policy was well placed to wait for more evidence on the implications of the energy shock. Given the heightened degree of economic uncertainty, policy was framed as data-dependent rather than on a preset path. The minutes are firmer than the statement on possible hikes, with some seeing a strong case for two-sided guidance and many saying persistently higher oil prices could justify rate rises if inflation remained elevated, though cuts would still be more likely if inflation eased as expected. On the other side of the mandate, most still saw the labour market as broadly balanced, but the vast majority judged risks to employment to be skewed to the downside, and most warned that a prolonged conflict could weaken sentiment and hiring enough to warrant cuts. On the Middle East, since the March meeting, participants have generally said that any short-lived oil shock could be looked through, while a more prolonged disruption would raise the risk of energy feeding into core inflation and expectations. Elsewhere, staff discussion of the USD described the currency as volatile, but roughly unchanged on net, with safe-haven flows and net energy exporter dynamics offering support. Analysts at Barclays said the March minutes were cautiously hawkish but not pivoting, noting that some favoured two-sided guidance, leaving open the possibility of hikes, though many still expected cuts if inflation declined. The bank says elevated oil prices and sticky core services are seen delaying the return of inflation to the Fed's 2% target, with upside risks predominating. Still, Barclays retained its call for a 25bps rate cut in September 2026, followed by another in March 2027.

Hawks & Doves

Doves/Dovish	Neutral	Hawks/Hawkish
6	8	4

Permanent Voter

Name	Position	District	Stance	Policy	Inflation	Labour Market	Other
Powell	Chairman	N/A	Neutral	He reiterated that policy is in a good place to "wait and see" as the Fed assesses the economic impact of geopolitical developments and tariffs. There are risks to both sides of the Fed's dual mandate. Fed is not yet at the point of deciding its next move. Rates around high end of neutral, or only modestly restrictive.	Views tariffs as likely a one-time inflation boost of around 0.5–1.0%. While the Fed tends to look through supply shocks, he stressed the importance of monitoring inflation expectations, which remain well anchored. Stressed the need to see further progress in goods disinflation, flagged frustration over sticky non-housing services and made clear that, if inflation progress does not resume, cuts will not follow.	Powell said the labour market was being watched closely, particularly weak private payroll growth, but stopped short of suggesting employment risks now dominate the Fed's policy balance.	Regarding private credit, the Fed Chair said he does not see risk of contagion right now but Fed is watching the market very closely.
Jefferson	Vice Chair	N/A	Neutral	Current policy rate is well-positioned to respond and rate is broadly in range of neutral.	US inflation remains above the central bank's targets and warns that persistent elevated energy prices can weigh in consumer and business spending. Sees upside risks to inflation.	US labour market is roughly in balance and susceptible to adverse shocks. Sees downside risks to employment.	Cautious on economic outlook, uncertainty is elevated.
Williams	FOMC Vice Chair	New York	Neutral	Policy is well-positioned, it is not a good time for the Fed to provide firm forward guidance, policy is modestly restrictive.	Expects inflation to return to target in 2027, after reaching 2.75-3.00% this year due to energy prices (previously 2.75%; the Fed median sees inflation returning to target in 2028). Some of the energy shock is now passing through to other prices and expects the impact of tariffs on inflation to wane this year	Sees unemployment at 4.25-4.50% (versus the Fed 2026 median projection of 4.4%), noting the labour market is sending mixed signals. Employers are cautious on hiring and that current job market softness is not related to AI.	Sees 2026 growth of 2-2.5% (previously around 2.5%, versus the Fed median of 2.4%). Commercial real estate has improved more than expected and risks have declined. Private credit does not pose broader financial stability risks
Bowman	Vice Chair for Supervision	N/A	Dove	Pencilled in three interest rate cuts for 2026; is still concerned about the labour market. It is too early to say what the Iran war means for the Fed.	[Pre-March] Inflation pressures are easing as tariff impact abates. Underlying inflation is close to the Fed's 2% target. Fed has made considerable progress lowering inflation.	[Pre-March] Concerned about labour market fragility; policy should be focussed on supporting the jobs market.	Fed looks at private credit very closely. Hope to finalise Basel rulemaking by end of the year; still reviewing liquidity framework

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Barr	Governor	N/A	Neutral	Sees rates holding steady for some time and wants evidence of sustainable inflation retreat. In a good place to hold rates and assess incoming data. It makes sense for the Fed to take time to assess economic developments before further policy changes.	Has particular concern for long-run inflation expectations, the longer inflation remains above 2%, the greater the risk that it becomes entrenched.	Labour market seems to be stabilising. AI impact on labour market so far relatively small.	In the long run, AI is likely to add to productivity; AI must be used to promote access to credit.
Waller	Governor	N/A	Dove	Thought he'd dissent in March after the last jobs report at this week's meeting, but the Iran conflict has changed things. Believes caution is warranted. Wants to wait and see how conflict evolves before deciding on rate cuts for later this year and how the economy changes. Would advocate for cuts again late in the year if the labour market is weak. Doesn't think there is a need to consider rate hikes. If war produces high inflation and a weak labour market, it could argue for keeping rates steady.	If oil stays high for months, at some point it will bleed into core inflation, with a high and persistent oil shock not having a transitory impact on inflation, which the Fed cannot look through. Have not seen any unanchoring of inflation expectations.	Expects labour force growth to be close to zero, which changes the breakeven level of job growth. A period of negative job growth might not signal a recession.	Sees no reason to make bank reserves scarce just to reduce the balance sheet. Markets appeared to have underestimated the risk of a prolonged conflict. Does not so far see systemic risks stemming from private credit, adding that private credit is not a large part of financial markets.
Cook	Governor	N/A	Neutral	[Pre-March] When considering the proper stance of monetary policy, she sees risks to both sides of the dual mandate	Inflation risk greater now as a result of the war in Iran and that it could have a substantial effect on inflation.	Uncertainty is elevated and balance of risks are largely on net in balance.	-
Miran	Governor	N/A	Ultra Dove	If he were to update his SEP forecast, he would pencil in three rate cuts this year, down from four previously. Interest rates should be slightly below neutral. A policy response to an energy shock would require prices to remain elevated for a 12-18 month period	Expects core goods inflation to fall in 2026 and to be at target in about a year, does not see tariffs driving core goods inflation.	The labour market has been cooling for three years and sees no evidence to counteract it.	On private credit, he said he has not seen evidence of it posing a systemic risk. Fed could cut balance sheet by USD 2tn without market turmoil, adds easing liquidity regulations could aid balance sheet cuts and Fed balance sheet reduction could take several years.

Voter

Name	Position	District	Stance	Policy	Inflation	Labour Market	Other
Paulson	2026 Voter	Philadelphia	Dovish	R-Star estimate is close to Fed median of 3.1%.	Inflation levels are still too high, inflation expectations 'fragile'. Impact of Iran war comes as inflation has been high; there's more risk of faster shift from oil prices into inflation expectations. Risk that series of supply shocks drive up inflation. Very valuable that long-run inflation expectations are anchored.	Economy is not creating a lot of jobs right now. Bending but not breaking is still how to view job market. It feels like the job market is fragile.	Unclear how much AI is driving higher productivity so far.
Kashkari	2026 Voter	Minneapolis	Neutral	[Pre-March] Wonders how tight policy actually is. Fed is in a pretty good spot now. Could be some scope to cut later this year, but right now it is way too soon.	[Pre March] Inflation still too high, but moving in the right way. Does not expect inflation to surge again.	[Pre-March] Job market showing signs of weakness. Is not sure what the current breakeven rate is for the job market.	[Pre-March] Sees pretty good growth, does not see need for Fed QE. Hasn't seen anything very alarming in consumer borrowing yet.
Logan	2026 Voter	Dallas	Hawk	Supported the Fed holding steady at the recent FOMC meeting. Policy is positioned to respond to data and Fed is prepared to make adjustments as needed.	The labour market stabilised in H2'25 and into 2026. Payroll gains have been pretty weak and feels uncomfortable. Immigration has changed job market breakeven to close to zero.	Was not convinced inflation was easing enough even before the war started.	Balance sheet growth is not bad if it meets public's needs, balance sheet policy should be driven by what is best for the economy. A smaller balance sheet could be from lower reserve demand or scarce reserves system. A swift resolution of the war may mean economic impact might be pretty moderate. Have seen some weakness and vulnerability in private credit. Private credit risks are a contained set of vulnerabilities.
Hammack	2026 Voter	Cleveland	Hawk	Rates are in a good place, and the baseline is that the Fed will stay on hold for a while. Warned of two-way risks, but she will be watching the data, acknowledging that it is a tough time for monetary policy.	Exclaimed the importance of keeping inflation expectations anchored, which she said are reasonably well contained.	Currently sat around where she estimates full employment should be but it is a fragile type of balance.	Economy is in a good place from a financial stability view.

Non Voter

Name	Position	District	Stance	Policy	Inflation	Labour Market	Other
Barkin	2027 Voter	Richmond	Neutral	Prudent to hold interest rates steady and await more clarity on what the Fed should do next. Oil price spike makes rate cuts unlikely this year.	Even before oil shock, progress on inflation was at risk of stalling. Will be watching inflation and expectations data carefully.	Unemployment rate is low, but labor market feels "fragile"; firms see little wage pressure, multiple applicants for each job.	War and fast changes due to AI have clouded the economic outlook. "Fog" obscures economic outlook. Demand has been steady but continues to feel "narrow," based on AI investment and wealthier households. Higher gasoline prices hit consumer sentiment, can crowd out other spending
Cheryl Venable (Interim)	2027 Voter	Atlanta	N/A	-	-	-	-
Daly	2027 Voter	San Francisco	Dove	Her outlook depends on how long oil prices remain high and how long the conflict lasts. If it ends soon, the Fed would return to the interest-rate path it was on before, but if it persists, inflationary pressures would last longer. In that case, rates would need to rise if inflation took off, but if it ends, the Fed could cut rates quickly. She also said policymakers could leave rates where they are. Rates are slightly restrictive, just above the 3% neutral level. Policymakers were currently in a wait-and-see mode and described the current position as "a nice place to be". Policy is restrictive enough to put downward pressure on inflation, balanced enough to support a steady labour market.	The shock was likely to have a bigger effect on inflation than on growth, and that it was too early to know whether it would prove short-lived or persistent. Is watching to see whether higher oil prices spill over into other goods and services prices,	Zero job growth might be the new steady state. US economic fundamentals 'solid,' labor market in a steadier place.	On productivity, she said growth can help with disinflation, while it is hard to link higher productivity growth to the real neutral rate, though it is something to watch on both sides. Elsewhere, she said commercial real estate was no longer on her list of worries.
Goalsbee	2027 Voter	Chicago	Dovish	There are circumstances where rates can go up, and circumstances for a hold, or decrease. More rate cuts in 2026 are unlikely without disinflation.	If gas gets to USD 5 and stays there for months, inflation expectations could get unanchored, which they have to pay attention towards. Would feel better if core inflation made progress, even if headline inflation was high. Anxiety about inflation is coming back. See inflation as a bigger problem than employment,	Job market stable, but not great.	Cautious and nervous about economy.

Name	Position	District	Stance	Policy	Inflation	Labour Market	Other
Musalem	2028 Voter	St Louis	Hawk	Current range of interest rates is likely appropriate for some time. Policy is well positioned, sees it currently at low end of neutral range. Can see scenarios to both raise and cut interest rates	The oil shock is likely feeding core inflation, and expects it will be near 3% through year-end. He also suggested that easing tariff impact will help lower inflation, and housing inflation is also moving in the right direction.	Supply shock puts the Fed's inflation and employment goals at risk, noting the unemployment rate could tick up a couple of tenths as economic growth slows.	Lowered his GDP estimates for the year to between 1.5-2.0% (prev. saw 2.0-2.5% pre-war).
Collins	2028 Voter	Boston	Neutral	-	-	-	-
Schmid	2028 Voter	Kansas City	Hawk	Fed must follow through with policy actions to validate stable medium- and long-term inflation expectations.	Inflation is the more salient risk for the Fed; can't be complacent about inflation expectations. There is a real risk that inflation will get stuck closer to 3%.	US economic tailwinds include solid demand momentum, productivity gains, relatively low unemployment.	US economic resilience should not be underestimated.

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newsquawk.com · +44 20 3582 2778 · info@newsquawk.com