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FOMC Update

As summarized by Smith Shellnut Wilson

January 28, 2026

FOMC Holds Rates Steady as Officials Shift Toward a More Cautious Stance

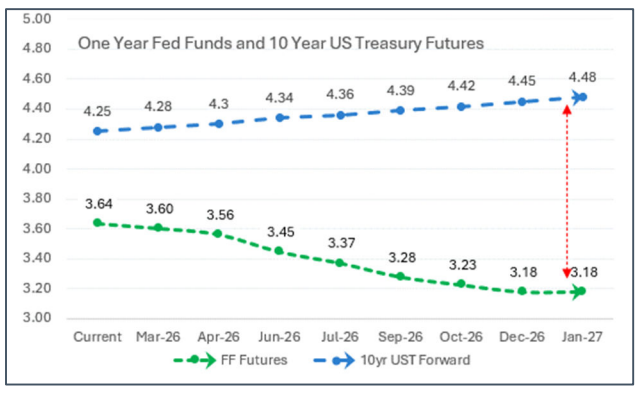
As widely expected, the FOMC left the federal funds target range unchanged at 3.50% – 3.75%, noting continued improvement in U.S. economic conditions and signaling a more measured approach to future policy adjustments. The decision comes after three consecutive rate cuts in late 2025, a period in which policymakers moved decisively to support slowing economic and labor activity.

While the Fed's December projections indicated that most officials still anticipate additional easing in 2026, recent commentary from several policymakers has adopted a more cautious tone. Persistent inflation pressures and signs of stabilization in the labor market have reduced the urgency for near term action, even as political pressure for lower rates has intensified. Following today's announcement, the options market is pricing in one 25 bp cut in June and another in December, with no additional moves expected thereafter.

The policy statement reflected a modest but meaningful shift in the Fed's assessment of economic conditions. Officials removed earlier language suggesting that "downside risks to employment rose in recent months" and upgraded their view of overall activity, noting that available indicators point to the economy "expanding at a solid pace." They also reiterated that inflation "remains somewhat elevated." The labor market description was refined to highlight that "job gains have remained low" and the unemployment rate has "shown some signs of stabilization," consistent with a gradually cooling but resilient backdrop.

The vote to hold rates steady was 10–2, with Stephen Miran and Christopher Waller dissenting in favor of a quarter point cut. Waller's dissent drew particular attention, given the heightened scrutiny surrounding the Fed and the White House. With Chair Jerome Powell under Department of Justice investigation and the White House applying pressure for lower rates, there was a clear incentive for policymakers to present a unified front. Waller, however, is widely viewed as a leading candidate for the future Fed chair role. Had he aligned with the majority and supported holding rates steady despite the administration's preference for easing, many believed it could have weakened his prospects. By backing a cut, his standing within the administration may have strengthened, positioning him as a more politically acceptable option for future leadership.

Fed Fund Futures & 10yr UST Futures



Side-by-side comparison of the U.S. Federal Open Market Committee statements from January 28, 2026 and December 10, 2025.

January 28, 2026	December 10, 2025
Available indicators suggest that economic activity has been expanding at a solid pace. Job gains have remained low, and the unemployment rate has shown some signs of stabilization. Inflation remains somewhat elevated.	Available indicators suggest that economic activity has been expanding at a moderate pace. Job gains have slowed this year, and the unemployment rate has edged up through September. 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.	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, 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 support of its goals and in light of the shift in the balance of risks, the Committee decided to lower the target range for the federal funds rate by 1/4 percentage point to 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.	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; Beth M. Hammack; Philip N. Jefferson; Neel Kashkari; Lorie K. Logan; and Anna Paulson. 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 1/4 percentage point at this meeting.	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.
SOURCE: Federal Reserve Board	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; Philip N. Jefferson; Alberto G. Musalem; 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 1/2 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.
	SOURCE: Federal Reserve Board

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