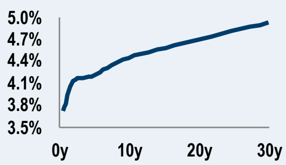
June 17, 2026

NEW FED SAME AS THE OLD FED

- The FOMC held interest rates unchanged at a range of 3.50-3.75% in Kevin Warsh's first meeting at the helm
- Even if Warsh wanted to cut, his freedom is constrained by recent energy-led toasty inflation prints
- At first, Warsh's changes are more tinkering around the edges, for example focusing on trimmed mean inflation
- Half of FOMC participants anticipating a hike this year; appears that Warsh did not submit a dot plot projection

Treas.	2.15PM	1.45PM	Chg.
3mo	3.72	3.71	+0.01
2yr	4.12	4.07	+0.06
5yr	4.21	4.17	+0.04
10yr	4.45	4.43	+0.02
30yr	4.93	4.93	+0.00
3m/2s	40	36	+5
2s/10s	33	37	-(4)
2s/30s	81	86	-(5)



Source: Bloomberg

The last time Kevin Warsh joined an FOMC meeting, Lady Gaga's "Born this Way" was on top of the Billboard charts. Said another way, it's been a while. Warsh re-joined the Fed about four weeks ago, which makes this June FOMC meeting his first time in charge. At Warsh's first meeting in the big seat, the FOMC elected to hold interest rates unchanged in a range of 3.50 – 3.75%, where they have been all year. Realistically, Warsh does not have much freedom when it comes to rate setting at this moment, but he does hold considerable sway as to how the Fed's rate setting group frames its views on core inflation and productivity growth as the year progresses.

Data since the Federal Reserve last met has been largely positive on economic growth and expectedly warm on inflation. With May's numbers, the 3-month average growth in payrolls accelerated to +188K. Contrast this figure to the -40K average in the final months of 2025. Put simply, the period of labor market fragility brought about by tariffs, supposed federal job cuts, and emigration policy is now behind us. The Iran conflict opened up another avenue of risk for the labor markets—energy shocks are usually anti-growth—but the strength of job gains in the face of these risks just serves to underscore the resilience of labor demand. When it comes to inflation data, there's obvious heat from higher energy costs on the headline CPI/PCE. How much of this gets passed through into core inflation is an open question. Realistically, we will not see clean data until July CPI gets released in August. In the meantime, how many times Warsh talks about "trimmed mean PCE" at today's press conference is probably the tell for how he pushes the FOMC to address inflation in coming months.

The statement accompanying today's FOMC decision included numerous changes and is dramatically shorter than recent statements. In follow-through from last meeting, the FOMC dropped any easing bias in the June statement, preferring instead to say nothing on the topic. Qualitative references to the economic outlook were more limited and any reference to the Fed's employment mandate is gone, replaced only by a blunt sentence that "The Committee will deliver price stability." A charitable interpretation of the statement might call it "constructive ambiguity."

In addition to the FOMC statement, Fed officials also published their quarterly summary economic projections (SEP) and rate forecasts (dot plot). The most notable change in the former was a markup in 2026 inflation expectations, while the most notable change in the latter is the pricing out of any rate cuts in 2026. Warsh has shared skepticism over the value of these forecasts, and while there are no changes at this meeting, it seems likely a Warsh Fed will include less detail in the SEP/dots over time. Given how awful Fed forward guidance was in the 2021-2023 period, markets have largely given up on tracking the dots in recent years, so the loss of detail here should not have a major effect.

Immediate market response to the FOMC statement included a move higher in front end rates and a material yield curve steepening—exactly what one would anticipate from a hawkish policy choice. Risk assets as measured by the S&P 500 sold off about -0.5%, a notable though not massive move. As always, there will be much more about forward plans at the Chair's press conference. Ironically, the most likely change at this press conference is a reduction in the number of press conferences back to the same pace as when Warsh was last at the Fed some fifteen years ago.

FEDERAL RESERVE press release

- Extremely terse FOMC statement; three meaningful paragraphs
- No implications that next move will be a cut
- "Will" deliver price stability is quite the blunt statement
- The voting was unanimous

The Federal Open Market Committee approved the following statement for release by a 12 – 0 vote:

The Committee decided to maintain the target range for the federal funds rate at 3-1/2 to 3-3/4 percent, in support of the Federal Reserve's dual mandate. The Committee reaffirmed its policy of maintaining ample reserves in the banking system.

Economic activity is expanding at a solid pace despite elevated uncertainty that owes, in part, to the conflict in the Middle East. Productivity growth and capital investment are strong. Job gains have kept pace with the workforce, and the unemployment rate has changed little.

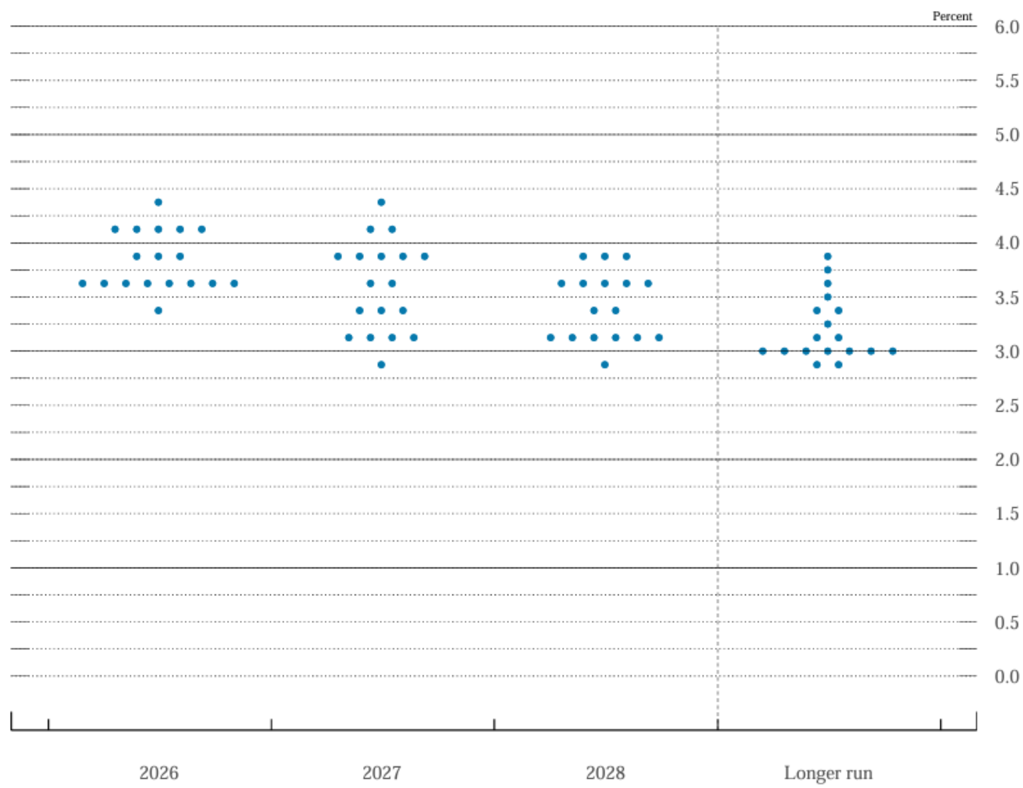
Inflation remains elevated relative to the Committee's 2 percent goal, in part reflecting supply shocks that have driven price increases in certain sectors, including energy. The Committee will deliver price stability.

- Median core PCE forecast marked up 0.6% vs March meeting is quite something
- Growth expectations are close to unch

Percent

Variable	Median[1] 2026	Median[1] 2027	Median[1] 2028	Median[1] Longer run	Central Tendency[2] 2026	Central Tendency[2] 2027	Central Tendency[2] 2028	Central Tendency[2] Longer run	Range[3] 2026	Range[3] 2027	Range[3] 2028	Range[3] Longer run
Change in real GDP	2.2	2.3	2.2	2.0	2.0–2.3	2.0–2.4	2.0–2.3	1.8–2.0	1.8–2.6	1.9–2.9	1.8–2.6	1.7–2.5
March projection	2.4	2.3	2.1	2.0	2.2–2.5	2.0–2.4	2.0–2.3	1.8–2.0	2.1–2.7	2.0–2.7	1.8–2.7	1.7–2.5
Unemployment rate	4.3	4.3	4.2	4.2	4.3–4.4	4.2–4.5	4.1–4.3	4.0–4.3	4.3–4.6	4.0–4.6	4.0–4.4	3.8–4.5
March projection	4.4	4.3	4.2	4.2	4.3–4.5	4.2–4.4	4.0–4.4	4.0–4.3	4.3–4.6	4.0–4.5	4.0–4.5	3.8–4.5
PCE inflation	3.6	2.3	2.0	2.0	3.5–3.7	2.2–2.5	2.0–2.1	2.0	2.7–4.1	1.9–2.8	2.0–2.3	2.0
March projection	2.7	2.2	2.0	2.0	2.6–3.1	2.0–2.3	2.0	2.0	2.3–3.3	1.8–2.4	1.9–2.2	2.0
Core PCE inflation[4]	3.3	2.5	2.1		3.2–3.5	2.3–2.6	2.0–2.2		2.6–3.5	2.0–3.0	2.0–2.4	
March projection	2.7	2.2	2.0		2.5–2.8	2.0–2.4	2.0		2.2–3.0	2.0–2.5	2.0–2.2	
Memo: Projected appropriate policy path												
Federal funds rate	3.8	3.6	3.4	3.1	3.6–4.1	3.1–3.9	3.1–3.6	3.0–3.5	3.4–4.4	2.9–4.4	2.9–3.9	2.9–3.9
March projection	3.4	3.1	3.1	3.1	3.1–3.6	2.9–3.6	2.9–3.6	2.9–3.5	2.6–3.6	2.4–3.9	2.6–3.9	2.6–3.9

- Of 18 2026 dots, 9 now have at least one hike priced, though plurality is sitting at unch'd
- Missing dots suggest Warsh did not submit a projection; he has indicated he is not a fan



GUY LEBAS, CHIEF FIXED INCOME STRATEGIST | GLEBAS@JANNEY.COM | 215.665.6034