

FROM THE DESK OF:

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End of an era: Powell's last presser

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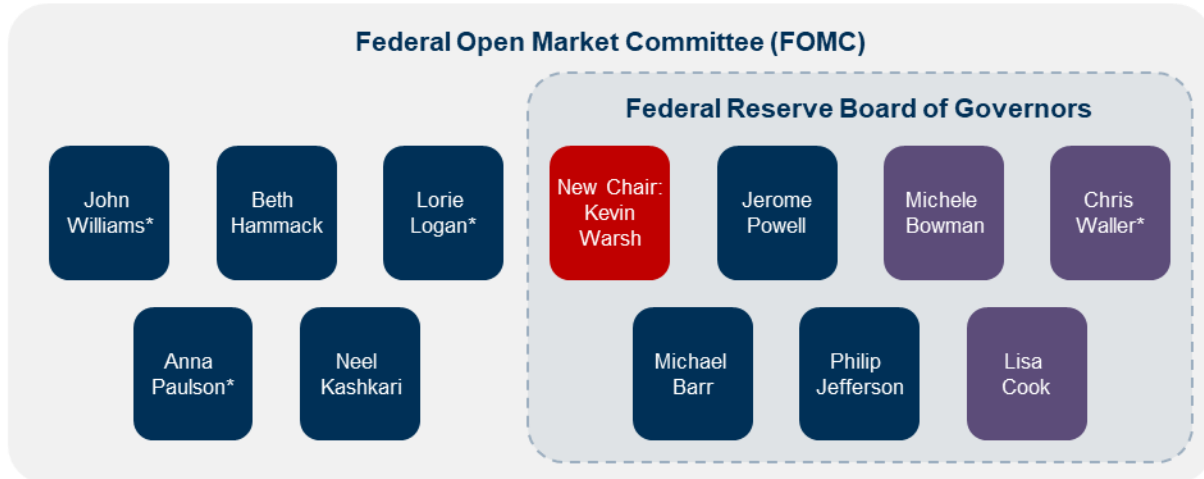
End of an era: Powell’s last presser

Commentary on the April FOMC
As of 3:30 pm, 29 April 2026

The Fed is facing clear and present inflation danger from a supply-side oil shock. Furthermore, its policy tools primarily act on the demand side of the economy and are ill suited to cope with this type of shock. Yet, the most-watched commentary from the April FOMC does not pertain to the policy rate – it pertains to the politics behind the policy tools.

Today’s press conference most likely marks Jerome Powell’s last as Fed Chair. Kevin Warsh’s full Senate confirmation is likely to be complete by May 15, and he will assume the Chair position. However, **Powell stated that he will remain on the Fed Board after stepping down as Chair**, citing that legal attacks on the Fed are ongoing and may impair the institution’s ability to enact monetary policy. Critically, this decision will keep the [political makeup of the Board of Governors unchanged](#): Warsh will take Stephen Miran’s expired seat, and the Trump administration will not be able to replace Powell unless he steps down or until his term ends in January 2028.

Fed independence comes down to the independence of its governors



Blue: Likely to follow traditional policy.
Red: Likely to pursue more dovish policy.
Purple: Policy preference uncertain. Bowman and Waller: previously appointed by President Trump; have supported traditional policy thus far. Cook: position pending Supreme Court ruling.
*Long time Federal Reserve staff.
For illustrative purposes only. Opinions of New York Life Investments Global Market Strategy, April 2026.

A bouquet of dissent will welcome Warsh back to the FOMC

As expected, the Fed held rates steady at 3.50-3.75%. But this action came with four dissents, the greatest number of dissents since 1992. Stephen Miran continued to dissent in favor of an interest rate cut, while three regional reserve bank presidents – Beth Hammack of Cleveland, Neel Kashkari of Minneapolis, and Lorie Logan of Dallas – dissented, not based on the decision to keep rates unchanged, but with what they saw as a dovish bias in the [FOMC statement](#).



Prior to the meeting, Treasury yields moved higher, with both short and long rates rising back toward their March highs. Two factors likely drove this move: first, President Trump's reaffirmation of the Strait of Hormuz blockade, sparking fresh concerns about a prolonged oil shock; second, Kevin Warsh's passage through the Senate Banking Committee, all but guaranteeing he will replace Powell as Fed Chair. Market moves following the FOMC announcement and Powell's press conference were broadly consistent with this trend, with rates up on the day and equities modestly lower.

Our view

Our view on the policy rate is unchanged from the start of the year: we expect 1-2 cuts from the Fed. Due to volatility in Fed Funds Futures since the war began, this view has been pulled from modestly hawkish relative to consensus (futures began the year pricing 2-3 cuts) to decidedly dovish (consensus now expects no cuts for 2026).

We take a balanced approach. The war in Iran is likely to delay rate cuts, but any sustained increase in inflation is likely to be met with some demand destruction among both consumers and businesses. While the Fed's tools are not well suited to address supply-driven inflation, they are suited to support weaker demand – keeping rate cuts on the table, in our view.

Importantly, this outlook is not driven by expectations for a Warsh-led Fed. While he may lean more dovish, he is one of 12 votes on the FOMC determining the Fed Funds rate and balance sheet policy. As the dissents at this meeting show, it will be a high bar for the new Chair to convince FOMC members toward near-term interest rate cuts.

As markets continue to digest geopolitical risk and how to price new Fed leadership, we maintain our constructive outlook for U.S. equities, driven by strong earnings quality. We are cautious on duration considering ongoing upside risks to long rates, while mindful that a near-term bear flattener effect may continue as short rates reflect upside inflation risks.

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