



## Preview: Federal Reserve rate decision due Wednesday 29th April 2026

**SUMMARY:** The Fed is widely expected to leave rates unchanged at 3.50-3.75% on Wednesday, with focus squarely on Chair Powell's guidance, as policymakers assess the inflationary impact of the ongoing US-Iran conflict. The recent surge in oil prices has pushed back rate cut expectations, with a Reuters poll showing a majority of economists now see easing delayed until at least September. Traders also seek details about Powell's future, with this meeting expected to be his last as Fed Chair, providing Kevin Warsh is approved in time.

**RATES:** Policymakers are expected to maintain a wait-and-see stance, with recent commentary suggesting policy is well-positioned to assess incoming data. The shift in expectations reflects higher energy prices and rising inflation risks, which have reduced the urgency to loosen policy. Market-based inflation expectations remain well anchored, allowing the Fed to remain patient for now. The March dot plot pencilled in one rate reduction this year, although views remain split, with some officials still highlighting downside risks to the labour market. The doves are still leaning towards rate cuts, with Governor Bowman noting that she has pencilled in three rate cuts for 2026, as she remains concerned about the health of the labour market. Governor Miran, meanwhile, said if he were to update his dots now, he would pencil in three cuts instead of four.

**CONFLICT IMPACT:** The US-Iran conflict has lifted oil prices above USD 100/bbl, and poses upside risks to headline inflation. While headline inflation has already moved higher, core measures remain more stable, but have still edged up. The key risk for the Fed is whether energy-driven price increases feed into broader inflation expectations. If inflation becomes more entrenched, the Fed may need to lean more hawkish; conversely, a deterioration in the labour market could still justify easing later in the year. For now, officials appear comfortable remaining on hold while monitoring developments.

**PRESS CONFERENCE:** With no updated Summary of Economic Projections at this meeting, Powell's press conference will be looked to for insight on how the Fed is interpreting the inflationary impact of the conflict, the balance of risks between growth and inflation, and what conditions would justify a shift in policy.

**FED CHAIR:** Fed Chair Nominee Warsh is expected to be approved as Fed Chair after Senator Tillis signalled that he will support the nomination now that the DoJ has dropped its investigation into Chair Powell. The Senate Banking Committee, where Tillis has a decisive vote, is set to advance Warsh's nomination on Wednesday, the same day as the Fed. Providing Warsh is approved in time, this will be Fed Chair Powell's last meeting as Chair. Powell is yet to confirm if he will step down from the Board of Governors, which is typically the move by a Fed Chair when their term as chair expires; note: his term as Governor is due to expire in January 2028. Polymarket is pricing roughly a 50% probability that Powell leaves the Fed Board by end-May, rising to around two-thirds by year-end.

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