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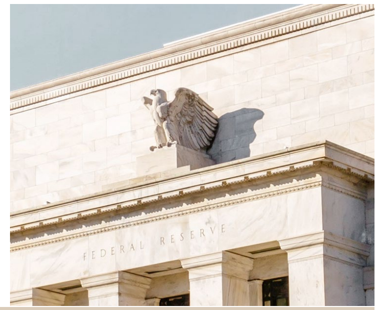

FOMC Meeting: Key Takeaways

January FOMC meeting | **January 28, 2026**

Policy announcement

The Federal Open Market Committee (FOMC or the Committee) left the federal funds rate unchanged at 3.50% – 3.75% after delivering three 25 basis point (100 basis points equal 1%) cuts in 2025. The FOMC stated that available indicators suggest economic activity has been expanding at a solid pace while job gains have remained low. The Federal Reserve (Fed) will continue purchases of shorter-term Treasury securities to maintain an ample supply of reserves.

Stated reasons

- 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.
- In support of its goals, the Committee left the target range for the federal funds rate unchanged at 3.50% - 3.75%. Uncertainty about the economic outlook remains elevated. The Committee is attentive to the risks to both sides of its dual mandate (price stability and full employment).

Looking forward

- 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'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.

What else?

- A pause on cuts to the federal funds rate at today's meeting was expected by markets. There were two Fed governors that dissented: Stephen Miran and Christopher Waller, both of whom would have preferred to lower the rate by 0.25%. No Fed governors had a preference to raise rates.
- We believe there is potential for the Fed to deliver two additional rate cuts in 2026 as the Fed still attempts to reach a neutral policy rate, that is neither restrictive nor stimulative, but there continues to be considerable disagreement from individual members on the appropriate target range for rates. Given a relatively robust economic environment, it seems likely that these cuts will be delayed until later in the year.
- The threat of having both inflation and unemployment rising simultaneously continues to create a dilemma for the Fed's interest rate policy. While the Fed is somewhat inclined to continue with rate cuts, there is a possibility that a better-than-expected economic environment could force an early end to the cutting cycle. We believe risks to intermediate (3-7 year maturities) and long-term (maturities of 10 years or more) yields may be to the upside from current levels but remain within our year-end 2026 target range.
- The Committee continues to judge that reserve balances have declined to ample levels and will maintain purchases of shorter-term Treasury securities as needed to maintain an ample supply of reserves on an ongoing basis.

Upcoming meeting schedule:

- March 18* | April 29 | June 17* | July 29 | September 16* | October 28 | December 9*

  *Indicates the meeting is associated with a summary of economic projections. In addition, every meeting will be accompanied by a press conference.

Risk considerations

Forecasts and targets are based on certain assumptions and on views of market and economic conditions which are subject to change.

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