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Poor visibility

It's never too early to talk about the Federal Open Market Committee (FOMC). In fact, in finance and economist circles, the next meeting is often discussed the same day that the committee announces its decision. And so, here we are with another Federal Reserve get-together next week, ripe for discussion.

We think the Fed will most likely extend its present “wait and see” mode as it evaluates the potential impacts of the Iran war. As the last eight days – first progress then escalation – reminds us that little is certain. The ceasefire is fragile and negotiations are unfruitful to this point.

The only one likely to deviate from this view is Fed Governor Miran, one of the more outspoken dovish members of the committee. He continues to call for multiple cuts this year. But over the last few months, he has reduced the amount from six to four, and recently signaled he might drop to three. He bases this shift on his opinion that US inflation trends had become “less favorable” even before the war. Inflation is indeed a focus of all FOMC voters as the war has shaken up the transport of oil and raised the price of gasoline.

And then there is the business of Kevin Warsh. The Senate nomination hearing for him to succeed Jerome Powell as Fed Chair is scheduled for next week. But Banking, Housing and Urban Affairs Committee Chair Senator Thom Tillis is sticking with his position about the issue. He maintains he will not advance Warsh to a Senate confirmation vote until the Trump administration drops its investigation into Powell about the cost of the renovations of the Eccles building (the central bank's headquarters).

Views are as of the date above and are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security or sector.

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