



Weekly Commentary

MARCH 23, 2026

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More for the Fed to watch in its wait-and-see mode

Nearly lost amid the geopolitical developments, the Federal Open Market Committee met last week. As expected, voters left the fed funds target range unchanged at 3.50-3.75%, the level at which it has been since December of 2025.

While Federal Reserve policymakers primed the markets for the likelihood no change would be made in recent speeches, the Iran conflict solidified it, according to Chair Jerome Powell. In his press conference following the decision on Wednesday, he admitted that inflation is not retreating as he expected it would by now and that the surge in prices from the attacks by the US and Israel probably will postpone the hoped-for decrease further.

The new Summary of Economic Projections (SEP) did not reflect his pessimism. Participants still predicted one 25 basis-point ease in 2026. But they did take the potential for the rise in inflation in mind by raising their prediction of the growth rate of core Personal Consumption Expenditures Index (which strips out volatile elements such as oil prices) in 2026 from 2.5% in December's meeting to 2.7%. The SEP does not specify the reasons for the various forecasts, but surely the conflict played a role. We will likely get more color in upcoming speeches.

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G40461-19 (3/26)