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Investment Insights

April FOMC Decision: A Divided Fed in Powell's Last Meeting

Morningstar Investment Management LLC
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Executive Summary

- The FOMC held the federal funds rate at 3.50%–3.75% today in an 8–4 split vote—the widest dissent since October 1992.
- Governor Miran dissented in favor of a 25-bps cut, while three regional Bank presidents supported the hold but objected to the easing bias retained in the statement.
- Markets read the day as incrementally hawkish, though equities have taken the news in stride. Fixed-income continues to reprice as the higher-for-longer theme makes its presence felt.

The Decision

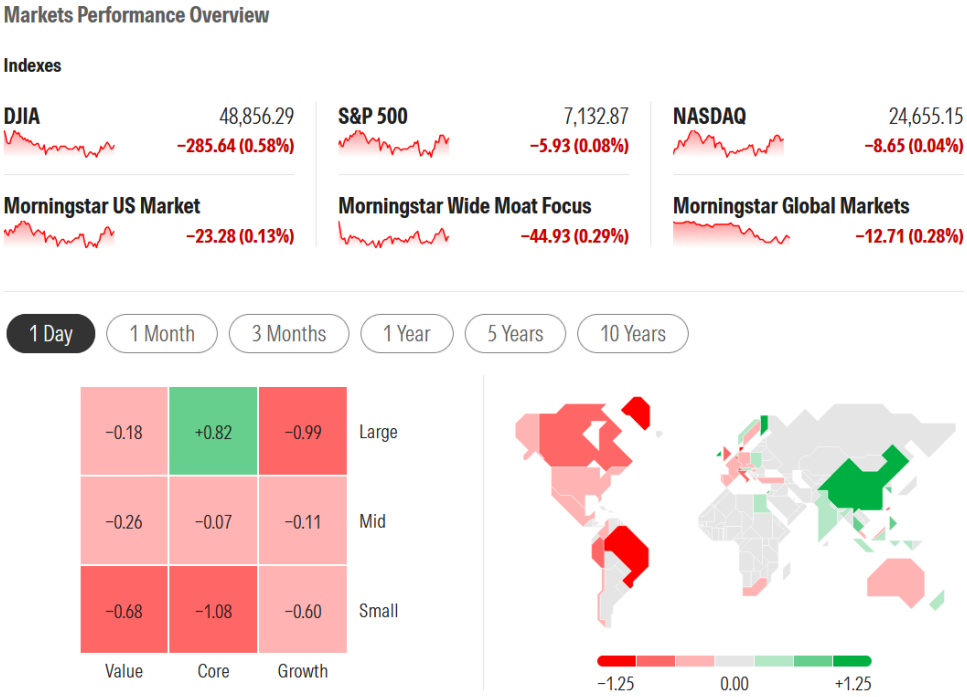
The Federal Open Market Committee voted today to hold the target range for the federal funds rate at 3.50%–3.75%, marking the third consecutive hold following the three successive 25-bps cuts delivered in September, October, and December of 2025. The decision itself was widely anticipated; however, the manner in which it was reached was not.

In what is almost certainly Chair Jerome Powell's final meeting at the helm of the committee, the FOMC fractured into an 8–4 vote, the widest dissent since October 1992. Governor Stephen Miran, consistent with his pattern since joining the Board last September, dissented in favor of a 25-bps cut. The more notable surprise came from three regional Bank presidents—Neel Kashkari of Minneapolis, Lorie Logan of Dallas, and Beth Hammack of Cleveland—who supported the hold but objected to the inclusion of an easing bias in the statement. Powell, in his press conference, defended the bias by noting that most members voted to keep it and emphasized that the dissents did not reflect support for rate hikes but rather a preference to remain neutral and avoid rushing a policy change.

The statement language itself softened only at the margin, with the committee describing inflation as "remains somewhat elevated," a deliberate nod to the recent increase in global energy prices and the heightened uncertainty around the economic outlook tied to developments in the Middle East. Surely, energy prices that are sustainably higher feed directly into a possible demand shock. The Fed will be keen on looking through volatile inflation to ensure policy is accommodative enough should domestic conditions deteriorate.

Market Reaction

The price action through the announcement and presser was consistent with a tape that read the day as incrementally hawkish. The 10-year Treasury yield reached 4.43%, while the 2-year, the more policy-sensitive rate, pushed to 3.95%. The long end has continued to push higher, with the 30-year approaching the 5% area that has repeatedly served as a ceiling. The dollar index strengthened 0.3%, broadly consistent with a higher-for-longer repricing. Equities drifted modestly lower into the print, with the S&P 500 and Nasdaq basically flat, and the Dow lower by approximately 300 points at the time of writing. The move is likely being cushioned by a constructive earnings backdrop.



The Transition to Chair Walsh

Powell confirmed he intends to remain on the Board of Governors past the May 15 expiration of his term as Chair, citing concerns regarding the administration's investigations of the Fed, and indicated he expects to keep a low profile in that role. Separately, the Senate Banking Committee advanced Kevin Warsh's nomination today, with a full Senate vote expected within days. Markets broadly view Warsh as more sympathetic to the administration's push for lower rates, but today's dissent pattern is a meaningful signal that the incoming Chair will inherit a committee that is far from monolithic. As Renaissance Macro's Neil Dutta framed it post-announcement, the Chair's principal authority is the power of persuasion, and Warsh's task of moving committee views is not trivial.

Looking Ahead

The setup heading into the Warsh era is genuinely unusual: an incoming Chair widely expected to lean dovish, an administration applying sustained public pressure for lower rates, an inflation profile that remains above target with a fresh energy impulse, and a labor market that is cooling but not breaking. Today's vote was, in effect, an early statement from the regional bank heads that the standard assumption of a smooth glide path to lower rates under new leadership warrants scrutiny. The path of policy from here will likely be determined less by the Chair's preferences in isolation than by the interplay between those preferences, the data, and a committee that has shown it is willing to push back.

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