

IEWS  
IEWS



IEWS  
IEWS

## FED THOUGHTS: WATCHFUL WAITING

Vincent Reinhart | Chief Economist & Macro Strategist

January 2026

---

## Considerable drama surrounds the Federal Reserve (Fed) entering 2026, but little of it concerns the first policy-setting meeting of the year.

- We think that the Federal Open Market Committee (FOMC) will likely keep the federal funds target rate at 3.50% to 3.75% at its January 27 to 28 meeting and signal no hurry to change it thereafter.
- The meaningful drama comes from the selection of the next chair by the White House and the ruling on Fed Governor Cook's dismissal by the Supreme Court. These are outside influences on Fed officials, who, like us, must watch and wait.
- During this watchful waiting, Chair Powell is likely to stay on the sidelines to give his colleagues scope to publicly debate the appropriate policy stance. This serves two purposes. The higher volume of Fed talk reminds the political class that monetary policy is a group decision, and Chair Powell is preparing his colleagues for their potential future role in the "loyal opposition" if the administration's choice of the next chair is viewed as problematic by markets.

In a close, contested call in September, the FOMC settled on buying insurance for economic expansion by signaling the intent to cut the policy rate by one-quarter percentage point at each of its last three meetings of 2025. While aggregate demand remained on a vigorous track, supported by financial accommodation, fiscal impetus, and an artificial-intelligence-related splurge on capital, employment growth was tepid. This mixed performance raised the risk that the labor market may be less resilient to adverse shocks and impair economic expansion. While inflation remained above the Fed's goal of 2%, tariff pressures were more contained than feared. Ultimately, Fed officials were willing to tolerate a slower return of inflation to its goal in exchange for additional support to employment.

The decision was contested because policymakers had differing views on support for aggregate demand, the resilience of the labor market, and the remaining effects of tariffs on headline inflation. Recent events mostly supported the Fed's purchase of insurance—although the full cost of the premium may depend on the outcome for inflation in 2026. For now, they seem willing to wait for the results of what they have put in place. As noted in the minutes of the December meeting, "with respect to the extent and timing of additional adjustments to the target range for the federal funds rate, some participants suggested, under their economic outlook, it would likely be appropriate to keep the target rate unchanged for some time after a lowering of the range at this meeting."<sup>1</sup> We interpret "some" to imply that a large enough portion of the group serves as a blocking coalition to put off action for at least the next few meetings.

Their assessment also might be colored by the political economy. Change is coming to the composition of the FOMC. The substitutions, at least one with the new chair and another possible depending on the judicial process, will put more weight on easing. The sitting members probably feel no need to front-run that eventuality.

In current circumstances, a quarter-point here or there on the target rate seems inconsequential for the Fed's call in 2026. After the orderly advisory process in which Treasury Secretary Bessent winnowed a lengthy list of candidates, the decision rests in the Oval Office. No one has an edge in predicting the president, including us.

But we can count to put the decision in perspective.

Since the creation of the position in the Banking Act of 1935, there have been 10 chairs of the Fed, as shown in the table. Among the highlights:

### Chairs of the Federal Reserve Board since 1935

Federal Reserve Chair	Term start	Politics		Experience			Tenure
		President in Democratic party?	Chair in Democratic party?	Prior position in the Executive branch?	Fed?	Banking?	
1 Marriner S. Eccles	August 23, 1935	✓	✗	✓	✗	✓	4,619
2 Thomas B. McCabe	April 15, 1948	✓	✗	✓	✓	✗	1,082
3 William McChesney Martin Jr.	April 2, 1951	✓	✓	✓	✗	✓	6,880
4 Arthur F. Burns	February 1, 1970	✗	✗	✓	✗	✗	2,957
5 G. William Miller	March 8, 1978	✓	✓	✓	✓	✗	516
6 Paul A. Volcker	August 6, 1979	✓	✓	✓	✓	✓	2,927
7 Alan Greenspan	August 11, 1987	✗	✗	✓	✗	✓	6,749
8 Ben S. Bernanke	February 1, 2006	✗	✗	✓	✓	✗	2,924
9 Janet L. Yellen	February 3, 2014	✓	✓	✓	✓	✗	1,463
10 Jerome H. Powell	February 5, 2018	✗	✗	✓	✓	✓	3,021

Sources: Compiled from official and authoritative references: the Federal Reserve Board's website for chair names and tenure dates; the Federal Reserve History site for biographies and career details; Congressional Research Service and Congress.gov reports for appointment and reappointment context; FRASER (Federal Reserve Bank of St. Louis) archives for historical corroboration; and the U.S. Government Manual for federal directory verification. Wikipedia was only used as a secondary cross-check, not as a primary source. Table assumes that Jay Powell serves until the completion of his term. BNY Investments, 1/5/2026.

- All 10 had prior experience in the executive branch of government before being tapped for the Fed. Those roles included advising the president, working in the Treasury, and heading the Council of Economic Advisers.
- On first appointment, 8 of the 10 were in the same political party as the president. And the two exceptions were early on, when Democratic presidents had trouble finding a business leader who was not a Republican.

---

This shows that the Fed chair is a political appointment. The first time any of them entered the Oval Office was not for their job interview. They had been there before and, given the party alignment, they probably were not uncomfortable there either.

A quick further run of the numbers concerning their experience in areas relevant to the job shows:

- 6 of 10 had experience within the Federal Reserve System; the most recent four had the most established credentials. Paul Volcker, Ben Bernanke, Janet Yellen, and Jay Powell had been on the FOMC before they were asked to lead it.
- 5 of 10 had academic training in economics.
- 5 of 10 worked in banking or finance in some private-sector capacity.

In thinking about the next four years with a new chair, the precedent is that the person is known in political circles, thought to be loyal, and probably will not tick all the boxes about what will be expected of them. On-the-job training may follow: for them on what to do, and for us on what to expect.



**Vincent Reinhart**  
**Chief Economist & Macro Strategist**

Vincent is the firm's Chief Economist and Macro Strategist. In this role, he is responsible for developing views on the global economy and making relative value recommendations across global bond markets, currencies and sectors.

Previously, Vincent served as the Chief US Economist and a managing director at Morgan Stanley. For the prior four years, he was a resident scholar at the American Enterprise Institute (AEI). Vincent also spent 24 years at the Federal Reserve, holding several roles including Director of the Division of Monetary Affairs and Secretary and Economist of the Federal Open Market Committee (FOMC). His responsibilities at the Federal Reserve included directing research and analysis of monetary policy strategies and the conduct of policy through open market operations, discount window lending and reserve requirements. Prior to these roles, he was the principal liaison with the domestic desk at the Federal Reserve Bank of New York and was responsible for preparing a document outlining policy alternatives for each FOMC meeting. He was Deputy Director in the Division of International Finance and Associate Economist of the FOMC and spent five years at the Federal Reserve Bank of New York in both the domestic and international research departments.

His academic publications primarily concern the conduct of policy and issues related to the monetary transmission mechanism as well as an analysis of alternative auction techniques and Treasury debt management. After an undergraduate training at Fordham University, he received graduate degrees in economics at Columbia University.

---

## Endnotes

1. Source: Board of Governors of the Federal Reserve System, "Minutes of the Federal Open Market Committee," December 9–10, 2025.

## Important information

### PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

All investments involve risk, including the possible loss of principal. Certain investments have specific or unique risks. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

This material has been provided for informational purposes only and should not be construed as investment advice or a recommendation of any particular investment product, strategy, investment manager or account arrangement, and should not serve as a primary basis for investment decisions. Prospective investors should consult a legal, tax or financial professional in order to determine whether any investment product, strategy or service is appropriate for their particular circumstances. This document may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is unlawful or not authorized. Views expressed are those of the author stated and do not reflect views of other managers or the firm overall. Views are current as of the date of this publication and subject to change. This information may contain projections or other forward-looking statements regarding future events, targets or expectations, and is only current as of the date indicated. There is no assurance that such events or expectations will be achieved, and actual results may be significantly different from that shown here. The information is based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons. References to specific securities, asset classes and financial markets are for illustrative purposes only and are not intended to be, and should not be, interpreted as recommendations. Charts are provided for illustrative purposes and are not indicative of the past or future performance of any BNY product. Some information contained herein has been obtained from third party sources that are believed to be reliable, but the information has not been independently verified. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission.

Indices referred to herein are used for comparative and informational purposes only and have been selected because they are generally considered to be representative of certain markets. Comparisons to indices as benchmarks have limitations because indices have volatility and other material characteristics that may differ from the portfolio, investment or hedge to which they are compared. The providers of the indices referred to herein are not affiliated with Mellon Investments Corporation (MIC), do not endorse, sponsor, sell or promote the investment strategies or products mentioned herein and they make no representation regarding the advisability of investing in the products and strategies described herein. Investors cannot invest directly in an index.

Mellon Investments Corporation (MIC) is a registered investment adviser and subsidiary of The Bank of New York Mellon Corporation (BNY). MIC is composed of two divisions; BNY Investments Mellon (Mellon), which specializes in index management, and BNY Investments Dreyfus (Dreyfus), which specializes in cash management and short duration strategies. Securities are offered through BNY Mellon Securities Corporation (BNYSC), a registered broker-dealer and affiliate of MIC. BNY Investments is the brand name for the investment management business of BNY and its investment firm affiliates worldwide.

Personnel of certain of our BNY affiliates may act as: (i) registered representatives of BNY Mellon Securities Corporation (in its capacity as a registered broker-dealer) to offer securities and certain bank-maintained collective investment funds, (ii) officers of The Bank of New York Mellon (a New York chartered bank) to offer bank-maintained collective investment funds, and (iii) Associated Persons of BNY Mellon Securities Corporation (in its capacity as a registered investment adviser) to offer separately managed accounts managed by BNY Investments firms.

MIC-860421-2026-01-07

MICA-860416-2026-01-07

► **BNY** | INVESTMENTS