

MARKETS IN FOCUS

Fed insights

‘I have nothing for you today’ – January FOMC takeaways

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Following three consecutive meetings of 25-basis point cuts, the Federal Open Market committee (FOMC) opted to hold its policy rate steady as expected, leaving the target range at 3.50% to 3.75%.²

Following the press conference, conversations have asked whether this meeting was just a skip or the beginning of a longer pause. We are in the latter camp, which is overwhelmingly the consensus position. U.S. Federal Reserve (Fed) Chair Jerome Powell acknowledged that – while still present – both the upside risks to inflation and downside risks to the labor market have diminished. Considering that we’ve seen 175 basis points of cuts since mid-2024 with inflation persistently above target, we think it’s fair to say that the Fed has overweighted the weakness in the labor market in its decision-making process. Pairing this with the two main changes to the official statement – (1) acknowledging that the unemployment rate has stabilized; and (2) deleting the acknowledgement that downside risks to employment have risen recently – we see a high likelihood that the Fed is on pause for at least the next few meetings.

Key takeaways

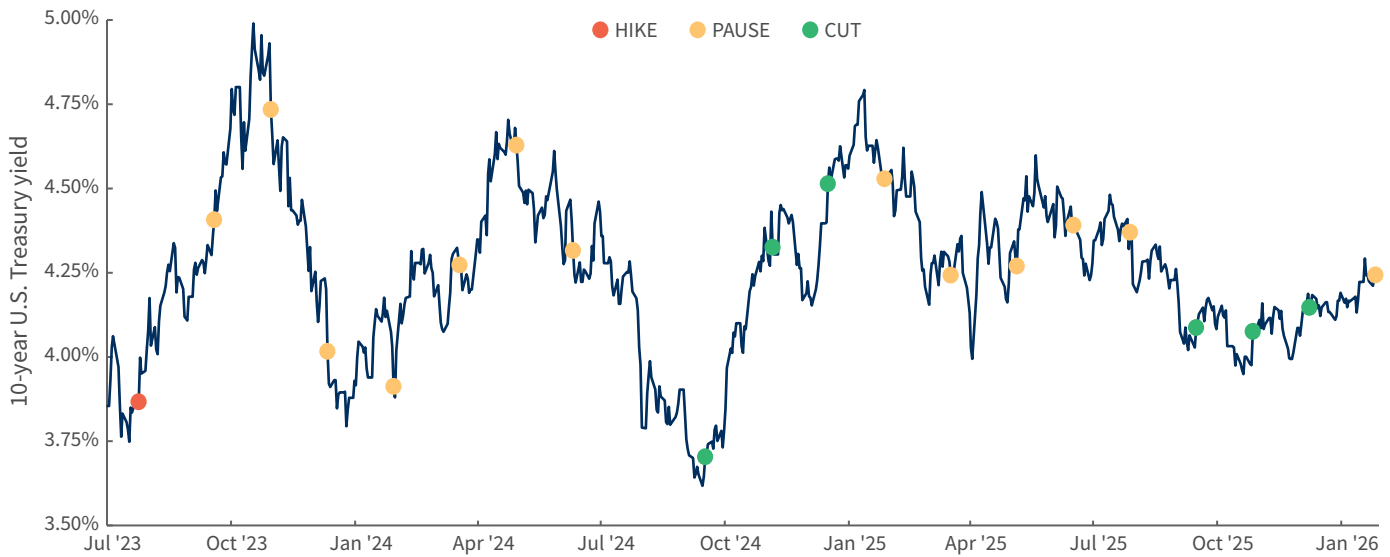
- There’s a high likelihood that the U.S. Federal Reserve is on pause for at least the next few meetings.
- When it comes to the Fed’s Independence, the key question is less who the next chair will be and more what happens with Fed Governor Lisa Cook.
- The macroeconomic backdrop appears favorable for risk assets, but the road ahead is likely to be bumpy. The playbook remains focused on artificial intelligence beneficiaries and potential ways to add cyclicity through financials and industrials.

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² Unless otherwise indicated, all data cited is sourced from Bloomberg as of Jan. 28, 2026.

Source: Bloomberg, as of 1/28/2026.

Fed interest rate cuts back on pause 10-year U.S. Treasury yield since July of 2023



Source: Bloomberg, as of 1/28/2026.

The good news is that the stock market largely expected this outcome and Powell's repeated mentioning of economic strength should provide further support for the cyclical trade in the market.

Questions, expectations, and risks

One of the biggest questions coming into the meeting was about interest rate cuts, but the press conference focused mostly on Fed independence.

Powell, however, declined to answer any questions not related to monetary policy – including those on who could be the next Fed chair, the Trump administration's effort to oust Fed Governor Lisa Cook, the decline of the U.S. dollar, and Canadian Prime Minister Mark Carney's speech at the World Economic Forum in Davos, Switzerland. To such questions, he repeatedly offered variations of "I have nothing for you on that today."

We only have two more meetings with Powell at the helm, and the market is increasingly focused on who President Trump will nomi-

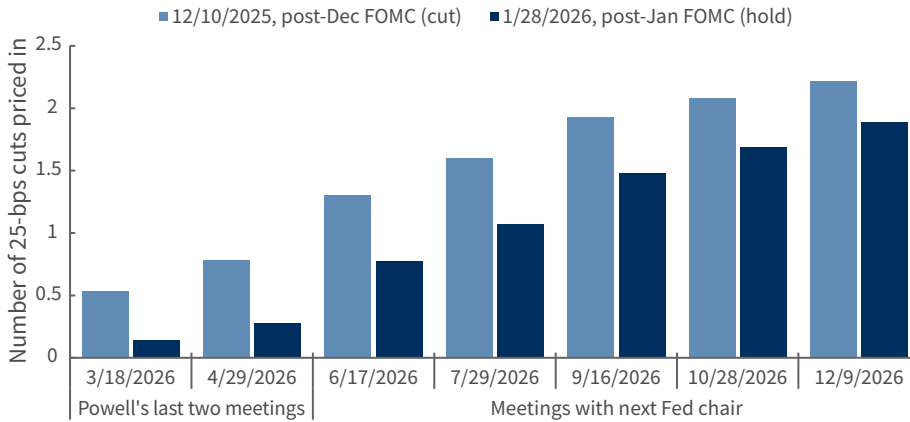
nate to replace him. The odds of Fed Governor Christopher Waller being nominated got a boost following his surprise dovish dissent this meeting. Governor Stephen Miran, a recent Trump appointee, was the only other dissenter this meeting, which extended the streak of FOMC meetings with dissents to four for four.

After the December FOMC meeting, the market priced in a 25-basis point cut in June, the first meeting after Powell leaves the chair. Now there's no such cut priced in until July. One of the key risks heading into this meeting was a rapid re-pricing of rate-cut expectations. It's encouraging to see the market make a gradual shift and continue to hold up well.

Further, it seems that the market is coming to terms with the idea that the new Fed chair can set the tone and direction of discussion, but at the end of the day the chair has one vote on a 12-member committee. Here's our key point: The Fed's independence, while still in focus, is being questioned less – at least with respect to Powell's replacement – but we have long maintained that the fate of Lisa Cook is much more important.

We've almost definitely seen Powell's last cut

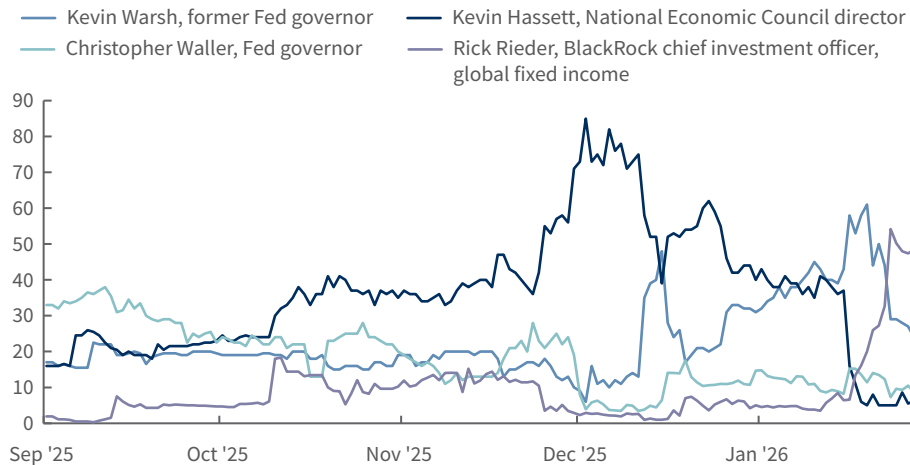
Future-implied interest rate cuts priced in by each remaining FOMC meeting in 2026



Source: Bloomberg, as of 1/28/2026.

Rieder is still the leader

Polymarket odds of being nominated as the Fed's next chair



Source: Bloomberg, as of 1/28/2026.

Near-term outlook and playbook

We continue to view the macroeconomic backdrop as favorable for risk assets but maintain that the road ahead is likely to be bumpy. It's eerie how muted rate volatility has been over the past couple of weeks despite the Greenland fiasco, Japanese government bond yields spiking to the highest levels in our lifetimes, and Trump yo-yo'ing the dollar.

We continue to view longer-dated yields as remaining range-bound this year with lift to the upside. With equities at all-time highs, we favor diversification going forward. Fourth-quarter earnings are off to a strong start, and we increasingly see indications that breadth appears to have expanded while the artificial intelligence (AI) trade has powered ahead. We believe there are potential opportunities down the market-capitalization spectrum, overseas, and across sectors – even underground as metals have been posting strong returns.

To sum things up, our outlook remains largely unchanged: consider leaning into AI-related companies with the best prospects of navigating the bottleneck in the trade and look for ways to add cyclical through financials and industrials in particular. Most importantly, avoid chasing this market higher. Instead, think about using downside opportunistically.



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Definitions

Artificial intelligence (AI) – A technology that enables computers and machines to simulate human learning, comprehension, problem solving, decision making, creativity and autonomy.

Basis points (bps) – Measurements used in discussions of interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%.

Consensus estimates – Forecasts of a public company's projected earnings, the results of a particular industry, sector, geography, asset class, or other category, or the expected findings of a macroeconomic report based on the combined estimates of analysts and other market observers that track the stock or data in question.

Cyclical assets / cyclicalities – Assets with prices influenced by macroeconomic changes in the economy and are known for following the economy as it cycles through expansion, peak, recession, and recovery.

Dovish – A characterization of the monetary policy preferences of central bankers and others who tend to support maintaining lower interest rates, often in support of stimulating job growth and the economy more generally.

Federal funds rate – The target interest rate set by the Federal Open Market Committee of the U.S. Federal Reserve. The target is the Fed's suggested rate for commercial banks to borrow and lend their excess reserves to each other overnight.

Federal Open Market Committee (FOMC) – A committee of the U.S. Federal Reserve that sets monetary policy. It consists of 12 members: the seven members of the Board of Governors of the Federal Reserve System; the president of the Federal Reserve Bank of New York; and four of the remaining 11 Reserve Bank presidents, who serve one-year terms on a rotating basis. The FOMC holds eight regularly scheduled meetings per year at which it reviews economic and financial conditions, determines the appropriate stance of monetary policy, and assesses the risks to its long-run goals of price stability and sustainable economic growth.

Futures-implied federal funds rate – A projected future interest rate based on prices of fed funds futures contracts. Federal funds futures are financial futures contracts that are based on traders' expectations about where the Federal Open Market Committee will set the federal funds rate at some point in the future.

Inflation target – The rate of price increases that the U.S. Federal Reserve prefers to see to ensure the economy will remain stable. Generally, the Fed's target rate is 2%, as measured by the Personal Consumption Expenditures (PCE) Price Index.

Macroeconomic – Relating to the branch of economics that focuses on seeking to understand the interactions between the markets, businesses, governments, and consumers that make up an entire economy.

Market capitalization, or market cap – The total dollar market value of a company's outstanding shares of stock.

Monetary policy – The decisions made by central banks to raise or lower benchmark interest rates or otherwise tighten or loosen credit to influence an economy's growth, inflation, or employment levels.

Overweight – A position or decision that gives greater weight to a portfolio

component or decision than the corresponding weight level in a benchmark portfolio or prevailing viewpoint, as supported by the evidence.

Policy rate – An interest rate set by a central bank or other monetary authority to influence the evolution of an economy's monetary variables such as consumer prices, exchange rates, or credit expansion.

Range-bound – When a security or area of the market vacillates between the low and high ends of a narrow range.

Risk assets – Investments such as equities, commodities, high-yield bonds, real estate, and currencies, where the value may rise or fall due to fluctuating interest rates, changes in credit quality, default risks, supply and demand disruption, and other factors.

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