Three FOMC Dissents in Favor of a Rate Hike; Warsh Pushes Back Against Forward Guidance

Headlines

- **The FOMC kept the fed funds rate unchanged, but there were three dissents in favor of a rate hike.**
- **Statements under new Chair Warsh are much shorter than under previous Chair Powell.**
- **The statement provided no guidance on the future path of the fed funds rate. In his press conference Warsh reiterated his skepticism about "forward guidance" in monetary policy.**
- **Inflation slowed in June in large part due to lower energy prices, but will pick up again in July.**
- **PNC's July baseline forecast is for no change in the fed funds rate this year and beyond, but risks to the forecast are for a higher fed funds rate this year.**

Gus Faucher
augustine.faucher@pnc.com

PNC Economics
economics@pnc.com

Details

As expected, the Federal Open Market Committee kept the fed funds rate unchanged, in a range between 3.50% and 3.75%. However, three regional Federal Reserve presidents (Hammack, Kashkari and Logan) dissented, voting in favor of a 25 bps rate hike.

The statement noted "inflation remains elevated relative to the Committee's 2 percent goal," citing supply shocks that have pushed energy prices higher. The statement said that "economic activity is expanding at a solid pace despite elevated uncertainty" due to the U.S. conflict with Iran. The statement noted job growth consistent with labor force growth.

In keeping with new Fed Chair Warsh's preference for providing less forward-looking guidance about the path of the fed funds rate, today's statement (including the sentence about the dissenters) was 166 words. That compares to 130 words in the previous statement on June 17, but an average of 313 words in the first three statements of 2026, under previous Chair Jerome Powell. Under Chair Powell the statement would usually provide a reason for dissents; that was not the case in today's statement.

There were four dissents at the FOMC's April 29 meeting, with the same three regional Fed presidents voting in favor of a fed funds rate increase, and former Board of Governors member Miran voting in favor of a rate cut. Prior to that, the last time there were three dissents was in 1992.

The FOMC held the fed funds rate steady this afternoon, but inflation concerns remain elevated despite the 0.4% decline in the consumer price index in June. It is likely that regional Fed presidents were willing to provide some breathing room to new Fed Chair Warsh in June, when there was a unanimous vote to keep the fed funds rate unchanged. But with inflation above the FOMC's 2% objective since early 2021, and moving higher for most of the past year, FOMC participants are clearly stating that unless inflation starts to ease soon the fed funds rate is headed higher.

The CPI fell in June as energy prices dropped with the Memorandum of Understanding between the U.S. and Iran, but with the conflict heating back up energy prices have moved higher since then. The Bureau of Economic Analysis will release the personal consumption expenditures (PCE) price index, the Fed's preferred inflation measure, tomorrow. The PCE price index likely declined in June, but will remain well above the FOMC's 2% objective. And inflation will pick back up in July with higher energy prices

PNC's July baseline forecast is for the fed funds rate to remain in its current range through the end of 2026 and beyond. But Fed officials continue to express concern about high inflation, and rate hikes are likely unless core inflation (excluding food and energy prices) trends significantly lower over the next few months.

In his post-meeting press conference, Warsh was explicit about the Fed's 2% inflation objective, saying that "we will deliver price stability" and that there is "only one target, and it's 2%." He also said that "our credibility rests on performing our duty."

Warsh also made it clear in his press conference that he wants to move away from forward guidance, saying that the upward movement in long-term Treasury yields in the intermeeting period was more in response to economic data and less in response to monetary policy, calling this a "change for the better." He also said that the Fed should not "always and everywhere [be] the center of attention."

The fed funds futures market is pricing in an 80% probability of at least one 25 bps fed funds rate increase by the end of the year, with a 36% probability of two or more increases.

Changes to the previous statement were minor. Other than the language about the dissents (the statement on June 17 was unanimous), the only change was stating that the FOMC is "continuing its policy of ample reserves in the banking system"; in the previous statement the FOMC "reaffirmed its policy of maintaining ample reserves."

Disclosures

The material presented and the views expressed herein are of a general nature and does not constitute the provision of investment or economic advice to any person, or a recommendation of any particular securities, financial instruments, strategies or banking services. Opinions and forecasts expressed herein are subject to change without notice. Relevant information was obtained from sources deemed reliable. Such information is not guaranteed as to its accuracy. You should seek the advice of an investment professional to tailor a financial plan to your needs.

Forward-looking statements are necessarily subject to numerous assumptions, risks and uncertainties, which change over time. Future events or circumstances may change our outlook and may also affect the nature of the assumptions, risks and uncertainties to which our forward-looking statements are subject. Forward-looking statements speak only as of the date made. We do not assume any duty and do not undertake any obligation to update forward-looking statements. Actual results or future events could differ, possibly materially, from those anticipated in forward-looking statements, as well as from historical performance. As a result, we caution against placing undue reliance on any forward-looking statements.

"PNC" is a registered mark of The PNC Financial Services Group, Inc.

© 2026 The PNC Financial Services Group, Inc. All rights reserved.