

TRENDMACRO LIVE!

On the January FOMC, and Trump in Check

Wednesday, January 28, 2026

Donald Luskin

A boring FOMC meeting, as expected. All the drama is in the Trump/Powell chess match.



No policy surprises. Rates unchanged. The FOMC [reaffirms its statement on longer-term goals](#). Two of the usual suspects dissent in favor of a rate cut: governors Stephen Miran and Christopher Waller. Governor Michelle Bowman did not dissent, taking her out of the running for Fed chair.

Expectations markets haven't budged since this meeting. Before today's meeting and after, the next rate cut is not fully expected until the July meeting, and two cuts are not quite fully expected until year-end. We continued to expect three cuts (see ["Predictions for 2026 \(And a Very Hot Take on Venezuela\)"](#) January 5, 2026).

The changes in the FOMC statement: *were all about*

stasis in the mandate variables as growth improves. In a nutshell, growth is accelerating while unemployment is stabilizing, and inflation, while at too high a level, is not getting worse.

"Available indicators suggest that economic activity has been expanding at a **moderate solid** pace. Job gains have **slowed this year remained low**, and the unemployment rate has **edged up through September. More recent indicators are consistent with these developments shown some signs of stabilization.** Inflation

Update to strategic view

FEDERAL RESERVE, US MACRO: No rate cut. Dissents from Waller and Miran, and not from Bowman, who has taken herself out of the race for chair. The statement acknowledges improving growth, and sees stabilization in inflation and unemployment. In the presser Powell was barraged with questions about his conflict with Trump and his future on the Fed. He acted like a man occupying the high ground, answering unemotionally and very minimally. His video leaking the subpoenas was surely made having already assured support in the Senate for Fed independence, with Tillis immediately stepping forward to say he will oppose all Trump nominations until the Powell matter is resolved. He was joined by three others on the Banking Committee, costing Trump the necessary majority. This takes Trump insiders Miran and Hassett off the table for chair. Of Warsh, Rieder and Waller, Waller is the most likely compromise – a dove, but a Fed lifer whom Powell will see as a safe set of hands, allowing him to step down in May. If he does not, Trump can't control the Board.

~~has moved up since earlier in the year and~~ remains somewhat elevated.

“The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. Uncertainty about the economic outlook remains elevated. The Committee is attentive to the risks to both sides of its dual mandate ~~and judges that downside risks to employment rose in recent months.~~

In support of its goals ~~and in light of the shift in the balance of risks,~~ the Committee decided to ~~lower~~ maintain the target range for the federal funds rate ~~by 1/4 percentage point to at~~ 3-1/2 to 3-3/4 percent.”

From the get-go, the [post-meeting presser](#), Chair Jerome Powell was barraged with questions about his disputes with President Donald J. Trump – the subpoenas, the case against Governor Lisa Cook, his post-chair future on the Board, and all that. Powell was very disciplined – he answered unemotionally and minimally and revealed nothing. *He acts like a man on the high ground who doesn't need to punch down. Well played.*

Powell won't talk about it, but we can. [Powell's video of Sunday night, January 11, revealing that the Fed had received subpoenas from the Department of Justice was a political masterstroke.](#) Grand jury subpoenas are tightly sealed, and we wouldn't even know about them if Powell hadn't deliberately revealed their existence – looking into the camera, for the first time without his glasses, as though Clark Kent had just come out of the phone booth as Superman. Surely he had talked with his friends in the Senate, whom he has carefully cultivated over almost 16 years on the Fed, and a lifetime in Washington, including many years at the influential Carlyle Group.

After the video, seven senators have [come out with various degrees of support](#) for Powell, including Majority Leader John Thune (R-SD), and four members of the Senate Banking Committee, Kevin Cramer (R-ND), John

Kennedy (R-LA), Dave McCormick (R-PA) and Thom Tillis (R-NC). Without those four votes on the committee, no Trump nomination can get through. Tillis, who is not standing for re-election this year and is therefore beyond reprisal, says he will oppose any Trump nominee until the Powell matter is resolved. [Tillis's tweet to that effect](#) (at left) followed so closely on

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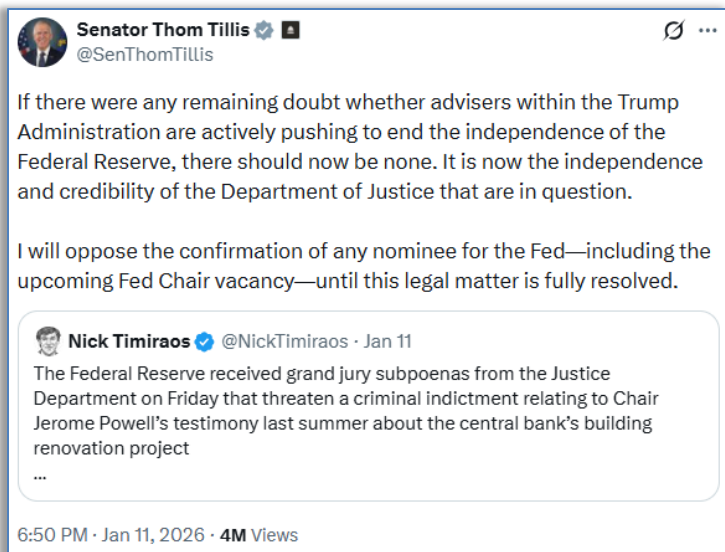
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Powell's video there can be little doubt that the chair had previously spoken to him and lined up his support.

- In the presser Powell was asked specifically whether he had talked to Tillis. Powell's reply: "I have nothing for you on that."

With this overreaching attempt to harass Powell, this stupid unforced error, Trump has made the "political independence" of the Fed, however chimerical a conceit it is, a litmus test.

- So Kevin Hassett is out as a candidate for chair – Trump conceded it four days after Powell's video. He's an old-school moderate Republican (he recruited us to the McCain and Romney campaigns), but he's in the White House now and that makes him a insufficiently independent.
- Miran – now a Fed governor, technically on leave from his role as chair of the White House Council of Economic Advisors (the hatchery for three of the last four Fed chairs) – is out. Gone are the days of just last September when Miran could slip through the Senate Banking Committee with only Democrats questioning him about his independence (see "On Miran's Senate Banking Hearing: Triumph of the Weasel" September 5, 2025). Good riddance – this is man who wants to radically devalue the dollar, cause it to lose its reserve currency status, default on Treasuries held by foreigners and sell all the gold in Fort Knox. When Miran's term on the Board of Governors expires on Saturday, Trump will let it stay open in order to preserve his options.
- Kevin Warsh is a Republican darling who could easily get through the Banking Committee. But he is a committed hard-money type, and would likely not be very compliant with demands from the White House. Rick Rieder is currently the media and betting markets darling. We don't know how his name got thrown in the hat to begin with – we expect he has a pre-existing relationship with Treasury Secretary Scott Bessent. Based on our examination of his writings over time, he is an in-consensus guy who hews to the conventional wisdom, doesn't make waves and stays close to his benchmark. We really have no idea what his belief-system about monetary policy consist of.
- Warsh and Rieder both come from outside the Fed. To be the next chair, Trump would have to nominated one of them to the open Miran seat, unless someone else resigned or was removed. Powell isn't going to resign or be removed. Based on last week's oral arguments before the Supreme Court, either is Cook.
- Elevating sitting governor Waller would not require an open seat, and he is probably the safest choice all-round. He was appointed by Trump during his first term, but he is something of a hard-money guy himself, having come up through the Richmond Fed. Recently he has bent over backwards to tilt to the dovish, probable to stay in contention for the chair's job – indeed, today's dissent is likely just that (see "Video: Iran hot take, and... What you're not hearing about Fed Governor Christopher Waller's job application to replace Jay Powell" June 23, 2025).

- Elevating Bowman would likewise not require an open seat. But, again, by not dissenting today she took herself out of the running.
- It strikes us that a Fed lifer like Waller would seem to Powell to be the safest pair of hands, enabling him to have confidence to step down as governor when his chair term as chair expires in May. Trump needs Powell to do that, in order to consolidate a working majority on the Board – without it, it's three Trump governors, three Biden governors and Powell the swing vote in the middle.
- The chess match between Trump and Powell is hardly over, but Trump is in check now – so he's likely going to have to go for an optimization like Waller rather than a maximization like Miran or even Hasset.

Bottom line

No rate cut. Dissents from Waller and Miran, and not from Bowman, who has taken herself out of the race for chair. The statement acknowledges improving growth, and sees stabilization in inflation and unemployment. In the presser Powell was barraged with questions about his conflict with Trump and his future on the Fed. He acted like a man occupying the high ground, answering unemotionally and very minimally. His video leaking the subpoenas was surely made having already assured support in the Senate for Fed independence, with Tillis immediately stepping forward to say he will oppose all Trump nominations until the Powell matter is resolved. He was joined by three others on the Banking Committee, costing Trump the necessary majority. This takes Trump insiders Miran and Hasset off the table for chair. Of Warsh, Rieder and Waller, Waller is the most likely compromise – a dove, but a Fed lifer whom Powell will see as a safe set of hands, allowing him to step down in May. If he does not, Trump can't control the Board. ▶