

TRENDMACRO LIVE!

On the March FOMC

Wednesday, March 18, 2026

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This could have been way worse. But it was still a missed chance to cut rates.

As fully expected, the FOMC left the funds rate unchanged at 3-5/8%. It left its “dot plot” in the [Summary of Economic Projections](#) unchanged, too, showing one rate cut by year-end. One Trump-appointed governor dissented, Stephen Miran of course, preferring a rate cut. *This is a big win in some sense – at least versus what we have been fearing: that the Fed would mistake an oil price supply-shock for inflation rather than a risk of recession.*

- *The only substantive change in [the FOMC statement](#) was to add: “The implications of developments in the Middle East for the U.S. economy are uncertain.”*
- *That said, while avoiding the worst mistake of suspending further expected cuts – or even hinting at hiking – the Fed missed the opportunity to make a rate cut here and cushion the economy against the uncertainty that it has highlighted. And remember, they’ve been saying for a long time that policy is somewhat restrictive.*
- The SEP raises the FOMC’s expectations for headline Personal Consumption Expenditures inflation by 30 bp in 2026 and 10 bp in 2027, and to core by 20 bp and 10 bp respectively.
- *This is consistent with Chair Jerome Powell’s statement in the [post-meeting presser](#), in response to the very first question, that “it is standard learning that you look through energy shocks.”*
- *We didn’t think he had it in him. This is totally right.*
- Indeed it would seem *the Committee is more than looking through any oil-driven inflation* – not only seeing it being entirely dissipated by 2028, but at the same time upgrading expectations for real GDP growth across all three years (see [“Data Insights: Federal Reserve”](#) March 18, 2026). *So the judgment is not only that inflation will be transitory, but that it will not lower growth.*
- *Okay, that’s about as Goldilocks as it gets. But that’s no reason not to cut rates here. They admit there is more uncertainty. They admit policy was restrictive to begin with. Why no rate cut?*
- For that matter, why not more dissents beyond Miran’s knee-jerk? Even Miran himself backed off – in December his “dot plot” for 2026 anchored the distribution at 2-1/8% and today he raised it to 2-5/8%.

Update to strategic view

FEDERAL RESERVE, US MACRO: We were dreading a policy error with the FOMC confusing an oil-driven supply-shock for inflation and ignoring its contractionary effect, and withdrawing the two remaining rate cuts in the Summary of Economic Projections. The projected rate cuts stayed in place, and Powell specifically said it is “standard learning” to look through oil shocks. Yet with policy admittedly restrictive to begin with, and the FOMC statement worrying about uncertainty arising from the conflict in the Middle East, why not cut rates now? Why only one dissent – with Miran, at the same time, raising by 50 bp his prescription for the year-end funds rate? We came into the year expecting three rate cuts. Warsh can still make that happen, but it’s getting to be a heroic forecast. Powell said he would stay on as chair until replaced and on the Board until the DOJ’s prosecution is resolved – and perhaps longer. He has thrown down the gauntlet: Trump knows what he has to do to get Warsh in place and be rid of Powell.

[\[Strategy dashboard\]](#)

- *Markets want to know – as of this writing, the money-market curve has slightly reduced its implied probability of even one cut this year.*

We came into the year expecting three rate cuts (see [“Predictions for 2026 \(And a Very Hot Take on Venezuela\)”](#) January 5, 2026). Assuming that President Donald J. Trump drops the criminal investigation of the cost of the Fed’s new building (last week a Federal district court [quashed the subpoenas](#)), then the Senate Banking Committee can get about the otherwise uncontroversial business of confirming Kevin M. Warsh as chair (see [“Our Hot Take: It’s Warsh”](#) January 30, 2026) and there would be plenty of time for our three cuts to happen.

- But when we made that prediction for three cuts, the money market curve was already priced for two and a half – it wasn’t a very heroic call. We didn’t know then that Trump would tangle up the confirmation process of a more dovish nominee for chair (see [“On the January FOMC, and Trump in Check”](#) January 28, 2026), and we didn’t know there would be an oil shock. *Betting on three cuts is a lot harder now.*
- *It’s still our modal guess.* We think the oil price spike will be very transitory, and we think Trump and Powell will kiss and make up. The Department of Justice says it will appeal the district court’s ruling, but a week later has not actually done so.
- *In today’s presser, Powell said he would stay on as chair pro tem after his term expires until a replacement is named. He said he would stay on as a governor, even with a new chair in place, if the DOJ’s prosecution is not entirely resolved. He said he has not decided yet whether he would serve out his entire term as governor, stretching in early 2028, even if the prosecution is resolved. No question about it – it’s a negotiating position to make it very clear to the Trump administration what they have to do to be rid of him.*
- So from here, *three cuts is a heroic call with a lot of room for error.*

Bottom line

We were dreading a policy error with the FOMC confusing an oil-driven supply-shock for inflation and ignoring its contractionary effect, and withdrawing the two remaining rate cuts in the Summary of Economic Projections. The projected rate cuts stayed in place, and Powell specifically said it is “standard learning” to look through oil shocks. Yet with policy admittedly restrictive to begin with, and the FOMC statement worrying about uncertainty arising from the conflict in the Middle East, why not cut rates now? Why only one dissent – with Miran, at the same time, raising by 50 bp his prescription for the year-end funds rate? We came into the year expecting three rate cuts. Warsh can still make that happen, but it’s getting to be a heroic forecast. Powell said he would stay on as chair until replaced and on the Board until the DOJ’s prosecution is resolved – and perhaps longer. He has thrown down the gauntlet: Trump knows what he has to do to get Warsh in place and be rid of Powell. ▶

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