

TRENDMACRO LIVE!

## On the June FOMC

Wednesday, June 17, 2026

Donald Luskin

Warsh managed to rein in some of the madness sweeping central banks. Not all of it.

As fully expected by markets, no change in rates or balance sheet policy today at the first FOMC meeting with Kevin Warsh as chair.

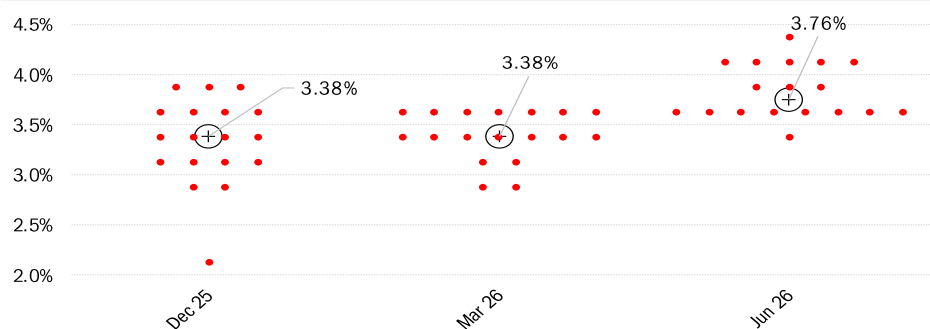
- In consonance with Warsh’s wishes for simpler – indeed less – communication with markets, today’s FOMC statement is the briefest in years (see the red-line version at [“Data Insights: Federal Reserve”](#) June 17, 2026).
- It omits the contentious word “additional” with respect to adjustments to the funds rate for the first time since [September 2024](#), at the first rate cut of this cycle. All along those three syllables have passed as “easing bias,” against with three participants dissented at the April FOMC (see [“On the April FOMC”](#) April 29, 2026). Now it’s gone – simply gone. No statement of bias or lack thereof has replaced it.
- Sadly, the “dot plots” in today’s [Summary of Economic Projections](#) shifted to the hawkish (please see the chart below), with the median dot moving from one rate cut for 2026 at the March FOMC to half a hike this year – whatever that means. Significantly, the median dot does *not* fully confirm the one rate hike the money-market curve expected coming in. 9 of 18 participants (18, not 19 as in the past, because Warsh didn’t contribute a dot) project 1 or more rate hikes by year-end (3 wanted 1, 5 want 2, and 1 wants 3!). 8 said no change, and 1 preferred a cut.
- This is a very wrong outcome, and it reflects what we see as a kind of mass hysteria that affected central banks around the world –

### Update to strategic view

#### FEDERAL RESERVE:

The so-called “easing bias” in the statement is gone – forward guidance has been eliminated from the statement entirely. But the “dot plots” – which Warsh did not participate in – show a clear shift to the hawkish. Despite oil prices 37% lower than they were in March at the last “dot plot,” the median dot has shifted from showing one rate cut this year to one-half a rate hike. We reiterate that there will be no rate hike. The curve is priced for one and a half, so betting against it will be profitable even if there is one. The statement, and Warsh’s words at the presser, emphasize commitment to price stability. But the statement blames oil, and Warsh has said geopolitical shocks aren’t the same thing as inflation. He prefers the Trimmed Mean PCE metric, which has inflation at only 2.3%. His commitment to inflation-fighting doesn’t have to entail any tightening. He is setting himself up as a collaborative and gracious new CEO who wants to move a respected institution forward. He is establishing task forces to deal with five key elements of reform, including the balance sheet and the inflation framework.

Futures-implied policy path per FOMC meeting (based on effective rate, adjusted to target)



Source: FRB [SEP](#), TrendMacro calculations

seeing an energy shock as an inflation threat rather than a recession threat (see: [“Open Letter to Kevin Warsh: The ECB Shows You What Not to Do”](#) June 11, 2026).

- [At the March FOMC](#), when oil prices were \$107, 36% higher than they are today, no participants favored a hike. Then, oil prices were 73% higher than they had been at the December FOMC, but at that point 3 participants had favored a hike. No wonder Warsh [wants to abolish the “dot plots.”](#)
- We still have deep conviction that there will be no rate hike this year. Indeed, as suddenly as the oil price rose and set the present inflation panic in motion, and as suddenly as it has come back down again to levels no worse than we saw last year, that panic will ebb. There will be no rate hike. Bet against it. As of this writing, you are being paid richly to do so. With the Fed funds futures estimating a 45% probability of two rate hikes, you will make money even if we’re wrong and there is one rate hike (please see the chart below).

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On the web at [trendmacro.com](http://trendmacro.com)

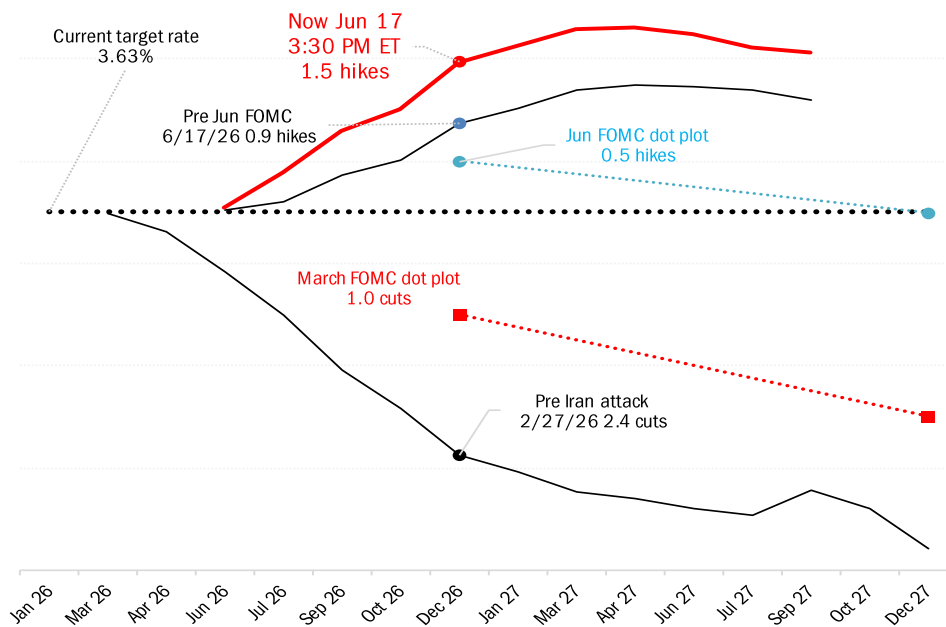
Donald Luskin  
Dallas TX  
214 550 2020  
[don@trendmacro.com](mailto:don@trendmacro.com)

Thomas Demas  
Charlotte NC  
704 552 3625

[tdemas@trendmacro.com](mailto:tdemas@trendmacro.com)  
Michael Warren  
Houston TX  
713 893 1377  
[mike@trendmacro.energy](mailto:mike@trendmacro.energy)

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Futures-implied policy path per FOMC meeting (based on effective rate, adjusted to target)



Source: Bloomberg, TrendMacro calculations

Today’s abbreviated statement ended with this paragraph:

“Inflation remains elevated relative to the Committee's 2 percent goal, in part reflecting supply shocks that have driven price increases in certain sectors, including energy. The Committee will deliver price stability.”

He reiterated that last sentence, almost in the manner of a mantra or a pledge of allegiance, in the opening passages of this prepared remarks at the [post-meeting press conference](#). But note that the statement singles out

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energy. And cross-reference that with Warsh's statement in his [Senate confirmation hearings in April](#): it's the correct view – our view – that inflation is a matter of “what's the underlying inflation rate, not what's the one-time change in prices because of a change in geopolitics” (see [“Warsh's Confirmation Hearing, and His Way Forward”](#) April 21, 2026).

That's why he went on to tell the committee that he prefers inflation measures like the Trimmed Mean Personal Consumption Expenditures Index [calculated by the Dallas Fed](#) (see [“Data Insights: Unconventional CPI”](#) June 10, 2026). That's showing inflation at a mere 2.3% year-over-year, only rounding error from the Fed's 2.0% target. *So from Warsh's perspective, it doesn't take much, if anything, to fulfill his pledge. But in this moment of extreme inflation sensitivity, better to make the pledge and repeat it like a mantra.*

- *Make no mistake about how extreme and misplaced inflation-sensitivity is right now.* It's on full view in the [yesterday's FOMC preview](#) from our friend Nick Timiraos at the *Wall Street Journal*, the most influential of media fed-watchers. The Fed officials who whisper in his ear are worried that the “AI build-out, once expected to tame inflation by lifting productivity, instead looks like a source of it -- straining supplies of chips, electricity and the materials.” He fails to mention, because presumably his sources failed to mention, that in reality chip prices are unchanged year-over-year and construction materials are up a mere 2.7%. Electricity is the single corroborating data point at 5.9%.

Timiraos asked Warsh about this, and Warsh deftly deflected the matter and changed the subject rather than embarrass anyone – Timiraos or his sources, whom he had just had to patiently endure two days with.

In that way and in others, today Warsh was extremely gracious to the to the FOMC, seemingly at pains to position himself not as an Elon Musk trying to DOGE the Fed, but as a humble and sincere new CEO looking to partner with his respected incumbent staff to move the beloved institution forward.

As part of that, he announced that he will be convening five task forces, joining inside and outside participants, to help the Fed innovate in five key areas: Communications, the balance sheet, data sources, productivity and jobs, and inflation frameworks.

We've told you all along that Warsh is a man of high emotional intelligence. He comes into this at a difficult time for policy, and thanks to President Donald J. Trump's over-reaching with former chair Jerome Powell and sitting governor Lisa Cook, in an important sense the knives are out for him.

We think he could have done more to push back against the madness that is sweeping the central banks of the world. Indeed, if he had published a dot, it would likely have been sufficient to move the median to show no

hike this year. But he's investing in his long-term success as a collaborative leader. We hope for the best.

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### **Bottom line**

The so-called "easing bias" in the statement is gone – forward guidance has been eliminated from the statement entirely. But the "dot plots" – which Warsh did not participate in – show a clear shift to the hawkish. Despite oil prices 37% lower than they were in March at the last "dot plot," the median dot has shifted from showing one rate cut this year to one-half a rate hike. We reiterate that there will be no rate hike. The curve is priced for one and a half, so betting against it will be profitable even if there is one. The statement, and Warsh's words at the presser, emphasize commitment to price stability. But the statement blames oil, and Warsh has said geopolitical shocks aren't the same thing as inflation. He prefers the Trimmed Mean PCE metric, which has inflation at only 2.3%. His commitment to inflation-fighting doesn't have to entail any tightening. He is setting himself up as a collaborative and gracious new CEO who wants to move a respected institution forward. He is establishing task forces to deal with five key elements of reform, including the balance sheet and the inflation framework. ▶