

US FOMC Meeting (28 - 29 April)

Fed raises its inflation guard, but the door to cuts stays open

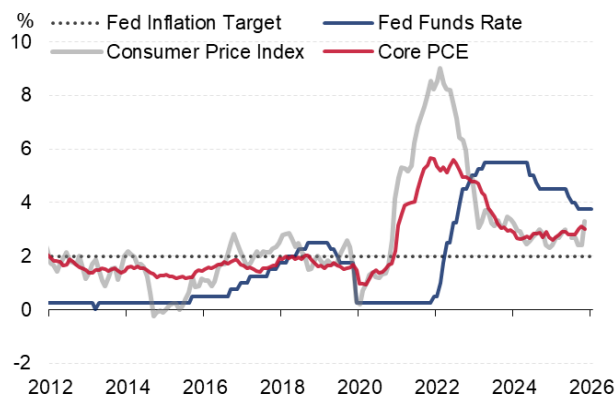
- Hawkish hold with deepening division.** In a rare 8–4 vote, the Fed left rates unchanged at 3.50%–3.75%, in line with expectations. Governor Miran again dissented in favour of a 25 bps cut, while three hawkish members opposed retaining language that still implies future easing. This suggests **a growing Fed faction is increasingly uncomfortable signalling cuts as inflation risks reaccelerate**, setting the stage for more contested policy debates under incoming Chair Kevin Warsh, whose confirmation looks increasingly likely.
- Fed speak: signals upside inflation risks.** The Fed upgraded its inflation language from “somewhat elevated” to “elevated,” citing higher global energy prices as the key driver. The statement also highlighted elevated uncertainty tied to Middle East developments. Economic activity remains solid, but the Fed flags rising **concern that persistent energy shocks may broaden inflation risks even as labour market momentum softens.**
- Press conference: reinforces patience as inflation risks skew higher.** Chair Powell stressed that policy remains appropriate and flexible, with the Fed positioned to move in either direction if needed. Tariffs remain largely viewed as temporary, but Powell flagged rising energy prices as a more persistent near-term inflation threat. With March core PCE projected at 3.2% and internal support building to remove the easing bias, **the Fed now faces a higher bar for cuts, reinforcing a more cautious policy stance.**
- Leadership transition raises future policy volatility.** Senate Banking Committee approval makes Kevin Warsh’s nomination increasingly likely. His preference for open policy disagreement could unwind the consensus-driven approach that has defined recent Fed leadership, raising market volatility. **Powell’s decision to remain on the Board as Governor should preserve continuity, though leadership tensions may rise.**
- Fed policy outlook: delayed easing, but cuts remain our base case.** We maintain our view for two cuts in 4Q26, though geopolitical and energy-driven inflation risks have clearly raised the bar for easing. Our baseline is that softer labour market conditions, weaker real incomes, and eventual geopolitical de-escalation in 3Q26 should reverse crude geopolitical premium and lower inflation into 2027. **While risks of delayed cuts have increased, we still see the next move as more likely a cut than a hike.**
- USD outlook: near-term resilience, medium-term bearish bias.** Safe haven flows and reduced Fed cut expectations should support the USD in the near term. However, as markets converge towards our expectation of late-2026 easing and geopolitical premiums eventually unwind, **we continue to expect broader USD softness into year-end.**
- US Treasury (UST) outlook: front-end reprices higher, long-end remains pressured.** Treasury yields have shifted higher, with the 2-year moving above 3.9% and the 10-year consolidating near 4.4% amid geopolitical stress and reduced easing expectations. Elevated term premia, heavy Treasury supply, and unresolved Middle East conflict should keep **long-end yields biased higher in the near term**, while curve flattening reflects a more hawkish front-end Fed repricing.

Table 1: Policy Rates in Selected Countries

Rate (Last Change)	Country	Central Bank Interest Rate	Date
4.50% (+0.25%)	Philippines	Target Reverse Repurchase	Apr-26
4.10% (+0.25%)	Australia	Cash Rate	Mar-26
1.00% (-0.25%)	Thailand	Repo Rate	Feb-26
0.75% (+0.25%)	Japan	Overnight Call Rate	Dec-25
3.75% (-0.25%)	UK	Base Rate	Dec-25
3.50% - 3.75% (-0.25%)	USA	Funds Rate Target	Dec-25
2.25% (-0.25%)	New Zealand	Official Cash Rate	Oct-25
2.25% (-0.25%)	Canada	Overnight Rate	Oct-25
4.75% (-0.25%)	Indonesia	BI Rate	Sep-25
2.75% (-0.25%)	Malaysia	Overnight Policy Rate	Jul-25
2.00% (-0.25%)	Euro Area	Key Deposit Facility Rate	Jun-25
2.50% (-0.25%)	South Korea	Base Rate	May-25
3.00% (-0.10%)	China	Loan Prime Rate (1Y)	May-25

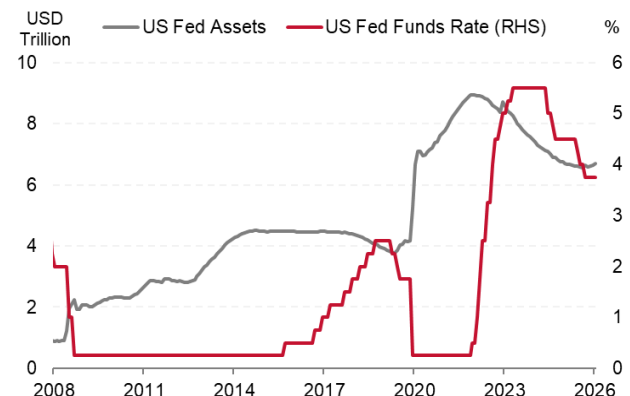
Source: Bloomberg, Kenanga Research

Graph 1: Fed Funds Rate and Inflation Trends



Source: Bloomberg, Kenanga Research

Graph 2: Fed Balance Sheet Vs. Fed Funds Rate



Source: Bloomberg, Kenanga Research

30 April 2026

Table 3: US FOMC Tentative Meeting Schedule for 2026 / KIBB Outlook

No.	Date		KIBB Research Outlook	Fed Funds Future**	Fed Decision
1st	27 and 28 Jan	<input checked="" type="checkbox"/>	No change	No change	No Change
2nd	17 and 18 Mar*	<input checked="" type="checkbox"/>	No change	No change	No change
3rd	28 and 29 Apr	<input checked="" type="checkbox"/>	No change	No change	No change
4th	16 and 17 Jun*	<input type="checkbox"/>	No change	No change	
5th	28 and 29 Jul	<input type="checkbox"/>	No change	No change	
6th	15 and 16 Sep*	<input type="checkbox"/>	No change	No change	
7th	27 and 28 Oct	<input type="checkbox"/>	25 bps cut	No change	
8th	8 and 9 Dec*	<input type="checkbox"/>	25 bps cut	No change	

Source: Federal Reserve, Kenanga Research

Note: bps denotes basis points

*Meeting associated with a Summary of Economic Projections

**CME Fed Rate Monitor: Based on CME Group 30-Day Fed fund futures prices (highest probability)

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@kenanga.com.my

Nurul Hanees Hairulkama
Economist
nurulhanees@kenanga.com.my

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my