

# US FOMC Meeting (16 - 17 June)

Warsh resets the Fed: hawkish hold, missing dot, cuts pushed to 2027

- Unanimous hold, but with a distinctly hawkish pivot.** The Fed unanimously held rates at 3.50%–3.75%, as expected. Unlike the divided committee of recent meetings, this unanimity reflects broad agreement that inflation risks now outweigh growth concerns. With no dovish dissent and a hawkish shift in tone, **the Fed has moved from debating when to cut rates to debating how long restrictive policy should last.**
- Fed speak inflation takes centre stage.** The Fed rewrote its statement, stripping out legacy language and any residual easing bias. Activity continues to expand solidly and productivity remains supportive, but the Fed now places more weight on elevated inflation and reaffirms its commitment to price stability. It no longer views inflation pressures as transitory enough to justify signalling future easing. The stronger language reflects the Fed's **renewed focus on protecting its Fed's inflation-fighting credibility after a long period of above-target inflation.**
- Press conference: a new communication style.** Chair Warsh's first press conference marked a clear break from the Fed's recent approach. He repeated his opposition to heavy forward guidance, arguing markets should respond to data rather than Fed signalling. New task forces across multiple policy areas underline his intent to overhaul Fed operations. The result: **a more reactive, less predictable Fed, where incoming economic data matters more and parsing policy language matters less for directional clues.** Importantly, Warsh's willingness to take a hawkish stance despite political pressure should also reinforce perceptions of Fed independence.
- Dot plot: inflation concerns dominate, but one dot goes missing.** June projections delivered one of the most hawkish shifts in years. Nine of eighteen officials now see at least one hike by end of 2026, versus none in March, while only one still expects a cut. Notably, one member did not submit a dot at all, fitting Warsh's earlier scepticism of the dot plot as a tool that creates false precision and locks the Fed into paths that data may not support. The abstention reinforces his push for a more reactive, less forward-guidance-driven Fed, and may also signal early discomfort with consensus-building around a tool he wants to phase out. The Fed cut its GDP forecast to 2.2% from 2.4% and raised its core inflation projection sharply higher to 3.3% from 2.7%, reflecting **concern that sticky inflation, not weak growth, will drive policy.** Markets reacted fast: futures now pricing one full rate hike by year-end and another in 1H27.
- Fed policy outlook: from two cuts to an extended pause.** We revise our call from two cuts in 4Q26 to an extended pause. The tentative Middle East ceasefire has eased geopolitical tensions, but inflation is likely to remain sticky as lower energy prices take time to feed through to transport, food and other consumer prices. **With a resilient labour market and Warsh's clear focus on price stability, the bar for easing has risen sharply.** Inflation should gradually moderate as energy pressures unwind, but the Fed looks increasingly focused on stopping second-round inflation effects from taking hold. **Our base case now shifts the next easing discussion into 2027.**
- USD outlook: near-term strength, medium-term headwinds persist.** The Fed's hawkish pivot should support the USD near term through higher yields and lower easing expectations. Our broader USD view remains unchanged. narrowing US growth exceptionalism and gradual diversification away from US assets should keep weighing on the USD over the medium term. **We maintain our USDMYR year-end forecast of 3.95, though geopolitical developments and domestic political dynamics remain key sources of near-term volatility.**
- US Treasury (UST) outlook: front-end reprices higher, long-end stays contained.** Rising real yields, rather than higher inflation compensation, drove most of the long-end yields, suggesting investors read the Fed's stance as a boost to its inflation-fighting credibility. The front-end remains vulnerable to further hawkish repricing, but a credible commitment to price stability should help cap inflation expectations. We doubt a sustained hiking cycle will materialise: moderating growth, fading geopolitical risk premiums and eventual disinflation should keep longer-dated yields broadly anchored. We therefore **maintain our year-end 10-year UST forecast of 4.30%, though near-term risks remain skew towards higher yields.**

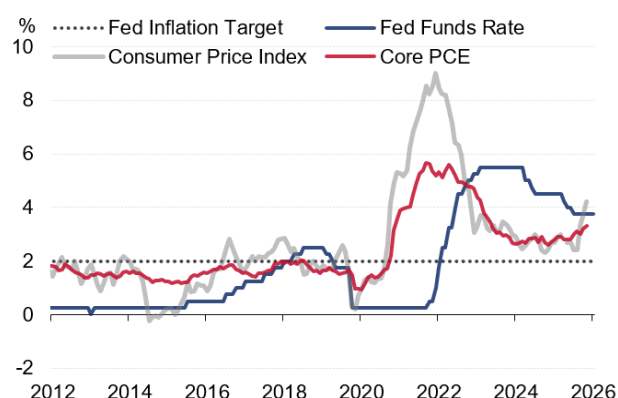
Table 1: Policy Rates in Selected Countries

Rate (Last Change)	Country	Central Bank Interest Rate	Date
1.00% (+0.25%)	Japan	Overnight Call Rate	Jun-26
2.25% (+0.25%)	Euro Area	Key Deposit Facility Rate	Jun-26
5.50% (+0.25%)	Indonesia	BI Rate	Jun-26
4.35% (+0.25%)	Australia	Cash Rate	May-26
4.50% (+0.25%)	Philippines	Target Reverse Repurchase	Apr-26
1.00% (-0.25%)	Thailand	Repo Rate	Feb-26
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	Nov-25
2.25% (-0.25%)	Canada	Overnight Rate	Oct-25
2.75% (-0.25%)	Malaysia	Overnight Policy Rate	Jul-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

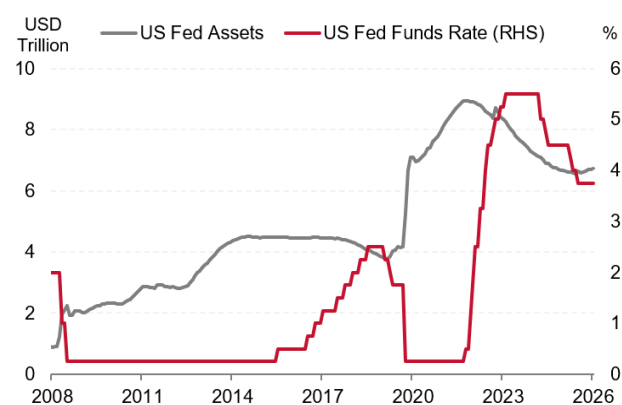
18 June 2026

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

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 checked="" type="checkbox"/>	No change	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"/>	No change	No change	
8th	8 and 9 Dec*	<input type="checkbox"/>	No change	25 bps hike	

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)

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