Commentary Week of May 3, 2026

As expected, and for the third time this year, the Federal Reserve held rates steady at 3.5 - 3.75%. The markets believe that rates will remain unchanged at the June meeting as well (see chart below).

Unusually, there were four dissents (one on interest rates and three regarding the language used in its statement) that may signal a deepening divide within the committee.

Specifically, language signaling potential future rate cuts—which several board members favored removing due to elevated economic uncertainty from the ongoing war in Iran and higher gas prices—was included.

Fed chairman Powell also indicated that he would step aside as chairman at the end of his term May 15 but remain on the Fed's board. This news was largely expected as Trump's nominee, Kevin Warsh, steps into the chairman's role while Powell stays on to help ensure the Fed remains politically neutral. This is especially important as Trump aggressively pushes for lower rates to spur the economy and reduce interest payments on our ever-growing $39 trillion national debt.