THEMATIC RESEARCH · CENTRAL BANKS

The Warsh Fed: A Pause, Two Dissents and Fewer Meetings

hold, hawkish

The Federal Reserve held rates at 3.75% to 4.00% on 28 October, with two officials voting for an immediate hike, and announced that from 2027 it will set policy at fewer meetings. This report examines the decision, the inflation and labour backdrop, Kevin Warsh's institutional agenda and the outlook for December.

Global Markets Research · Rates and Macro Desk Prepared by ANDRA MARKETS

10-2 vote

Coverage summary. The Federal Open Market Committee kept the federal funds target range at 3.75% to 4.00% by ten votes to two; Governor Lisa Cook and Cleveland Fed President Beth Hammack preferred a quarter-point increase. The statement upgraded growth to "strong" and said the "accumulation of more information" would guide the next step. Chair Kevin Warsh then announced that in 2027 one of the eight scheduled meetings will be devoted to strategy, with no rate decision, and two in 2028. Markets put the probability of a December hike at 80% to 90%.

Dec hike 80-90%

FED FUNDS TARGET	VOTE	CPI INFLATION, SEP	POLICY MEETINGS, 2027
3.75-4.00%	**10-2**	**3.7%**	**7**
unchanged; hiked 16 Sep	*Cook and Hammack: hike*	*core 2.6%*	*from 8; 6 in 2028*

Exhibit A. The decision at a glance

Item	28 October 2026	Previous (16 September)
Target range	3.75-4.00% (hold)	3.75-4.00% (+25bp)
Vote	10-2	12-0
Dissents	Cook, Hammack (for a hike)	none
Growth language	"strong pace"	"solid"
Interest on reserves	3.90%	3.90%
Balance sheet	ample reserves; bill purchases continue	unchanged

statement: more hawkish

first Cook dissent

Sources: Federal Reserve statement and implementation note; Reuters; MishTalk (statement text).

1.0 Executive Summary

Key takeaways

A pause with a tightening bias. The Committee held after September's hike, but two dissents for an immediate increase and a statement that calls growth "strong" point towards December. Most economists, including those at Goldman Sachs Asset Management and Fitch, expect a hike at the 8 to 9 December meeting.

pause, not pivot

energy-driven

Inflation is the problem, mostly energy. Headline CPI was 3.7% in September, driven by the oil shock, while core CPI was 2.6%. The Fed is leaning against second-round effects, even with job growth close to stalling: payrolls rose only 29,000 in September.

Fewer rate decisions. Warsh keeps eight meetings a year but turns one into a strategy session in 2027 and two in 2028. It is the first change to the number of rate-setting meetings since 1981 and fits his rejection of forward guidance and "data dependence".

8 → 7 → 6

base: Dec +25bp

Our view. We expect a quarter-point hike in December to 4.00% to 4.25%, after which the Fed pauses if oil stabilises. The bond market is the risk: the ten-year yield is back around 5%.

2.0 The Decision

Statement and dissents

"timely" return to 2%

The statement was short, as is now customary under Warsh. It said economic activity "is expanding at a strong pace", that productivity growth is strong and capital investment robust, and that "inflation remains elevated". The key sentence replaced September's justification for a hike: "The accumulation of more information will help the Committee determine the policy stance appropriate to ensure a timely return of inflation to the Committee's 2 percent goal." Reuters noted it reads like the forward guidance Warsh says he avoids.

Exhibit B. FOMC decisions under Chair Warsh

Meeting	Decision	Range	Vote	Dissents
17 Jun	hold	3.50-3.75%	unanimous	none
29 Jul	hold	3.50-3.75%	9-3	Hammack, Logan, Kashkari (hike)
16 Sep	+25bp	3.75-4.00%	12-0	none
28 Oct	hold	3.75-4.00%	10-2	Cook, Hammack (hike)
8-9 Dec	hike priced 80-90%	4.00-4.25%?		SEP and dot plot due

hawks keep dissenting

Sources: Federal Reserve; Reuters; Yahoo Finance; KPMG. December pricing from fed funds futures and Polymarket, 28 October.

Cook: first dissent

The dissents matter as signals. Hammack has now dissented for a hike twice since July, her third hawkish dissent this year. Cook's vote was her first dissent as a governor; she remains in office after the Supreme Court ruled in June that she can stay while the President's attempt to remove her is litigated. A governor under political pressure voting for higher rates is a strong statement of independence.

3.0 Inflation and Jobs

The dual mandate in tension

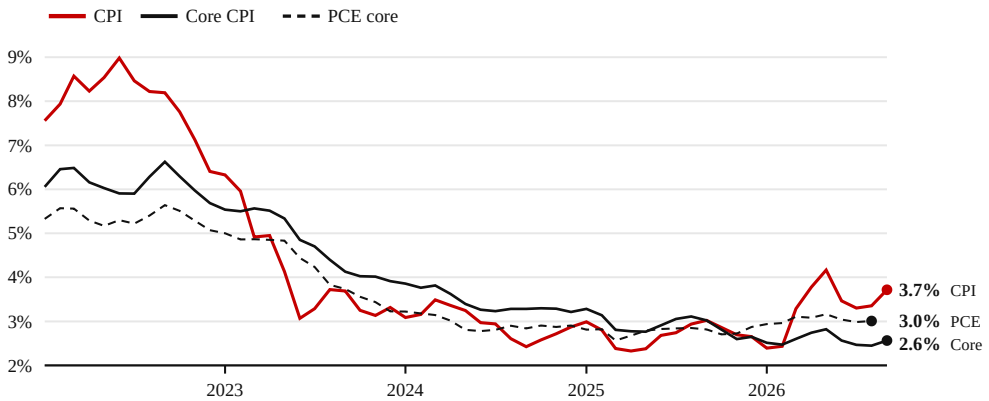
headline > core

Inflation re-accelerated after the war with Iran began in February. Headline CPI rose from 2.4% in February to 4.2% in May, eased in the summer and returned to 3.7% in September, with energy prices up 20.4%. Core CPI has stayed between 2.4% and 2.9%, but core PCE, the Fed's preferred gauge, was 3.0% in August. The Fed's concern is that energy costs feed into wages and expectations; one-year consumer expectations reached 4.7% in October.

Exhibit 1. US inflation: CPI, core CPI and core PCE (% year on year)

war: Feb 2026

core stays near 2.5-3%



Source: BLS and BEA via FRED (CPIAUCSL, CPILFESL, PCEPILFE), monthly; CPI to September, core PCE to August 2026.

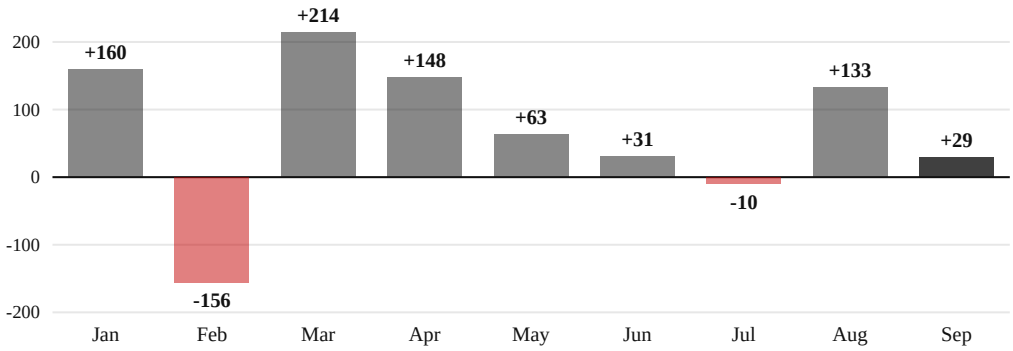
payrolls stalling

The labour market is the counter-argument. Payrolls rose 29,000 in September, July was revised to a fall of 10,000 after a drop of 156,000 in February, and average hourly earnings are growing only 3.0% a year. Unemployment is still low at 4.2%, and the Fed's statement says job gains "have kept pace with the workforce". Weak hiring with low unemployment reflects slower

labour-force growth as much as weak demand.

Exhibit 2. Monthly change in US nonfarm payrolls, 2026 (thousands)

Feb: −156k



Source: BLS via FRED (PAYEMS), seasonally adjusted, as revised in the September report.

4.0 Rates and the Bond Market

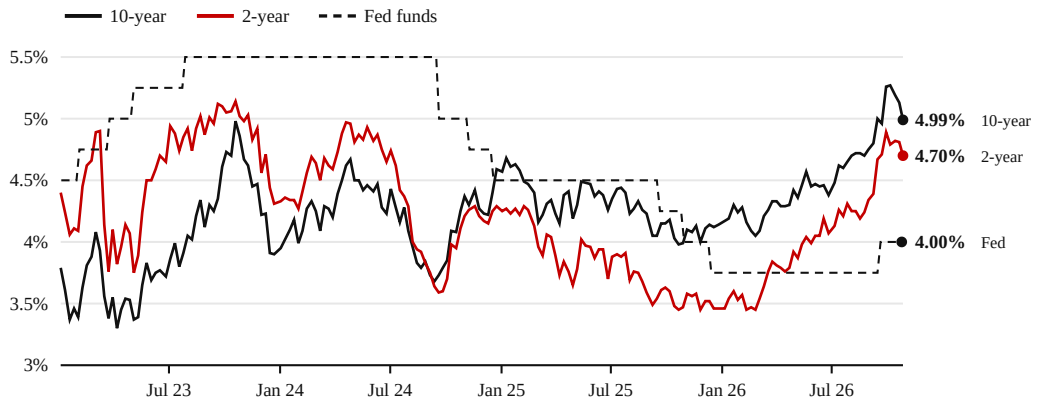
Long yields above 5%

2y +131bp YTD

Markets have repriced sharply this year. The two-year Treasury yield has risen about 1.3 points since December to 4.78%, tracking the expected path of policy, and the ten-year traded near 5.04% after the decision. The term premium, the extra yield investors demand to hold long bonds, is close to 1%. Mortgage rates are back above 7%, which tightens financial conditions without any further move by the Fed, a point Warsh acknowledged: conditions have tightened "for some businesses and households, much as we would expect".

Exhibit 3. Federal funds target (upper bound) and Treasury yields (%)

cuts 2024-25, hike Sep 26



Source: Federal Reserve via FRED (DFEDTARU, DGS2, DGS10), to 27 October 2026; daily yields sampled weekly.

5.0 The Meeting Schedule

Fewer decisions, more strategy

first change since 1981

Since 1981 the FOMC has met eight times a year; in the 1950s and 1960s it met as often as nineteen times. Warsh said "eight meetings per year is the right number", but that in 2027 one will be dedicated to strategy, with "neither a vote on the federal funds rate nor a policy statement anticipated", and two in 2028. His rationale: policy should be set "at timely, regular, and information-rich intervals", leaving time for "thinking anew about big questions". The new schedule takes effect from next autumn; what will be published after strategy meetings is still undecided.

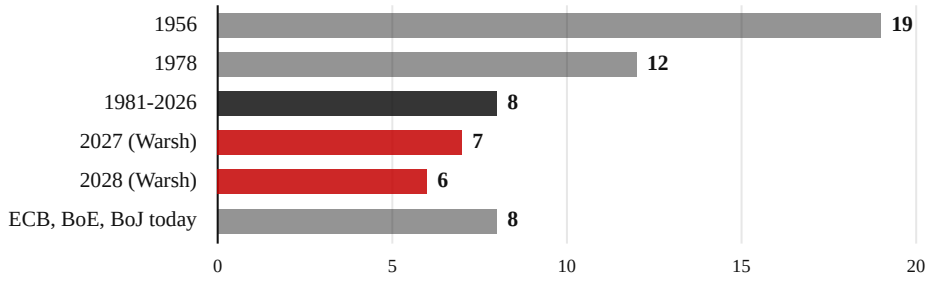
"information-rich intervals"

trade-off

The change is less radical than it sounds: the ECB, the Bank of England and the Bank of Japan moved to eight meetings a decade ago. But fewer decision dates mean larger moves, or longer waits, when conditions change quickly. With no forward guidance and fewer meetings, each decision carries more information, and markets are likely to react more strongly on the day.

Exhibit 4. Scheduled FOMC rate-setting meetings per year

peers already at 8



Sources: Federal Reserve; J.P. Morgan (Chase) history of FOMC meetings; ECB (2014 announcement), Bank of England, Bank of Japan. 1978 excludes emergency calls.

6.0 The Warsh Agenda

Regime change, step by step

Exhibit C. Warsh's institutional agenda

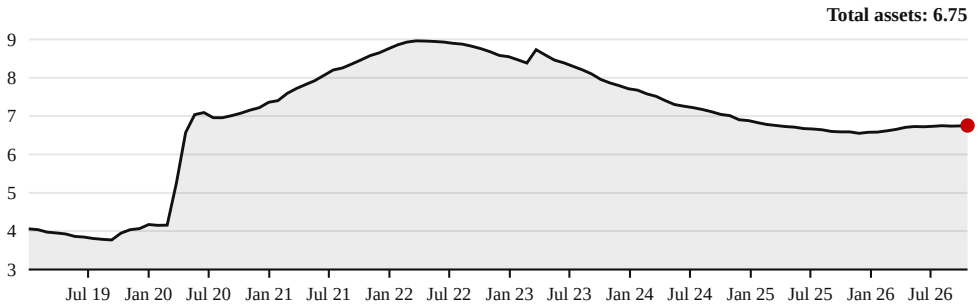
Area	Stated view	Action so far
Forward guidance	only in a crisis	shorter statements; no explicit guidance
Data dependence	little value in decimals	focus on trends; fewer decision meetings
Balance sheet	"bloated", can be cut significantly	$6.75tn, still ample reserves; working group due Q1 2027
Dot plot	sceptical	still published; Warsh submits no dot
Independence	politics played "no role"	hike in September despite White House pressure

words faster than deeds

Sources: Warsh speeches (Hoover Institution, 2025) and press conference, 28 October 2026; FRED (WALCL); Chase; 404K Research (secondary).

Exhibit 5. Federal Reserve total assets ($ trillion)

-25% from peak



Source: Federal Reserve H.4.1 via FRED (WALCL), weekly sampled monthly, to 21 October 2026. Peak $8.97tn in April 2022.

balance sheet: later

Warsh's most radical idea, a much smaller balance sheet, is still on hold. Total assets are $6.75tn, a quarter below the 2022 peak but slightly higher than at the end of 2025, because the Fed buys Treasury bills to keep reserves ample. Any shrinkage is unlikely before the working group reports in early 2027.

7.0 Outlook

December and beyond

Exhibit D. September projections (median of FOMC participants)

Variable	2026	2027	2028	Longer run
Fed funds rate	4.1%	4.1%	3.9%	3.2%
PCE inflation	3.7%	2.3%	2.1%	2.0%
Core PCE inflation	3.4%	2.5%	2.2%	n.a.
Unemployment rate	4.1%	4.1%	4.1%	4.2%

one more hike in 2026

Source: Federal Reserve, Summary of Economic Projections, 16 September 2026. A 2026 median of 4.1% implies a range of 4.00-4.25%.

Exhibit E. Scenarios for the 9 December decision

Scenario	Probability	Outcome	Trigger
Hike as signalled	65%	4.00-4.25%	core PCE near 3%; oil above $100; jobs stable
Extended pause	25%	3.75-4.00%	negative payrolls; oil falls; financial stress
Larger move or hint of more	10%	4.25-4.50%	inflation expectations drift higher

Andra Markets scenarios; probabilities are judgemental. Market pricing of a December hike was 80-90% on 28 October.

judgemental

watch 29 Oct

The next data are decisive: third-quarter GDP and September PCE inflation on 29 October, the October jobs report on 6 November and October CPI later in the month. Our base case is one more hike, then a pause, with risks tilted towards more tightening if the oil shock persists.

8.0 What We Are Watching

Dates and indicators

Exhibit F. Calendar

Date	Event	Why it matters
29 Oct	Q3 GDP and September PCE	core PCE vs 3% threshold
29 Oct	ECB decision	global tightening cycle
3 Nov	US midterm elections	pressure on the Fed; Cook case
6 Nov	October jobs report	risk of negative payrolls
16 Nov	Fed field hearing on productivity	Warsh AI thesis
8-9 Dec	FOMC decision, SEP and dots	hike priced; 2027 schedule
Autumn 2027	new FOMC schedule takes effect	first strategy-only meeting

Andra Markets selection; dates from the Federal Reserve, BLS, BEA and press reports.

Nov 6: key data

verdict: a hawkish pause from a chair rewriting the rulebook. december hike likely, fewer decisions ahead

Methodology and Source Notes

Method. This report uses the Federal Reserve's statement, implementation note and projections, official data from the BLS and BEA, and market data from FRED and Yahoo Finance. Press conference quotes are taken from contemporaneous reporting. Scenario probabilities are judgemental. Handwritten notes and highlights are informal commentary by the desk. This note is analysis, not investment advice.

Principal sources. Federal Reserve (statement, implementation note, SEP, H.4.1); BLS; BEA; FRED; University of Michigan; Reuters; Yahoo Finance; Fox Business; Sinclair (Local12); TheStreet; KPMG; Chase; MishTalk; 404K Research; Goldman Sachs Asset Management; Fitch; Principal.

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