

Fed Watcher

Fed Chair Casting

HCOB Economics

January 23, 2026

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Executive Summary: Fed Chair Casting (I)

- On January 27–28, the Federal Open Market Committee (FOMC) of the U.S. Federal Reserve will convene for its next policy meeting. Our analysis of recent speeches and interviews by FOMC members indicates the Fed will likely keep the policy rate unchanged. Three-quarters of voting members signaled support for maintaining the current level, while only three advocated a cut at this meeting.
- In the December press conference, Fed Chair Jerome Powell said monetary policy could pause after three consecutive cuts in 2025: the Fed is now “well positioned to wait and see.” The latest FOMC statement also referenced the “extent and timing” of further adjustments, which we interpret as a signal for a pause.
- Accordingly, for now, we expect no changes to the federal funds rate (FFR), currently at 3.50–3.75%. After Powell steps down as Fed chair in May 2026, we anticipate a Fed more strongly influenced by President Donald Trump to ease policy faster and more aggressively. Overall, we forecast four rate cuts totaling 125 basis points in the second half of 2026, which would bring the FFR to 2.25–2.50%.
- The January assessment is based largely on recent economic data. These paint a mixed picture, with inflation remaining elevated, economic growth being robust, while the labor market shows signs of cooling:
 - **Inflation:** Consumer prices rose 2.7% YoY in November and December, slightly down from 3.0% in September. Data for October could not be collected due to the government shutdown, which is why no figure is available here.
 - **Labor market:** Here, the data continues to show a noticeable slowdown in momentum. In December 2025, only 50,000 jobs were created. The unemployment rate fell to 4.4% most recently, down from 4.6% in November. Many FOMC members spoke of a continuing “low-hiring, low-firing” trend in the US labor market, with employment growth more or less stagnating but no widespread layoffs (yet).
 - **GDP growth:** It is striking that, despite the weak labor market, economic output has recently grown at a surprisingly strong rate. GDP grew by 4.4% on an annualized basis in the third quarter of 2025.
- Taken together, these data support the Fed’s wait-and-see approach. Inflation remains well above the 2% target, so an overly expansionary monetary policy would not be appropriate. At the same time, although the labor market is weaker, it is by no means in collapsing, so there is no urgent need to take countermeasures via emergency rate cuts.

Executive Summary: Fed Chair Casting (II)

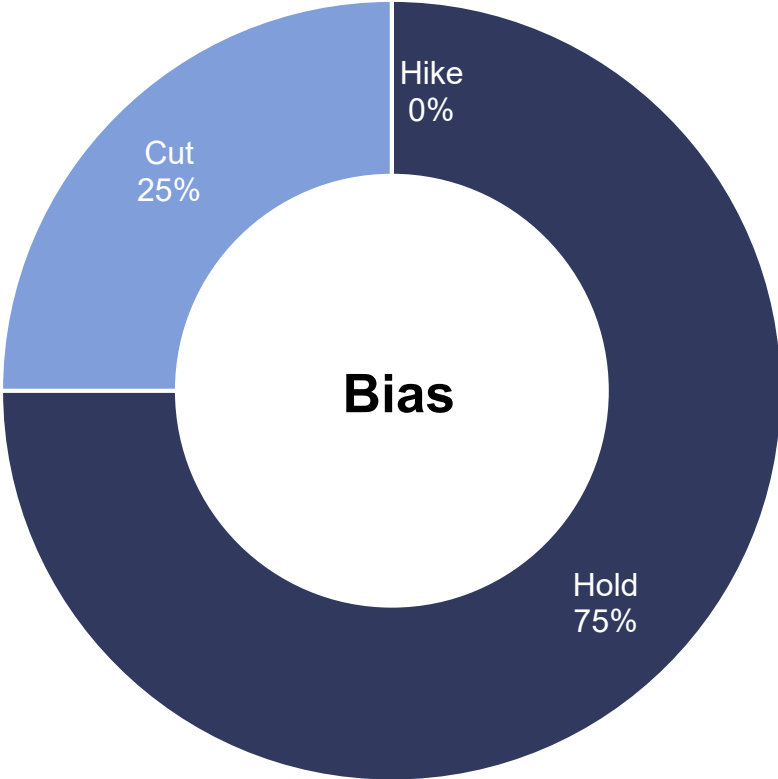
- It is currently unclear who will take over as Fed chair in May. However, the search for a new Fed chair appears to be entering its final phase, with only four candidates remaining on the US government's shortlist. These include Kevin Warsh (former Fed governor), Rick Rieder (CIO Global Fixed Income at BlackRock), Christopher Waller (Fed governor), and Kevin Hassett (Trump's chief economist in the White House). The latter was long considered the favorite, but in recent days the race has shifted significantly: in mid-January, Trump hinted in a public appearance that he might want to keep Hassett in his current position at the White House. Trump said to Hassett, "I actually want to keep you where you are," which was generally interpreted as an indication against Hassett and in favor of Warsh.
- Warsh was already on Trump's shortlist for Fed chair in 2017 and is now the favored candidate. Trump himself said in mid-January: "I think the two Kevins are great." He thus confirmed that Warsh and Hassett are his two frontrunners, with the twist that he may need Hassett elsewhere. He also kept the door open for other candidates by saying, "I think there are a few other people who are great." Trump plans to announce his final decision shortly to allow for a smooth Senate hearing before Powell's term ends.
- Investors are also closely watching the "Fed Chair Casting," but so far without any significant market turmoil. Warsh is likely to be viewed with mixed feelings by market participants, as he has Fed experience and is therefore considered competent, but at the same time has a certain political proximity to Trump. Hassett, on the other hand, is seen by many as even more politicized – not least because he is perceived as having much closer ties to Trump; this could raise concerns that the Fed, under stronger political influence, could pursue overly loose, inflationary policies.
- Waller enjoys broad support on Wall Street, as he is seen as a guarantor of continuity and professionalism without any direct ties to Trump. His appointment would probably be received positively. Finally, Rieder would be an unusual choice, as he has no experience in central banking. As an investment professional, he understands the interest rate markets, but would first have to prove his monetary policy stance. He, too, would probably be viewed favorably by the financial markets.
- The online betting office Polymarket now predominantly prices Warsh as the next Fed chair. The implied probability of Warsh's appointment currently stands at 44%, followed by Rieder with 34%, then Waller with 12% and, now far behind, Hassett with 6%.

Executive Summary: Fed Chair Casting (III)

- In the weeks following the December meeting, another issue came to the fore once again: the institutional independence of the Fed. This was prompted by reports of political pressure from the Trump administration on Jerome Powell, particularly in connection with an investigation into the costly renovation of the Fed’s headquarters. These investigations – initiated by the US Department of Justice – are widely seen as an attempt to put pressure on Powell.
- On January 11, 2026, Powell released an unusual video message in which he addressed these allegations in no uncertain terms. He called the subpoenas and accusations surrounding the Fed renovation “pretexts” that served only to pressure the central bank into making decisions in line with the White House’s agenda. He said these attacks were ultimately an assault on independent monetary policy, with the Trump administration attempting to pressure the Fed into making politically favored interest rate cuts. In effect, he accused the government of undermining the Fed’s autonomy.
- In response to Powell’s video message, several Fed officials spoke out to publicly back him, including Michael Barr (Board of Governors), Raphael Bostic (Atlanta Fed), Austan Goolsbee (Chicago Fed), and Neel Kashkari (Minneapolis Fed).
- Our favorite quote this time comes from this very message from Powell: “This is about whether the Fed will be able to continue to set interest rates based on evidence and economic conditions—or whether instead monetary policy will be directed by political pressure or intimidation.”

75% of FOMC members with voting rights have more or less clearly spoken out in favor of maintaining the current interest rate level.

Bias for January 28, 2026

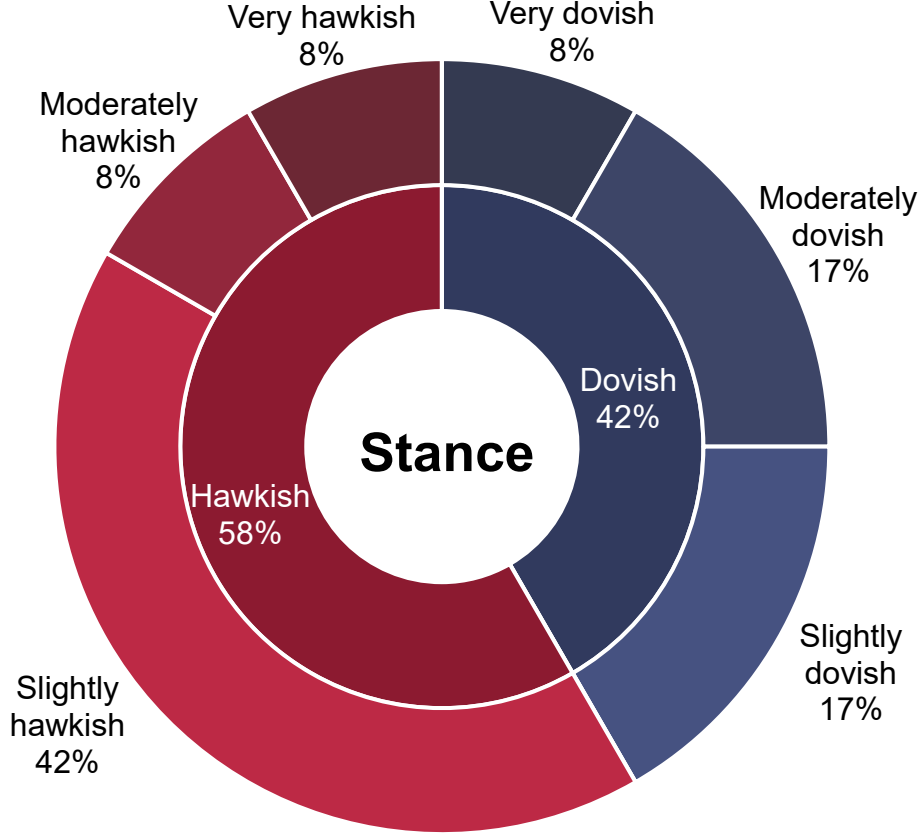


Source: HCOB Economics

Note: We take the following into account when assessing an FOMC member's bias: Statements since the last FOMC meeting, previous statements, general stance, group dynamics, and the current economic situation of the US. Only members with a voting right are considered.

Although four FOMC members have changed due to the rotation principle, this has not altered the Council's general stance.

Doves and Hawks in the FOMC



Source: HCOB Economics

Definition of "dovish": certain tolerance when exceeding the inflation target.

Definition of "hawkish": very limited tolerance when exceeding the inflation target.

Note: With "stance" we mean a member's general stance, which is rather static and likely not to change that much from meeting to meeting. The categorization of each FOMC member is based on an subjective qualitative judgement from HCOB Economics. Only members with a voting right are considered in this figure.

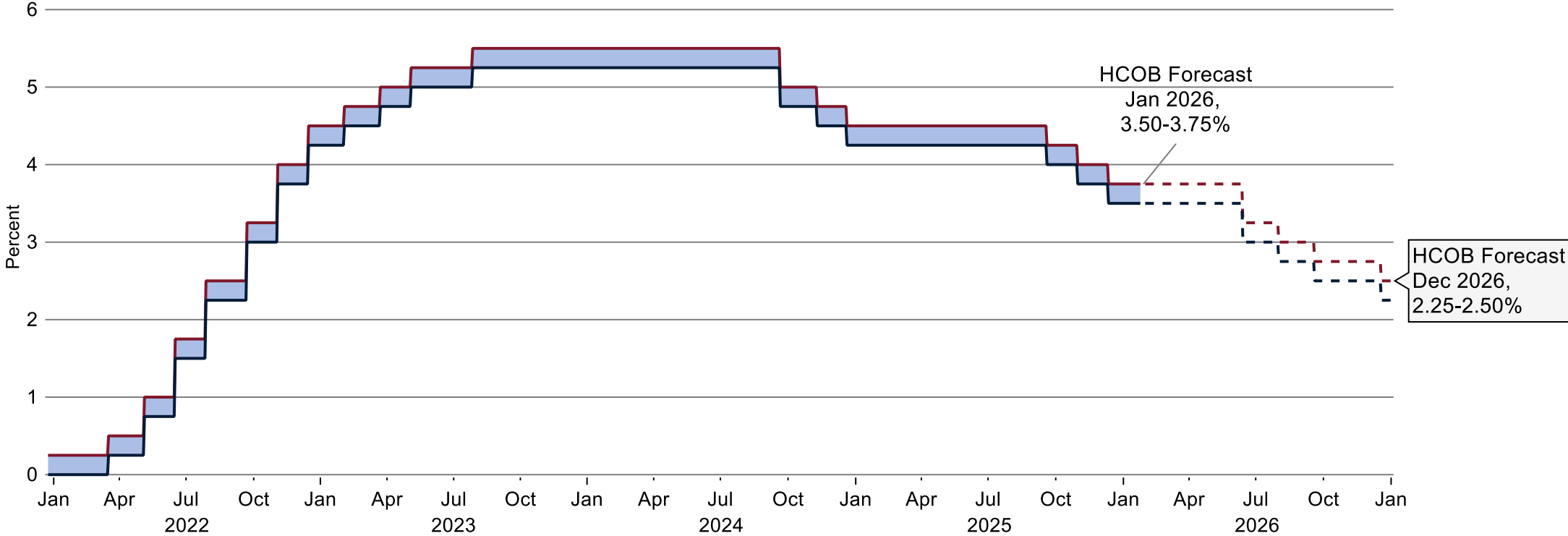
Overview of the FOMC: Bowman, Waller, and Miran are currently the only FOMC members who have advocated a January cut in in their speeches.

FOMC Member	Position / Regional Bank	General Stance	Bias for Jan. 28, 2026	Voted for Interest Rate Decision at Last Meeting	Voting Right in 2026	Voting Right in 2027
Jerome H. Powell	Board of Governors, Chair	Slightly hawkish	Hold	Yes	Yes	Yes
John C. Williams	New York, Vice Chair of the FOMC	Slightly hawkish	Hold	Yes	Yes	Yes
Philip N. Jefferson	Board of Governors, Vice Chair of the Board	Slightly hawkish	Hold	Yes	Yes	Yes
Michelle W. Bowman	Board of Governors, Vice Chair for Supervision	Moderately dovish	Cut	Yes	Yes	Yes
Michael S. Barr	Board of Governors	Slightly hawkish	Hold	Yes	Yes	Yes
Lisa D. Cook	Board of Governors	Slightly dovish	Hold	Yes	Yes	Yes
Stephen I. Miran	Board of Governors	Very dovish	Cut	No*	Yes	Yes
Christopher J. Waller	Board of Governors	Moderately dovish	Cut	Yes	Yes	Yes
Regional Bank Members						
Beth M. Hammack	Cleveland	Very hawkish	Hold	—	Yes	No
Anna Paulson	Philadelphia	Slightly dovish	Hold	—	Yes	No
Neel Kashkari	Minneapolis	Slightly hawkish	Hold	—	Yes	No
Lorie K. Logan	Dallas	Moderately hawkish	Hold	—	Yes	No
Austan D. Goolsbee	Chicago	Slightly hawkish	Hold	No*	No	Yes
Thomas I. Barkin	Richmond	Moderately hawkish	Hold	—	No	Yes
Raphael W. Bostic	Atlanta	Moderately hawkish	Hold	—	No	Yes
Mary C. Daly	San Francisco	Slightly dovish	Hold	—	No	Yes
Susan M. Collins	Boston	Moderately hawkish	Hold	Yes	No	No
Alberto G. Musalem	St. Louis	Moderately hawkish	Hold	Yes	No	No
Jeffrey R. Schmid	Kansas City	Very hawkish	Hold	No*	No	No
Sushmita Shukla	New York, First Vice President	Unclear	Unclear	—	No	No

*Note: Stephen Miran voted in favor of a 50 basis point cut, while Austan Goolsbee and Jeffrey Schmid preferred no change to the target range for the federal funds rate.

HCOB interest rate forecast: Following Powell's departure as Fed chair in May 2026, we anticipate a more politicized Fed that will continue to lower interest rates.

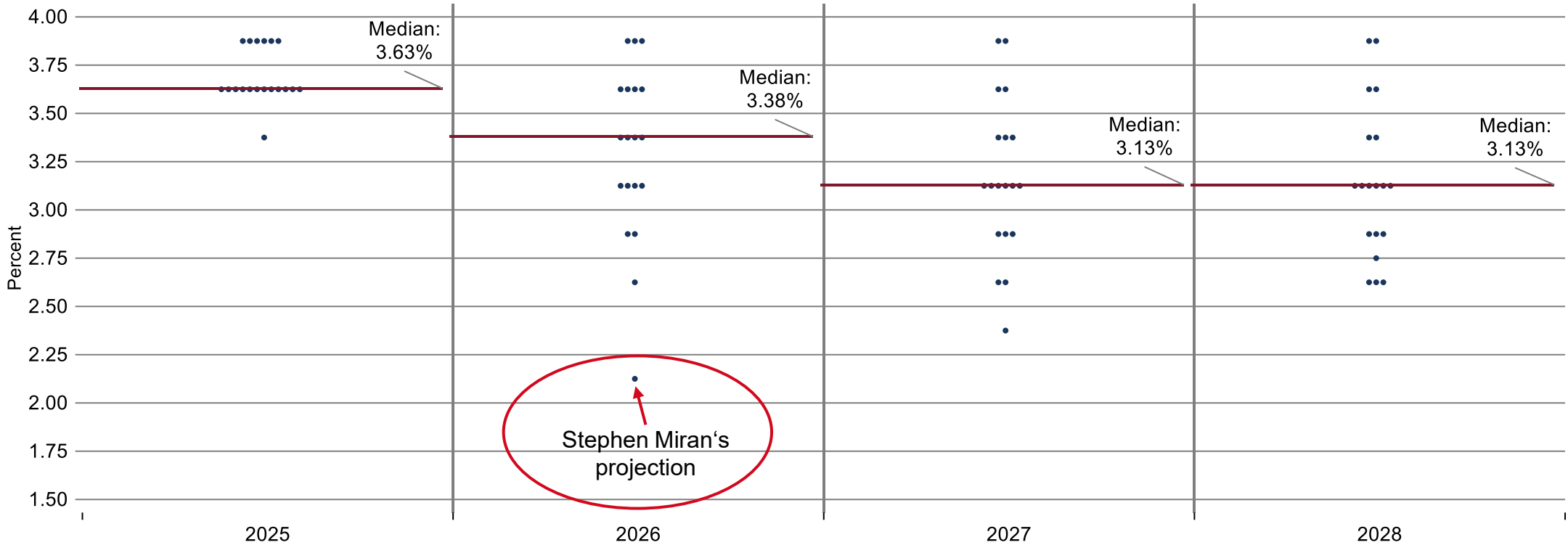
Target Range of the Federal Funds Rate and Forecast of HCOB Economics



Source: Macrobond, HCOB Economics, Federal Reserve

Dot plot of the September projections: The dot plot signals a cautious outlook for interest rate cuts, with one expected cut each in 2026 and 2027.

Dot Plot: FOMC Members' Projections for the Federal Funds Rate (Midpoint of Target Range)

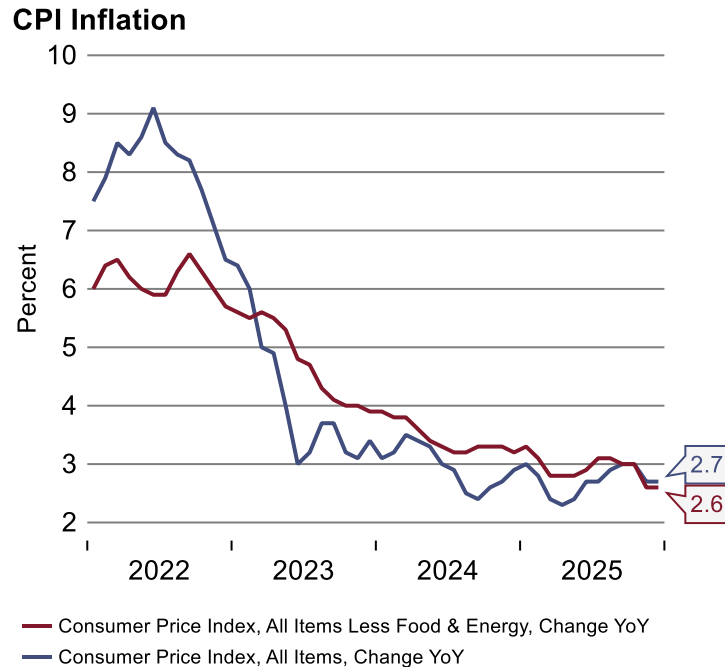


Source: Macrobond, HCOB Economics, Federal Reserve

How to read this plot: The dot plot shows each FOMC member's projection for the value of the midpoint of the projected appropriate target range of the federal funds rate at the end of each year. Each dot represents one member's forecast. The vertical axis shows the interest rate (in percent p.a.), while the horizontal axis shows the forecast years (2025, 2026, 2027, and 2028). Multiple dots at the same level indicate that several members share the same view. A red line indicates the median projection for each year. Note that the dot plot reflects individual opinions, not a consensus or official forecast.

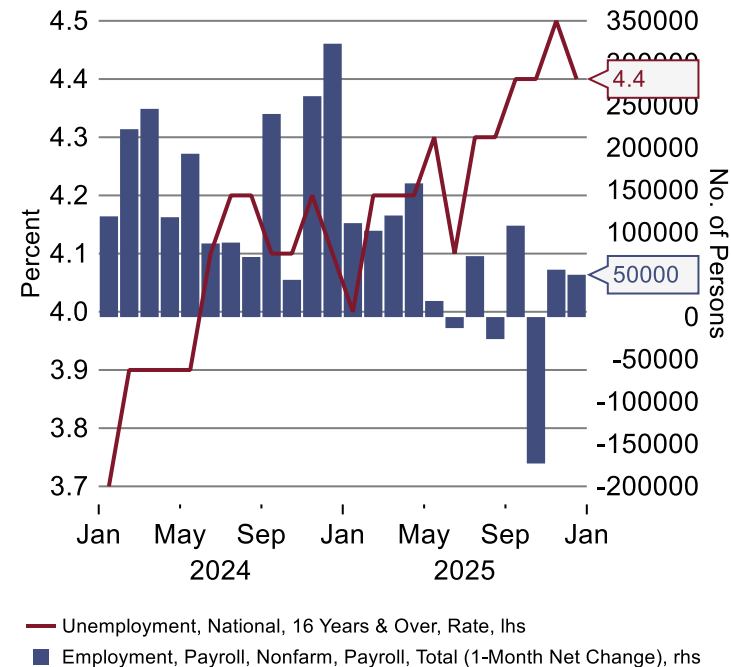
U.S. economy at a glance: CPI inflation has fallen slightly recently, labor market dynamics have flattened, while GDP growth remains solid.

USA, CPI Inflation, YoY, December 2025



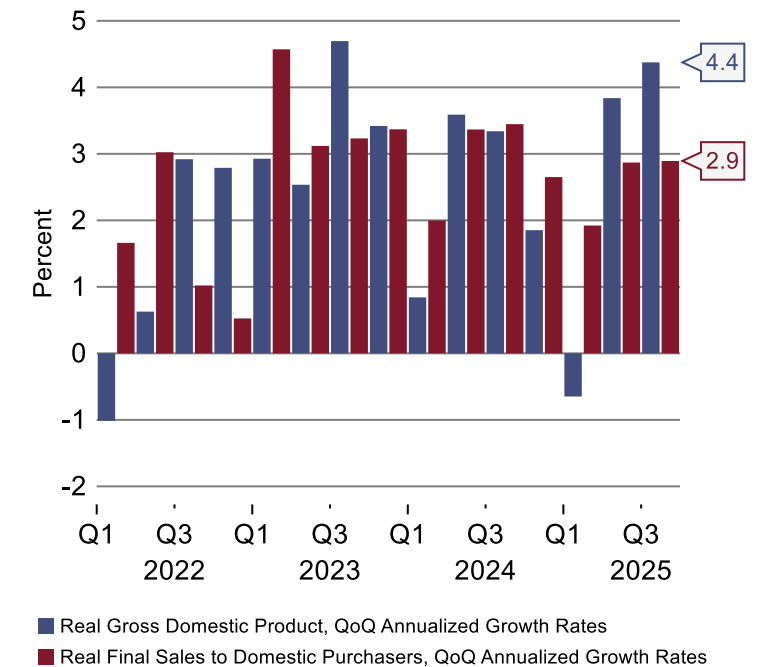
Source: Macrobond, HCOB Economics, U.S. Bureau of Labor Statistics (BLS)

USA, Unemployment Rate and Nonfarm Payrolls, December 2025



Source: Macrobond, HCOB Economics, U.S. Bureau of Labor Statistics (BLS)

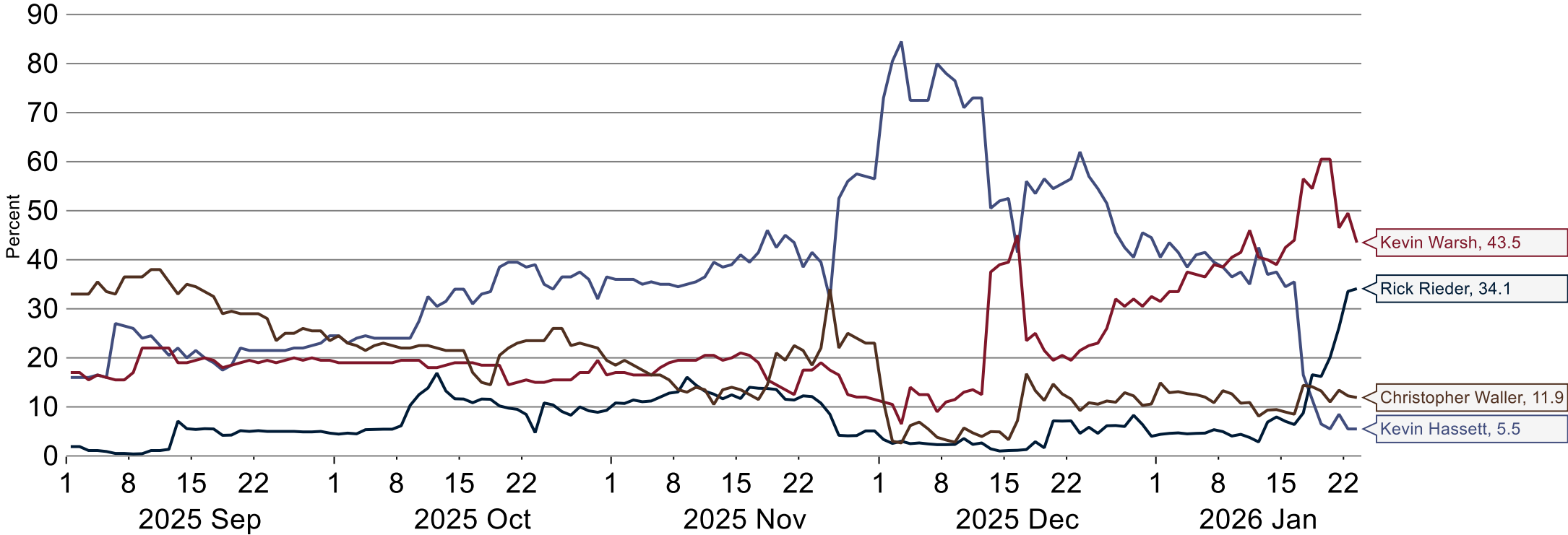
USA, GDP and Domestic Demand, QoQ Annualized Growth, 2025 Q3



Source: Macrobond, HCOB Economics, U.S. Bureau of Economic Analysis (BEA)

Who will Trump nominate as Fed chair? Former FOMC member Kevin Warsh is currently leading the polls at online betting agency Polymarket.

United States, Political Polls, Polymarket, Odds, Who Will Trump Nominate as Fed Chair?



Source: Macrobond, HCOB Economics, Polymarket

Appendix

- **Monetary policy instruments of the Fed and link to the last meeting**
- **Futures implied interest rate expectations**
- **“One person, one quote”**

Monetary policy instruments of the Fed and link to the last meeting

The key monetary policy instruments of the Fed at a glance:

Instrument	Function	Current rate / measure	Effective from
Federal Funds Rate	Short-term interbank interest rate	3.50–3.75 %	December 11, 2025
Interest on Reserve Balances	Interest on bank balances at the Fed	3.65 %	December 11, 2025
Primary Credit Rate	Interest rate for short-term loans to banks	3.75 %	December 11, 2025
Overnight Repurchase Agreement	Short-term liquidity provision through the purchase of securities	Minimum bid rate: 3.75 % No limit	December 11, 2025
Overnight Reverse Repurchase Agreement	Short-term liquidity absorption through the sale of securities	3.50 % Limit: \$160 billion per counterparty/day	December 11, 2025
Reinvestment Policy (full rollover)	Balance sheet stabilization through full reinvestment	Treasuries: all principal payments will be reinvested Agency MBS: reallocation to Treasury bills	December 1, 2025

Link to the documents from the last FOMC meeting, which took place on December 9–10, 2025:

- [The Fed - December 9-10, 2025 FOMC Meeting](#)

Futures implied interest rate expectations: With a probability of around 96%, the financial markets are pricing in no change to the FFR target range.

Effective Federal Funds Rate (EFFR): Futures Implied Probabilities

FOMC meeting	Implied EFFR	200-225 bps	225-250 bps	250-275 bps	275-300 bps	300-325 bps	325-350 bps	350-375 bps
2026-01-28	3.63 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	4.4 %	95.6 %
2026-03-18	3.61 %	0.0 %	0.0 %	0.0 %	0.0 %	0.6 %	16.7 %	82.7 %
2026-04-29	3.57 %	0.0 %	0.0 %	0.0 %	0.1 %	3.3 %	27.6 %	69.0 %
2026-06-17	3.52 %	0.0 %	0.0 %	0.0 %	1.4 %	13.6 %	45.2 %	39.8 %
2026-07-29	3.40 %	0.0 %	0.0 %	0.4 %	4.6 %	21.7 %	43.8 %	29.6 %
2026-09-16	3.36 %	0.0 %	0.2 %	2.0 %	11.1 %	30.1 %	38.4 %	18.3 %
2026-10-28	3.26 %	0.0 %	0.5 %	3.8 %	14.9 %	31.7 %	34.4 %	14.7 %
2026-12-09	3.22 %	0.1 %	1.1 %	5.8 %	17.9 %	32.2 %	30.8 %	12.0 %
2027-01-27	3.22 %	0.1 %	1.1 %	5.8 %	17.9 %	32.2 %	30.8 %	12.0 %

Source: Macrobond, HCOB Economics, CME Group

How to read this table: This table presents market expectations for the future effective federal funds rate (EFFR), derived from 30-day federal funds futures. The first column shows the dates of upcoming FOMC meetings. The second column displays the implied EFFR based on futures pricing. The remaining columns represent the probabilities that the EFFR will fall within specific target ranges (e.g., 200–225 bps, 225–250 bps, etc.). Example (first row): For the FOMC meeting on January 28, 2026, the implied EFFR is 3.63% (second column). There is a 95.6% probability (last column) that the rate will remain in the range of 350–375 bps, while there is a 4.4% probability (second last column) of a 25-bps rate cut, placing the rate in the range of 325–350 bps.

“One person, one quote”: Quotes made since the December meeting (I)

- **Jerome H. Powell (Board of Governors, Chair):** “This is about whether the Fed will be able to continue to set interest rates based on evidence and economic conditions—or whether instead monetary policy will be directed by political pressure or intimidation.”
- **John C. Williams (New York, Vice Chair of the FOMC):** “Monetary policy is now well positioned to support the stabilization of the labor market and the return of inflation to the FOMC’s longer-run goal of 2 percent.”
- **Philip N. Jefferson (Board of Governors, Vice Chair of the Board):** “While I do not want to prejudge the decision [in January], the current policy stance leaves us well positioned to determine the extent and timing of additional adjustments to our policy rate [...].”
- **Michelle W. Bowman (Board of Governors, Vice Chair for Supervision):** “Absent a clear and sustained improvement in labor market conditions, we should remain ready to adjust policy [currently moderately restrictive] to bring it closer to neutral.”
- **Michael S. Barr (Board of Governors):** “I think right now, we’re in a good place in terms of our interest rate policy, to take some time and really assess the inflation effects over the course of the next year.”
- **Stephen I. Miran (Board of Governors):** “If actual output falls below potential output, there is slack in the economy that could be accommodated by looser monetary policy. If deregulation boosts potential output above actual, the correct response is to cut rates.”
- **Christopher J. Waller (Board of Governors):** “I still think we’re probably, you know, maybe we’re 50 to 100 basis points off of neutral. We’ve still got some room, we could bring things down.”

“One person, one quote”: Quotes made since the December meeting (II)

- **Beth M. Hammack (Cleveland):** “My base case is that we can stay [at the current target range of 3.50–3.75%] for some period of time, until we get clearer evidence that either inflation is coming back down to target or the employment side is weakening more materially.”
- **Anna Paulson (Philadelphia):** “If all of that happens [inflation moving back to around 2% by year-end amid a stabilization in the job market coupled with growth hitting around 2%], then some modest further adjustments to the funds rate would likely be appropriate later in the year.”
- **Neel Kashkari (Minneapolis):** “My guess is we’re pretty close to neutral right now. We just need to get more data to see which is the bigger force. Is it inflation or is it the labor market? And then we can move from a neutral stance, whatever direction is necessary.”
- **Austan D. Goolsbee (Chicago):** “I think the most important thing facing us is we’ve got to get inflation back to 2%. Rates can go down still a fair amount, [with cuts even happening this year, but] we have to have convincing evidence that we’re on path back to 2% inflation.”
- **Thomas I. Barkin (Richmond):** “[...] the FOMC cut rates[...] to a level now within the range of its estimates of neutral. Think of it as taking out a bit of insurance. But going forward, policy will require finely tuned judgments balancing progress on each side of our mandate.”
- **Raphael W. Bostic (Atlanta):** “We haven’t been to target for inflation for many, many years now. We still sit quite far from where we need to be. [...] We made great progress, but we still have a lot of distance to go. [...] I think we still need to have a restrictive posture.”
- **Mary C. Daly (San Francisco):** “We will need to be deliberate as we calibrate policy to achieve both price stability and full employment. Fortunately, policy is in a good place to respond to however the economy evolves.”

“One person, one quote”: Quotes made since the December meeting (III)

- **Susan M. Collins (Boston):** “I think it’s a strength of the federated U.S. central bank that policymakers bring a variety of vantage points to the table – and sometimes, differing perspectives – and listen well to each other’s analysis and recommendations.”
- **Alberto G. Musalem (St. Louis):** “I am hopeful that we are probably in a higher productivity regime. But I think it's too early to call that, and it's certainly too early to outsource our job of bringing inflation back towards 2%. I see little reason for near-term further easing of policy.”
- **Jeffrey R. Schmid (Kansas City):** “Right now, I see an economy that is showing momentum and inflation that is too hot. Cutting rates could disproportionately harm the inflation side of our mandate without providing much benefit to the employment side.”
- **The following FOMC members made no relevant public statement with respect to monetary policy since the last FOMC meeting:**
 - Lorie Logan (Dallas)
 - Lisa D. Cook (Board of Governors)
 - Sushmita Shukla (New York, First Vice President)

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