

# Special Update

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## Expectations for the January 2026 Federal Reserve Meeting (as of January 19, 2026)

The Federal Open Market Committee (FOMC) will meet on January 27–28, 2026, with the policy decision, statement, and Chair Jerome Powell's press conference scheduled for Wednesday, January 28 at 2:00 p.m. ET.

Market participants and most economists expect the Federal Reserve to hold the federal funds target range steady at 3.50%–3.75%. This would represent the second consecutive meeting without a change, following three 25-basis-point cuts implemented in the second half of 2025 (September, November, and December).

### Current Economic Snapshot (mid-January 2026)

- **Inflation:** The most recent core PCE (Fed's preferred measure) stood at 2.8% year-over-year in September 2025. Nowcasts and estimates suggest December 2025 core PCE likely remained in the 2.7%–2.8% range, still above the 2% target, with gradual cooling but persistent stickiness in services.
- **Labor market:** December nonfarm payrolls rose by only +50,000 (well below expectations), marking one of the weakest readings in recent years. However, the unemployment rate edged down slightly to 4.4% (from a revised 4.5% in November), influenced in part by a small decline in labor force participation.
- **Consumer sentiment:** The University of Michigan's preliminary January 2026 reading rose modestly to 54.0 (from 52.9 in December), marking the second consecutive monthly increase and the highest level since September 2025. Still, this remains nearly 25% below the year-ago figure (71.7 in January 2025), reflecting ongoing concerns about prices and labor market softness.

## Market Pricing & Analyst Consensus

- CME FedWatch Tool (as of mid-January 2026): Approximately 94%–95% probability of no change at the January meeting, with only a small ~ 5%– 6% chance of a 25 bp cut.
- Expectations have shifted toward a clear pause in easing, with the next potential rate reduction now most commonly projected for the second half of 2026 (often June or later), depending on incoming data.

## Representative Analyst Views (January 2026)

- J.P. Morgan: Expects the Fed to hold steady through 2026 at the current 3.50%–3.75% range, with the next policy move potentially a hike in 2027.
- Goldman Sachs & Barclays: Have postponed near-term cut forecasts; now anticipate the next 25 bp reduction around mid-2026 (e.g., June/September).
- Morningstar: Widely anticipates a January hold; projects one or two additional 25 bp cuts across the remainder of 2026.

## Key Factors to Watch

- December core PCE release (scheduled for late January/early February, potentially delayed) — the last major inflation print before the March meeting.
- Early 2026 labor and CPI data released between January and March meetings.
- Chair Powell's press conference tone regarding the balance of risks (inflation persistence vs. labor cooling).
- Statement language on readiness to adjust policy if needed.

## Bottom Line

The January 2026 FOMC meeting is overwhelmingly viewed as a "hold and assess" event. After delivering insurance cuts in late 2025, the Committee appears poised to pause amid signs of labor market softening that has not yet turned severe, coupled with inflation that is cooling gradually but remains above target. The statement and especially Powell's remarks will be crucial for signaling the path ahead. Current consensus points to limited additional easing (0–2 cuts) in 2026 overall, reflecting a higher-for-longer profile compared to late-2025 expectations.

## References:

- CME Group. (2026). CME FedWatch Tool. Retrieved January 19, 2026, from <https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html>
- U.S. Bureau of Labor Statistics. (2026, January 9). The Employment Situation – December 2025. <https://www.bls.gov/news.release/empsit.nr0.htm>
- University of Michigan Surveys of Consumers. (2026). Preliminary Results for January 2026. <https://www.sca.isr.umich.edu/>
- J.P. Morgan Global Research. (2026). What's The Fed's Next Move? <https://www.jpmorgan.com/insights/global-research/economy/fed-rate-cuts>
- Morningstar. (2026). What's Next for the Fed in 2026? <https://www.morningstar.com/markets/whats-next-fed-2026>
- Goldman Sachs & other brokerage reports referenced in Reuters and BNN Bloomberg coverage (January 2026 articles on shifted rate cut forecasts).
- Cleveland Fed Inflation Nowcasting and BEA PCE data releases (various 2025–2026 updates).

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