Register-Guard Capital

FEDERAL RESERVE REGISTER GUARD 7/29/26

PRE-MEETING OUTLOOK

We predict the Federal Open Market Committee will hold the target range for the federal funds rate unchanged at 3.50 percent to 3.75 percent at the conclusion of its July 28–29, 2026 meeting, the second chaired by Kevin Warsh and the fifth consecutive meeting at the current range.[1] Unlike June, when the hold was priced at roughly 97 percent, this decision arrives with genuine uncertainty attached: the CME FedWatch Tool prices the probability of a quarter-point hike at roughly 36 percent, up from about 10 percent two weeks ago,[2] and interest-rate swaps imply closer to 40 percent, an unusually high degree of doubt this near a decision by the standards of recent years.[3] All 104 economists in Reuters' mid-July survey nevertheless expect a hold and 78 of them expect the current range to survive through December.[4] We are with the economists on the decision and, this time, against the market on the path. We predict a hold this week; we expect the vote will not be unanimous, looking for at least one dissent in favor of an immediate hike, most plausibly from Dallas's Logan; and, above all, we see the federal funds rate unchanged at 3.50 to 3.75 percent over the next five months, with no cut and no hike across the September, October, and December meetings. The market has fully priced a hike by September; we have not, and we set out below why we would nonetheless support that hike on the merits.[5]

The two major releases since our June Register Guard humbled our Guards, and we score them before building on them. The June Employment Situation, released July 2, showed nonfarm payroll growth of just 57,000 against our 110,000 projection and a consensus running 100,000 to 115,000, with April and May revised down by a combined 74,000.[6] Our central message, deceleration from May's one-off-inflated 172,000, was directionally correct, and our stripping-out arithmetic rightly identified the leisure-and-hospitality reversal, which subtracted 61,000 in June on weaker-than-usual seasonal hiring; but the underlying pace we estimated near 120,000 turned out closer to 60,000 once the scaffolding came down.[7] The unemployment rate fell to 4.2

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[1] Board of Governors of the Federal Reserve System, "Meeting Calendars and Information," Monetary Policy, accessed July 28, 2026, https://www.federalreserve.gov/monetarypolicy/fomccalendars.htm; Register-Guard Capital, *Federal Reserve Register Guard 6/17/26* (June 17, 2026).

[2] CME Group, "CME FedWatch Tool," Interest Rates Market Data, accessed July 28, 2026, https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html; "Fed Decision Eve: 104 Economists Expect No Change; Why Is Citadel Securities Betting on a Surprise Hike?," TradingKey, July 28, 2026, https://www.tradingkey.com/analysis/economic/inflation/262058251-fed-july-fomc-frankflight-citadelsecurities-tradingkey.

[3] "Citadel Securities Sees Warsh Delivering Surprise Fed Rate Hike," Bloomberg, July 27, 2026, https://www.bloomberg.com/news/articles/2026-07-28/citadel-securities-fed-rate-hike-call-adds-to-market-angst.

[4] TradingKey, "Fed Decision Eve."

[5] Bloomberg, "Citadel Securities Sees Warsh Delivering"; Dan Burns, "Fed's Waller Says Rate Hike May Be Needed If Core Inflation Stays Hot," Reuters, July 13, 2026.

[6] Bureau of Labor Statistics, "The Employment Situation—June 2026," news release, U.S. Department of Labor, July 2, 2026, https://www.bls.gov/news.release/pdf/empsit.pdf; Register-Guard Capital, *Employment Guard 7/2/26* (July 2, 2026); Jeff Cox, "U.S. Job Creation Cools in June with Payrolls Growth of Just 57,000; Unemployment Rate at 4.2%," CNBC, July 2, 2026, https://www.cnbc.com/2026/07/02/jobs-report-june-2026-.html.

[7] Bureau of Labor Statistics, "Employment Situation, June 2026"; Cox, "U.S. Job Creation Cools"; Register-Guard Capital, *Employment Guard 7/2/26* (July 2, 2026).

percent, a tenth below our call and its lowest in a year, though for the unwelcome reason we have repeatedly flagged: participation dropped 0.3 point to 61.5 percent, the lowest since March 2021, and household employment fell by 507,000.8 Average hourly earnings rose 0.3 percent on the month to $37.64, precisely the monthly pace and dollar level our base arithmetic produced, but the year-over-year rate printed 3.5 percent rather than our 3.7, the prior-year base having shifted beneath the calculation.[9]

The June Consumer Price Index, released July 14, was softer still. The headline index fell 0.4 percent on the month, the largest one-month decline since April 2020, carrying the year-over-year rate down to 3.5 percent from May's 4.2; core was flat on the month and eased to 2.6 percent year-over-year.[10] We were on the correct side of the consensus we forecast against on the headline, calling 3.8 percent against 3.9, but the gasoline collapse we identified pulled the index down further than even we embedded; and on core we were on the wrong side entirely, projecting 2.9 percent above a 2.8 consensus as the print came in at 2.6, with auto insurance down 2 percent, airfares easing alongside jet fuel, and shelter up just 0.1 percent.[11] For the second time in three months, the tariff-goods broadening we have carried as a risk failed to materialize in the month of record, and we take the correction. What we do not take back is the diagnosis. Non-housing services inflation remains stubbornly elevated, the May core PCE reading stood at 3.4 percent with its increases concentrated in healthcare and insurance, the acyclical categories least sensitive to labor-market slack, and we see little evidence that acyclical core services inflation decelerates anytime soon.[12] June's relief was an energy event, not a services event.

And the energy event has already reversed. The June pump prices that produced the softest headline in six years were set under the ceasefire, and the ceasefire is gone. Fighting between the United States and Iran reignited on July 24, the Strait of Hormuz remains contested, and the national average gasoline price has climbed back above $4.00 per gallon from just below $3.80 around the July 4 holiday.[13] Inflation dropped hard last month; it will rise again this month. The 10-year Treasury yield briefly topped 4.7 percent last Thursday, its highest in roughly eighteen months, less because of what the data showed than because of what the data are about to do.[14] On the other side of the mandate, the labor market is faring better than the soft June payroll headline suggests: the unemployment rate at 4.2 percent is the lowest in a year, the

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[8] Bureau of Labor Statistics, "Employment Situation, June 2026"; Cox, "U.S. Job Creation Cools."
[9] Bureau of Labor Statistics, "Employment Situation, June 2026."
[10] Bureau of Labor Statistics, "Consumer Price Index—June 2026," news release, U.S. Department of Labor, July 14, 2026, https://www.bls.gov/news.release/cpi.nr0.htm; "Consumer Price Index Inflation Report June 2026," CNBC, July 14, 2026, https://www.cnbc.com/2026/07/14/consumer-price-index-inflation-report-june-2026.html.
[11] Register-Guard Capital, *Inflation Guard 7/14/26* (July 14, 2026); PNC Economics Research, "Core CPI Surprisingly Contracts, Weakening the Case for Rate Hikes," July 14, 2026, https://www.pnc.com/content/dam/pnc-com/pdf/aboutpnc/EconomicReports/EconomicUpdates/2026/PNC_Economics_Research_CPI_14_July_2026.pdf.
[12] PNC Economics Research, "Core CPI Surprisingly Contracts"; Bureau of Economic Analysis, "Personal Income and Outlays, May 2026," news release, U.S. Department of Commerce, June 25, 2026; Register-Guard Capital, *Inflation Guard 7/14/26*, citing Federal Reserve Bank of San Francisco, "Cyclical and Acyclical Core PCE Inflation."
[13] Christopher Rugaber, "Will Tough Talk Be Enough? Fed Chair Warsh Faces Pressure to Combat Inflation," Associated Press, July 28, 2026.
[14] Rugaber, "Will Tough Talk Be Enough."

broader underemployment rate fell to 7.9 percent, involuntary part-time employment eased to 4.7 million, and the anecdotal channel, in press reporting, in Reserve Bank commentary, and among our own contacts, describes stability shading toward improvement rather than deterioration.[15] Cleveland's Hammack reports business leaders asking, for the first time in her experience, for higher rates.[16] Neither leg of the mandate argues for easing; one increasingly argues for tightening.

With Chair Warsh disclosing nothing, on which more below, the speeches of the other principals are the best available map of the Committee, and the three most specific recent speakers, Governor Waller, Vice Chair for Supervision Bowman, and New York's Williams, mark out three distinct positions. Waller is the conditional hawk. In Rome on July 6, he argued that the crucial input to policy is an accurate read of initial conditions rather than an average of past experience[17] and in New York on July 13 he described policy as at a "crossroads": his baseline was to continue holding, but he said plainly that another hot core reading would require the Committee to consider tightening in the near term, that several months of lower readings would be needed before he trusts the trend, and, memorably, that simply staring at inflation until it melts "is not an option."[18] The condition he set did not trigger. Core printed flat the following morning, the softest month of the cycle, and Waller's own framework therefore points to a hold this week with the hike question rolled forward to the fall.[19]

Williams is the anchor of the hold. Speaking on July 15, the day after the CPI, the FOMC's vice chair said there are encouraging reasons to think inflation has peaked and listed five: tariff pass-through largely complete, modest market-rent growth, oil off its peak, a labor market that is not a source of inflation, and well-anchored expectations. He called the current stance "well positioned" and projected overall inflation near 3.25 percent by year-end, gliding to the 2 percent goal in 2028.[20] His hawkish tripwire is specific and novel. A week earlier he identified AI-driven demand as the inflation force he watches most closely, said a sustained demand impulse of that kind is not one a central bank looks through, and offered a quantitative test: monthly core PCE at two-tenths through the second half would confirm continuing disinflation, and anything persistently higher would signal that policy must respond.[21] We note, however, that one leg of his five has already buckled: oil was off its peak for nine days. The July

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[15] Bureau of Labor Statistics, "Employment Situation, June 2026"; Stephens, "June Employment Update," July 2, 2026, https://www.stephens.com/perspectives/june-employment-update-july-2-2026.
[16] Rugaber, "Will Tough Talk Be Enough," citing Beth Hammack, LinkedIn post, July 2026.
[17] Christopher J. Waller, "Two Thoughts on the Transmission of Monetary Policy," speech delivered at "Challenges for Monetary Policy Transmission in a Changing World," a conference sponsored by the Bank of Italy, Rome, Italy, July 6, 2026, https://www.federalreserve.gov/newsevents/speech/waller20260706a.htm.
[18] Christopher J. Waller, speech on the economic outlook delivered at the New York Association for Business Economics, New York, July 13, 2026, https://www.federalreserve.gov/newsevents/speech/waller20260713a.htm; Burns, "Fed's Waller Says Rate Hike May Be Needed."
[19] Bureau of Labor Statistics, "CPI, June 2026."
[20] John C. Williams, "Stability of Thy Times," remarks at the Partnership for New York City, New York, July 15, 2026, https://www.newyorkfed.org/newsevents/speeches/2026/wil260715; "New York Fed President Williams Says Inflation Has Peaked, Rates 'Well Positioned,'" CNBC, July 15, 2026.
[21] "Fed's Williams Says AI Is Now His Main Inflation Concern," Bloomberg, July 9, 2026, https://www.bloomberg.com/news/articles/2026-07-09/fed-s-williams-says-ai-is-now-his-main-inflation-concern.

24 reignition strips the energy leg out of the peak-inflation case, which is precisely why the market refuses to price out September even after a flat core month.[22]

Bowman has been the quietest of the three on rates; her July calendar has been given over entirely to supervision, from AI risk practices to the Financial Stability Board's regulatory agenda.[23] But her Reykjavík framework speech of May 29 tells us where she stands, and it is the dove-side pole of the Committee. She favors trimmed-mean and ex-tariff measures that put underlying inflation only a bit above 2 percent, treats the energy shock as one to look through, citing both the Bernanke-era precedent for focusing on core during oil run-ups and the optimal-policy literature on temporary energy supply shocks, reads the labor market as fragile beneath a stable headline, and dissented in July 2025 in favor of a cut on exactly that logic.[24] She attached, however, a caveat that has since matured into the live question: the longer the conflict persists, and the more its energy effects broaden into PCE inflation, the more she will reconsider the balance of risks. The conflict has persisted, lapsed into a sixty-day ceasefire, and reignited; her caveat is now the test.[25]

Arraying the three: Waller's trigger is un-fired, Williams is anchored on hold with a second-half tripwire, and Bowman is looking through the shock on a caveat that is expiring. Around them, Logan, a voter, has said that "Modestly higher interest rates would better balance the outlook," and Hammack channels tightening-minded contacts. That distribution is the June dot plot rendered in prose, nine of eighteen submitted projections penciling a 2026 hike and nine not, and it does not contain a July majority for a move in either direction.[26] It contains a hold and, we think, this time a dissent.

Chair Warsh, for his part, has stuck true to saying as little as possible, which is not an accident but the regime. His first congressional testimony, delivered to the House Financial Services Committee on July 14 and the Senate Banking Committee on July 15, restated the commitments without pricing them: the Fed will consign the five-year inflation surge to the past, will not tolerate continued above-target inflation, and sees its task as preventing sectoral price increases, gasoline, computing hardware, from broadening into generalized inflation. He offered nothing about the July decision.[27] And when the soft CPI landed on the morning of his first appearance, he pointedly declined the victory lap, warning against reading the data as "mission

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[22] Rugaber, "Will Tough Talk Be Enough."
[23] Board of Governors of the Federal Reserve System, "2026 Speeches," and "Calendar: July 2026," accessed July 28, 2026, https://www.federalreserve.gov/newsevents/2026-july.htm.
[24] Michelle W. Bowman, "A Framework for Practical Monetary Policy Decision Making," speech delivered at the Reykjavík Economic Conference 2026, Central Bank of Iceland, Reykjavík, Iceland, May 29, 2026, https://www.federalreserve.gov/newsevents/speech/bowman20260529a.htm.
[25] Bowman, "A Framework for Practical Monetary Policy Decision Making."
[26] Board of Governors of the Federal Reserve System, "Summary of Economic Projections," June 17, 2026, https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20260617.pdf.
[27] Kevin Warsh, "Semiannual Monetary Policy Report to the Congress," testimony before the Committee on Financial Services, U.S. House of Representatives, July 14, 2026, with identical remarks submitted to the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, July 15, 2026, https://www.federalreserve.gov/newsevents/testimony/warsh20260714a.htm; "Takeaways from Fed Chairman Kevin Warsh's First Congressional Testimony," CNN, July 14, 2026.

accomplished."[28] We wrote in June that we accept the trade embedded in this communications regime, less for Fed watchers to parse and more genuine information in market prices, and this meeting is the first invoice.[29] A 36-to-40 percent hike probability on the eve of a decision is not market confusion; it is what a data-dependent central bank without forward guidance is supposed to look like. The Chair's silence gives us, as he might prefer, more things to think about and fewer things to know.

The task-force rosters, announced July 9, are the other Warsh development since our last Register Guard, and they impressed us. The five panels and their co-leads: communications under Peter R. Fisher with Arminio Fraga and Mervyn King; balance-sheet policy under Karen Dynan, Raghuram Rajan, and Jeremy Stein; data under Raj Chetty, Doug McMillon, and Kevin Murphy; productivity, jobs, and artificial intelligence under Marc Andreessen, Charles I. Jones, and Asha Sharma; and inflation frameworks under N. Gregory Mankiw, Thomas Sargent, and William White.[30] These are distinguished and capable people, Nobel laureates, former heads of the central banks of England, India, and Brazil, and operators who have run real enterprises, and the range of disciplines and ideologies is wide enough that the FOMC should get genuine discussion and usable recommendations rather than an echo of its own priors. We flagged the data task force in June as the one warranting the most careful watching, and its roster reassures us: Chetty and Murphy are empiricists of the first rank, and McMillon brings exactly the private-sector, point-of-sale perspective Warsh described wanting, from a company whose scanner data constitute a better real-time price index than most official series. Our June cautions stand, official statistics are a public good and the 2 percent target sits outside the review's scope by the Chair's own commitment, but the panels report to the FOMC by year-end, and we expect the recommendations to be worth reading.[31]

Which brings us to the most interesting document of the week: Citadel Securities' July 27 call that the Committee will hike 25 basis points on Wednesday, to 3.75 to 4.00 percent. Frank Flight, the firm's head of macro strategy, argues that a surprise hike would cement Warsh's price-stability credibility, would "emphatically end the forward guidance era," would shape business pricing and wage-setting before inflation entrenches further, thereby reducing the total tightening ultimately required, and that the soft June payroll and CPI prints should not outweigh the broader evidence of elevated inflation risk against a stable labor market.[32] PGIM has similarly raised its odds of a move, and demand to hedge a surprise hike set records this week.[33] We think every step of that reasoning is sound. We have argued since March that inflation has sat above target for more than five years, since April that an easing bias was indefensible, and

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[28] CNBC, "Consumer Price Index Inflation Report June 2026."
[29] Register-Guard Capital, *Federal Reserve Register Guard 6/17/26*.
[30] Board of Governors of the Federal Reserve System, "Federal Reserve Announces Membership of Monetary Policy Task Forces," press release, July 9, 2026, https://www.federalreserve.gov/newsevents/pressreleases/monetary20260709a.htm; Neil Irwin, "Marc Andreessen and Former Walmart CEO Are Among the New Fed Task Force Leaders," Axios, July 9, 2026, https://www.axios.com/2026/07/09/fed-warsh-task-force-andreessen.
[31] Register-Guard Capital, *Federal Reserve Register Guard 6/17/26*; "Transcript: Fed Chair Warsh Says Wants Changes, Appoints Five Task Forces, But Will Keep 2% Inflation Target," Mace News via TradingView, June 17, 2026.
[32] Bloomberg, "Citadel Securities Sees Warsh Delivering."
[33] "Citadel Securities' Fed Rate Hike Call Adds to Market Angst," Bloomberg, July 28, 2026.

since June that the current range is a floor and the stance not meaningfully restrictive against core PCE near 3.4 percent. Were we seated at the table, we would vote for the hike, and we support a hike on the merits more than we support the hold we are predicting.[34] But a prediction is a count of votes, not a statement of preference, and we do not count twelve, or even a strong minority, for a hike this week. Six weeks ago, none of nineteen participants argued to tighten; the vice chair of the FOMC anchored the hold publicly two weeks ago; Waller's stated trigger failed to fire; Bowman is still looking through; and the freshest inflation print on the table is the softest since April 2020.[35] There is also a tension inside the Citadel case that we suspect the Chair sees. Its argument for hiking now is fundamentally about signaling, credibility, regime punctuation, while Warsh's stated philosophy is that policy and markets should react to data. Hiking into a flat core print would be reacting to optics, and this Chair has been disciplined about exactly that distinction. If the data hold their current shape, labor stable, headline re-accelerating on energy, acyclical services refusing to decelerate, the votes Citadel needs will accumulate, and September, with the July CPI and two further PCE readings in hand, is the natural venue. We would not be surprised by a hike there. We simply do not predict one, there or at the October or December meetings: the Committee has discovered that its words are doing the tightening, ten-year yields above 4.7 percent without a single move, and some economists expect the talk to substitute for the walk-through year-end. We expect the Committee to keep spending that currency before it spends the other kind.[36]

For scoring against the release, we set out our markers plainly. Decision: a hold at 3.50 to 3.75 percent, with the administered rates unchanged in the customary related action. Vote: not unanimous; at least one dissent in favor of an immediate hike, Logan the most probable, which would be a hawkish inversion of the dissent pattern that prevailed through the spring, and a reading Goldman Sachs shares.[37] Statement: the June short form retained, no forward guidance restored, the flat commitment that the Committee "will deliver price stability" preserved, and, we expect, an acknowledgment that renewed conflict has re-tightened energy supply.[38] There is no Summary of Economic Projections at this meeting; the September round will show whether the nine hike-dots have become ten. We will also watch whether the Chair holds a press conference at all, having signaled in June that press conferences may not follow every meeting; declining one after an uneventful hold would itself be a communications datum.[39] Finally, the June PCE price index lands July 30, the morning after the decision; the Committee will have seen the staff estimate, and we will score our services thesis against the print in the supplemental sections below.[40]

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[34] Register-Guard Capital, *Federal Reserve Register Guard 3/18/26* (March 18, 2026); Register-Guard Capital, *Federal Reserve Register Guard 4/29/26* (April 29, 2026); Register-Guard Capital, *Federal Reserve Register Guard 6/17/26*; Bureau of Economic Analysis, "Personal Income and Outlays, May 2026."
[35] Register-Guard Capital, *Federal Reserve Register Guard 6/17/26*; CNBC, "Williams Says Inflation Has Peaked."
[36] Rugaber, "Will Tough Talk Be Enough," citing remarks of Stephen Douglass, NISA Investment Advisors.
[37] TradingKey, "Fed Decision Eve," citing remarks of David Mericle, Goldman Sachs; Rugaber, "Will Tough Talk Be Enough."
[38] Board of Governors of the Federal Reserve System, "Federal Reserve Issues FOMC Statement," news release, June 17, 2026, https://www.federalreserve.gov/monetarypolicy/files/monetary20260617a1.pdf.
[39] "Transcript: Fed Chair Warsh," Mace News via TradingView, June 17, 2026.
[40] Bureau of Economic Analysis, "Personal Consumption Expenditures Price Index," release schedule, accessed July 28, 2026, https://www.bea.gov/data/personal-consumption-expenditures-price-index.

DECISION AND STATEMENT

The Committee held the target range for the federal funds rate at 3.50 to 3.75 percent, exactly as we predicted, and did so on a 9–3 vote, with Cleveland's Hammack, Minneapolis's Kashkari, and Dallas's Logan dissenting in favor of an immediate quarter-point hike.[41] In the customary related action, the Board held the interest rate on reserve balances at 3.65 percent effective July 30, with the standing repurchase rate at 3.75 percent, the overnight reverse-repurchase offering rate at 3.50 percent with a $160 billion per-counterparty limit, and the primary credit rate at 3.75 percent; the directive also continues to authorize Treasury-bill purchases as needed to maintain ample reserves, a clause worth remembering given the balance-sheet question the Chair posed below.[42] We score the vote as our strongest call of the report and our weakest at once. We predicted a non-unanimous vote, we predicted the dissent would be hawkish, and we named Logan; all three were correct. What we understated was the breadth: three dissents, not one. There is a symmetry here we do not intend to repeat a third time. In June we understated the Committee's unanimity; in July we understated its division; in both cases the direction of travel was the one we called, from a unanimous hold toward formal hawkish dissent, and in both cases, we were a step too timid on magnitude. The identity of the dissenters is the most telling detail of the release: Hammack, Kashkari, and Logan are precisely the three who dissented on April 29 over the easing-bias language.[43] In April they objected to words; in July they voted for a hike. The Committee's hawkish faction has graduated from statement-drafting to policy and a quarter of the votes are now formally for tightening.

On the statement, all four of our markers were met. The June short form was retained; forward guidance remains absent; the flat closing commitment that the Committee "will deliver price stability" survives verbatim; and the conflict is now named explicitly, with economic activity described as expanding at a solid pace despite elevated uncertainty owing in part to the Middle East, alongside the retained attribution of price increases to supply shocks in certain sectors including energy.[44] Two new sentences deserve attention. The first, that productivity growth and capital investment are strong, elevates the AI-capex theme into the statement proper for the first time, consistent with the four-question agenda the Chair described afterward. The second is the labor formulation: job gains have "kept pace with the workforce." That sentence quietly does a great deal of work. It blesses a 57,000-payroll month as mandate-consistent by tying it to a workforce that is itself shrinking, with participation at 61.5 percent, implicitly endorsing a materially lower breakeven pace of job growth. The statement thereby reads the same soft June report we scored above the way our own household-side reading did, stability rather than deterioration, and in doing so removes the last labor-market argument for ease from the Committee's own text.[45]

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[41] Board of Governors of the Federal Reserve System, "Federal Reserve Issues FOMC Statement," news release, July 29, 2026, https://www.federalreserve.gov/monetarypolicy/files/monetary20260729a1.pdf.
[42] Board of Governors of the Federal Reserve System, "Decisions Regarding Monetary Policy Implementation," July 29, 2026.
[43] Register-Guard Capital, *Federal Reserve Register Guard 4/29/26*; Register-Guard Capital, *Federal Reserve Register Guard 6/17/26*.
[44] Board of Governors, "FOMC Statement, July 29, 2026"; Board of Governors, "FOMC Statement, June 17, 2026."
[45] Board of Governors, "FOMC Statement, July 29, 2026"; Bureau of Labor Statistics, "Employment Situation, June 2026."

PRESS CONFERENCE ANALYSIS

The Chair held a press conference, resolving the question we flagged, and committed to holding them through year-end, which he wryly conceded might be the day's only news for the average household.[46] We were not surprised by the 9–3 vote, and the press conference confirmed the essence of the meeting as we read it going in: unanimity that inflation is too high, disagreement confined to timing. The opening statement declared that this Fed will not waver, that there is no soft inflation target and never was, and that five-plus years of above-target inflation cannot be cured in nine weeks or by a single month of modest price declines. Asked whether the hold reflected conviction or a hair-trigger call, the Chair answered that the Committee shared the questions and differed only in its leans on the answers, describing the moment as "watchful thinking, not watchful waiting" and calling the vote on that proposition unanimous.[47] Asked where the disagreement actually lay, he pointed to overwhelming agreement on objectives, authority, and commitment, with the open question being how and when to act. That is a timing dispute, precisely, and it is the correct frame for understanding a 9–3 vote that the newspapers will report as division: the meat and potatoes of this meeting was not whether inflation is a problem but when the down payment on it comes due.

We note with some satisfaction that the Chairman of the Federal Reserve is now keeping the same ledger we have kept all year. He counted 63 months of above-target inflation at the June meeting and observed that June's data would determine whether the count reaches 64, a close calculation; we have argued since our first Register Guard in March that inflation has sat above the target for more than five years and the count is now recited from the podium.[48] On the role of the soft June core print in the decision, he was dismissive: it played little part, the Committee does not lean on any single data point as cover or validation; trends are what matter. That is consistent with the position we took in the pre-meeting outlook, that a single soft print neither justifies a hike deferred nor a victory declared, and it confirms the June CPI was not the hinge of this decision.

The centerpiece of the opening statement was the claim that the intermeeting rise in nominal and real yields, which the Chair ranked around the top decile of two-decade history, demonstrates the new communications regime working: market participants, in his phrase, are learning to "play the ball, not the referee."[49] We share the philosophy, as we said in June, and we decline to score this particular period as proof of it. Part of the arithmetic is mechanical: with headline CPI falling from 4.2 to 3.5 percent, an unchanged nominal policy rate became a higher real one without anyone doing anything, and market real yields repriced alongside. Treasury

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[46] Board of Governors of the Federal Reserve System, "Transcript of Chairman Warsh's Press Conference Opening Statement," preliminary, July 29, 2026.
[47] "Transcript: Fed Chairman Kevin Warsh's Postmeeting Press Conference," WSJ Pro, *The Wall Street Journal*, July 29, 2026, https://www.wsj.com/pro/central-banking/transcript-fed-chairman-kevin-warshs-postmeeting-press-conference-c422be69.
[48] "Transcript: Warsh Postmeeting Press Conference," WSJ Pro; Register-Guard Capital, *Federal Reserve Register Guard 3/18/26*.
[49] Board of Governors, "Transcript of Chairman Warsh's Press Conference Opening Statement"; Bureau of Labor Statistics, "CPI, June 2026."

yields have, moreover, always moved between meetings, and this particular 42-day window contained a reignited war, a seven percent single-day oil move, and the softest CPI print in six years, an eventful stretch under any communications regime. Attributing top-decile moves to the absence of forward guidance rather than to the presence of extraordinary news is a hypothesis, not a finding, and the Chair himself hedged it, allowing only that the reduction in guidance may have been a factor. We would not take the intermeeting tape as a win per se. We will credit the regime when a quiet news period produces the same clean data-tracking.

What struck us most, however, was not what the Chair said but how many times he was made to say it. The question-and-answer session was, in essence, a single question asked ten ways, what are markets telling you, what is your reaction function, what would make you move, what are you waiting for, and a single answer given ten times: we will deliver 2 percent, we will not preview our decisions, and we are watching data and market prices without fogging them with our own commentary. Warsh has been insistent and entirely consistent on these points since his confirmation; he said them at his debut press conference, at both July oversight hearings, and again today, and yet the press corps, and evidently financial markets and households behind them, either do not fully understand what he means or will not accept it. Asked directly and repeatedly what message he takes from markets about where policy should be, he described the message without ever analyzing it into a policy implication, markets say what they say, we observe with keen interest, deliberately so, since interpreting the signal aloud would re-fog the very information he is trying to keep clean, but the effect is a chairman who tells his audience the market is a superb economist and then declines to share the economist's conclusion.[50] Pressed, he did hand over one genuine crumb: with labor markets at equilibrium, a central banker who sees underlying inflation moving higher is more inclined to tighten, and more inclined to loosen when it falls. By the disclosure standards of this Fed, that ordinary sentence was the headline of the afternoon. Whether the communication difficulty is a failure of transmission or an audience too habituated to fifteen years of spoon-feeding to accept the new diet, we cannot yet say; the Chair himself acknowledged that withdrawing forward guidance requires a transition and we suspect the answer is some of both. The bond market's close, taken up below, suggests the transition has a distance still to run.

The real content of the meeting, by the Chair's own account, was the four questions: whether the past five years of high inflation have truly passed; whether the era's shocks, pandemic supply chains, military conflicts, energy disruptions, tariffs, and the AI-investment surge, differ in their effects on output and employment; whether shock-driven price increases, memory and logic chips and AI infrastructure among them, indicate a broadening inflationary dynamic or merely draw attention because they sit under the streetlight; and how much accommodation the balance sheet is providing if the policy rate is to be the primary instrument.[51] We commend the agenda and we hope the Committee arrives at answers rather than reformulations, the balance-sheet question in particular, which doubles as a preview of the Dynan-Rajan-Stein task force's remit. The Chair's repeated insistence that this was not a pause, that nothing about the discussion was inertial, and that the meeting constituted a rigorous review of the situation from first principles is, in our view, more than framing. His instinct is to step

[50] "Transcript: Warsh Postmeeting Press Conference," WSJ Pro.
[51] Board of Governors, "Transcript of Chairman Warsh's Press Conference Opening Statement."

back from the meeting-to-meeting point estimate and interrogate what is actually happening underneath, to supply, to productivity, to the transmission of policy into prices, and to cut through the accumulated nonsense to the underlying truth of the situation. That instinct matches our own analytical charter, which roots conclusions in a fundamental understanding of the macroeconomy rather than in extrapolation, and we say so while repeating today's caveat: the approach is only as good as its communication, and on today's evidence the message is arriving faster at this desk than at most.[52] On the task forces, the Chair said he will check in with each over the coming weeks, ahead of a Jackson Hole speech he described as currently unwritten, and, questioned on the vetting and independence of his appointees, gave the answer we would want: the panels inform, the FOMC decides, and divergence of views was a design criterion inside every committee, the family fight extended outward.[53]

MINUTES REVIEW

To be appended when Meeting Minutes are published.

MACRO AND MARKET IMPLICATIONS

The market's answer to the hold was blunt. The long end sold off through the decision and the press conference: the 10-year Treasury yield rose about 7 basis points to roughly 4.68 percent, near its highs of the year, and the 30-year climbed more than 10 basis points above 5.2 percent, its highest level since 2007. Equities fell hard, the Dow down more than 1,100 points at its worst, around 2 percent, the S&P 500 off roughly 1.5 percent, and the Nasdaq lower still as a chip-sector selloff deepened; by one count it was the worst second Fed day for a new chairman in modern history.[54] The caveat we applied to the Chair's victory lap applies to our reading of the tape as well: the day was contaminated, with oil up roughly 7 percent intraday on renewed strikes against Iran and the chip selloff carrying its own causes, so not all of today's damage belongs to the Fed.[55] But the shape of the move is legible. The policy-sensitive 2-year barely moved while the 30-year jumped, a steepening that prices more inflation risk at the long end rather than more near-term policy, and DoubleLine's Gundlach spoke for the vigilantes in arguing that to reach 2 percent "you have to raise interest rates."[56] Tough talk has been doing the tightening all summer; today the bond market began charging interest on the talk.

This is the dynamic we identified in the pre-meeting outlook, now operating in reverse. The intermeeting rise in yields was the regime working for the Committee, financial conditions

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[52] Register-Guard Capital, *Economic Publication Strategy*, Version I (March 6, 2026), sec. IV.
[53] "Transcript: Warsh Postmeeting Press Conference," WSJ Pro; Register-Guard Capital, *Federal Reserve Register Guard 6/17/26*.
[54] Jeff Cox et al., "Fed Meeting Recap: Warsh Says Fed Won't Hesitate to Stop Inflation, but Bond Market Has Doubts," CNBC live updates, July 29, 2026, https://www.cnbc.com/2026/07/29/fed-meeting-today-live-updates.html; "Stock Market Today: Dow Plunges by 1,100 Points, S&P 500 and Nasdaq Sink as Yields Rise on Fed's Hawkish Hold," Yahoo Finance, July 29, 2026.
[55] "Fed Meeting: What a Divided Committee Means for Investors," CNBC, July 29, 2026, https://www.cnbc.com/2026/07/29/fed-meeting-interest-rates-warsh-stocks-bonds.html; "Treasury Yields Inch Higher as Wall Street Awaits Fed Interest Rate Decision," CNBC, July 29, 2026.
[56] Cox et al., "Fed Meeting Recap," citing remarks of Jeffrey Gundlach, DoubleLine, on CNBC's *Closing Bell*.

tightening without a vote being spent; today's post-decision rise is harder to claim, because it expresses doubt about the inflation path under a Fed that declined to move. The Chair took comfort from markets keeping the Committee on its toes, and that is one honest description; another is that a curve with the 30-year at 2007 levels is presenting an invoice, and at some point, the choice between validating it and talking it back down stops being deferrable. A 5.2 percent long bond does more tightening to housing, to CRE-exposed regional banks, and to floating-rate small caps than the 25-basis point hike the dissenters wanted would have, which is both the argument for the Committee's patience and the measure of what that patience now costs.

Where does this leave our five-month call? Under more pressure than when we made it 24 hours ago, and we hold it, by a narrower margin than at any point this year. The case for a September hike strengthened materially today: three sitting voters are on record for one; the market entered the meeting pricing September at roughly three-quarters odds and the press room put it near certainty; the Chair volunteered a reaction function that, applied to a July CPI that will re-accelerate on energy, leans toward tightening; and he pointedly noted the Committee did not feel constrained by the full range of alternatives before it.[57] Our preference is unchanged and on the record above: we support a hike on the merits more than the hold. But three votes are not seven. The center that held today, Williams, Waller, Bowman, Jefferson, Cook, and the Chair himself, held against 40 percent market odds and live dissent, and every one of its stated triggers runs through underlying inflation, not the energy headline that July will deliver; the Chair's own framework says shocks matter to the extent they broaden, and the July print will be a shock print. What flips September is evidence of broadening: a firm core CPI in mid-August, core PCE running persistently above the two-tenths monthly pace Williams set out, or the new data workstreams surfacing generalized price pressure. Absent that, we expect the Committee to do in September what it did today, hold, talk, and let the curve carry the tightening, and we therefore maintain our base case of no change at the September, October, and December meetings, while stating plainly that September is now the closest call on the calendar, that our conviction is lower than it was in June, and that the entire risk to our call sits on the hike side. No probability we assign to a cut on this horizon rounds above zero. The range remains a floor.

The first test arrives immediately. The June PCE price index is released tomorrow morning, July 30, and with it the scoring of our services thesis: core PCE stood at 3.4 percent in May on increases concentrated in the acyclical healthcare and insurance categories, and a June print at or above three-tenths on the month would put the first crack in the hold coalition's data case even before the July CPI lands. We will not adjust the September view ahead of the evidence: our call changes when the data change, not when the pricing does. We will take each release up in the corresponding Guards and Registers: the June PCE tomorrow, the July Employment Situation on August 7, the July CPI in mid-August, and we will revisit the September call in light of them, along with the Chair's Jackson Hole address, in the Federal Reserve Register Guard for the September 15–16 meeting.[58]

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[57] "Transcript: Warsh Postmeeting Press Conference," WSJ Pro; CME Group, "CME FedWatch Tool," accessed July 29, 2026.
[58] Bureau of Economic Analysis, "Personal Income and Outlays" release schedule; Register-Guard Capital, *Inflation Guard 7/14/26*.

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Disclosure: This publication was prepared with the assistance of an artificial-intelligence system, which materially supported the data processing and analytical development underlying the forecasts presented. All projections represent the views of Register-Guard Capital and have been reviewed and validated by the firm prior to publication.