Danske Bank

27 April 2026

Research US

Fed preview: In a waiting mode

- **We expect the Fed to maintain its policy rates unchanged at the April meeting, in line with broad consensus and market pricing. We forecast the Fed resuming rate cuts in September, earlier than markets price in, but do not expect firm forward guidance at this stage**
- **Senator Tillis' decision to support Kevin Warsh's nomination as the new Fed Chair means, that the April meeting will be Powell's final one as the Chair. Powell could announce whether he intends to continue in the Fed Board of Governors until the end of his term (Jan 2028), or step down.**
- **The Fed is likely to reaffirm its earlier guidance for slowing down Reserve Management Purchases (RMPs) of T-bills after April. We expect market reactions to be limited, but see risks skewed towards lower UST yields and weaker USD if Powell maintains the door open for cuts this year.**

With markets pricing essentially no risk for a policy rate change this week and with no new economic projections, Wednesday's main focus will be on Powell. **And not just for policy reasons**, but also as the meeting will most likely end up being Powell's last one as the Fed chair. He has not yet confirmed whether he intends to step down also from the Fed Board of Governors but could provide the guidance in the press conference. Powell's term as a Governor runs until January 2028.

Senator Thom Tillis confirmed he is ready to advance Kevin Warsh's nomination as the new Chair after Department of Justice announced it is ending the investigation against the Fed. On the Fed Board Warsh replaces Stephen Miran (the most dovish governor). But if Powell steps down, Trump could renominate Miran right back.

The Fed remains in a comfortable position to wait-and-see how the energy supply outlook evolves and how will the economy react. The latest available CPI data from March suggested that underlying core inflation pressures had remained well in check, and markets' longer-term inflation expectations have remained very steady.

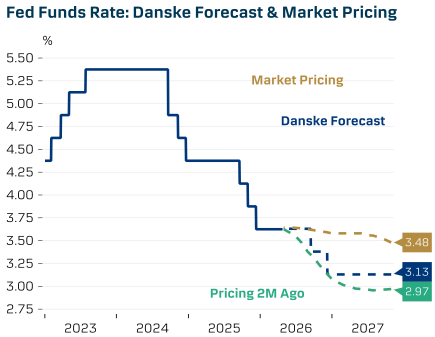
Economic growth remains resilient but slowing. Atlanta Fed's Nowcast for Q1 GDP growth has declined to just 1.2% Q/Q AR from 3.0% two months ago. Part of the slowdown is linked to a rebound in imports amid lower tariffs, but estimates for private consumption have also declined. We think that lack of labour supply growth and tighter financial conditions will continue to weigh on growth towards H2, and pave way for resuming rate cuts in September and December (chart 1).

This week will not yet be the time for providing firm forward guidance. But as market prices in only cumulative 10bp of cuts by December, even cautious hints of resuming easing could trigger a move lower in UST yields and broad USD. We expect the Fed to reaffirm its earlier guidance for slowing down the pace of Reserve Management Purchases of T-bills after April. The purchases have already started declining after the April Tax Date, and are likely to stabilize below USD10bn per month, down from a recent pace of more than USD50bn per month (chart 2).

Our Fed call (unchanged)

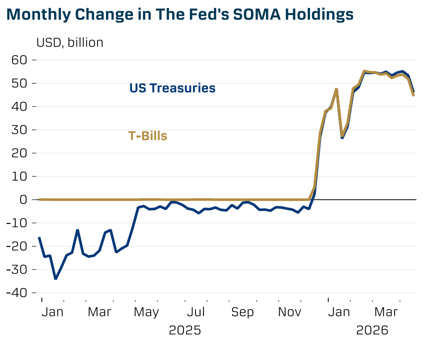
- Two more 25bp rate cuts in Sep and Dec. Terminal rate forecast 3.00 -3.25%.

Chart 1: We expect the Fed to cut earlier than markets think



Sources: Macrobond, LSEG, Danske Bank

Chart 2: The Fed is likely to confirm earlier guidance for slowing Reserve Management Purchases of T-bills even further after April



Sources: Macrobond, The Fed, Danske Bank

Senior Analyst
Antti Ilvonen
+358 445 180 297
antti.ilvonen@danskebank.com

Disclosures

This research report has been prepared by Danske Bank A/S ('Danske Bank'). The author of this research report is Antti Ilvonen, Associate.

Analyst certification

Each research analyst responsible for the content of this research report certifies that the views expressed in the research report accurately reflect the research analyst's personal view about the financial instruments and issuers covered by the research report. Each responsible research analyst further certifies that no part of the compensation of the research analyst was, is or will be, directly or indirectly, related to the specific recommendations expressed in the research report.

Regulation

Danske Bank is authorised and regulated by the Danish Financial Services Authority (Finanstilsynet). Danske Bank is authorised by the Prudential Regulation Authority in the UK. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request.

Danske Bank's research reports are prepared in accordance with the recommendations of Capital Market Denmark.

Conflicts of interest

Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high-quality research based on research objectivity and independence. These procedures are documented in Danske Bank's research policies. Employees within Danske Bank's Research Departments have been instructed that any request that might impair the objectivity and independence of research shall be referred to Research Management and the Compliance Department. Danske Bank's Research Departments are organised independently from, and do not report to, other business areas within Danske Bank.

Research analysts are remunerated in part based on the overall profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.

Financial models and/or methodology used in this research report

Calculations and presentations in this research report are based on standard econometric tools and methodology as well as publicly available statistics for each individual security, issuer and/or country. Documentation can be obtained from the authors on request.

Risk warning

Major risks connected with recommendations or opinions in this research report, including as sensitivity analysis of relevant assumptions, are stated throughout the text.

Expected updates

Ad hoc

Date of first publication

See the front page of this research report for the date of first publication.

General disclaimer

This research has been prepared by Danske Bank A/S. It is provided for informational purposes only and should not be considered investment, legal or tax advice. It does not constitute or form part of, and shall under no circumstances be considered as, an offer to sell or a solicitation of an offer to purchase or sell any relevant financial instruments (i.e. financial instruments mentioned herein or other financial instruments of any issuer mentioned herein and/or options, warrants, rights or other interests with respect to any such financial instruments) ('Relevant Financial Instruments').

This research report has been prepared independently and solely on the basis of publicly available information that Danske Bank A/S considers to be reliable but Danske Bank A/S has not independently verified the contents hereof. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or reasonableness of the information, opinions and projections contained in this research report and Danske Bank A/S, its affiliates and subsidiaries accept no liability whatsoever for any direct or consequential loss, including without limitation any loss of profits, arising from reliance on this research report.

The opinions expressed herein are the opinions of the research analysts and reflect their opinion as of the date hereof. These opinions are subject to change and Danske Bank A/S does not undertake to notify any recipient of this research report of any such change nor of any other changes related to the information provided in this research report.

This research report is not intended for, and may not be redistributed to, retail customers in the United Kingdom (see separate disclaimer below) and retail customers in the European Economic Area as defined by Directive 2014/65/EU.

Disclaimer related to distribution in the United States

This research report was created by Danske Bank A/S and is distributed in the United States by Danske Markets Inc., a U.S. registered broker-dealer and subsidiary of Danske Bank A/S, pursuant to SEC Rule 15a-6 and related interpretations issued by the U.S. Securities and Exchange Commission. The research report is intended for distribution in the United States solely to 'U.S. institutional investors' as defined in SEC Rule 15a-6. Danske Markets Inc. accepts responsibility for this research report in connection with distribution in the United States solely to 'U.S. institutional investors'.

Danske Bank A/S is not subject to U.S. rules with regard to the preparation of research reports and the independence of research analysts. In addition, the research analysts of Danske Bank A/S who have prepared this research report are not registered or qualified as research analysts with the New York Stock Exchange or Financial Industry Regulatory Authority but satisfy the applicable requirements of a non-U.S. jurisdiction.

Any U.S. investor recipient of this research report who wishes to purchase or sell any Relevant Financial Instrument may do so only by contacting Danske Markets Inc. directly and should be aware that investing in non-U.S. financial instruments may entail certain risks. Financial instruments of non-U.S. issuers may not be registered with the U.S. Securities and Exchange Commission and may not be subject to the reporting and auditing standards of the U.S. Securities and Exchange Commission.

Disclaimer related to distribution in the United Kingdom

In the United Kingdom, this document is for distribution only to (I) persons who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the 'Order'); (II) high net worth entities falling within article 49(2)(a) to (d) of the Order; or (III) persons who are an elective professional client or a per se professional client under Chapter 3 of the FCA Conduct of Business Sourcebook (all such persons together being referred to as 'Relevant Persons'). In the United Kingdom, this document is directed only at Relevant Persons, and other persons should not act or rely on this document or any of its contents.

Disclaimer related to distribution in the European Economic Area

This document is being distributed to and is directed only at persons in member states of the European Economic Area ('EEA') who are 'Qualified Investors' within the meaning of Article 2(e) of the Prospectus Regulation (Regulation (EU) 2017/1129) ('Qualified Investors'). Any person in the EEA who receives this document will be deemed to have represented and agreed that it is a Qualified Investor. Any such recipient will also be deemed to have represented and agreed that it has not received this document on behalf of persons in the EEA other than Qualified Investors or persons in the UK and member states (where equivalent legislation exists) for whom the investor has authority to make decisions on a wholly discretionary basis. Danske Bank A/S will rely on the truth and accuracy of the foregoing representations and agreements. Any person in the EEA who is not a Qualified Investor should not act or rely on this document or any of its contents.

Report completed: 27 April 2026 at 10:45 CET
Report disseminated: 27 April 2026 at 11:00 CET