Chair Warsh Press Conference Q&A

Summary – September 16, 2026

The following summary restates the content of the press conference – Prepared remarks and Q&A session.

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https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20260916.pdf

- **FOMC Discussion**

  At the July meeting, a good majority of the FOMC judged that waiting seven weeks was a worthwhile investment, buying time to make a wise decision. Three developments during the intermeeting period led to a firm, unanimous decision to raise rates:

  1. **Economic strength.** Chair Warsh judged in July that the economy was strengthening. A wide-ranging set of data since then, including labor market data, confirms that it has. The Committee shares this judgment.
  2. **Inflation trends.** As Chair Warsh stated at Jackson Hole, trends matter, and the FOMC must look outside the window and interrogate reality. His earlier judgment was that the summer inflation trends were not passing the test, and very little new information has caused him to reverse that view.
  3. **Geopolitics.** Hot spots around the world cannot be ignored, and the Committee's judgment about the most and least likely geopolitical outcomes has changed. Chair Warsh did not identify the specific developments or describe how the Committee's assessment shifted. Elsewhere in the press conference, the geopolitical references were to energy supply (a reporter cited the Strait of Hormuz, and Chair Warsh did not dispute the premise), commodity and crack-spread pressures passing through to consumer prices, and geopolitics as one of three drivers of higher long-term Treasury yields.

  The Standard for Action

  - At Jackson Hole, Chair Warsh committed to a monetary policy discipline, not to a particular decision, and defined the standard for action: the FOMC must be confident that underlying inflation is moving to the 2 percent objective clearly and at sufficient speed. The Committee concluded that this standard has not been met.
  - The rate increase is intended to keep credit and financial conditions consistent with the mandate over time, prevent relative price increases in some sectors from broadening, keep inflation compensation in market prices low, and keep inflation expectations well anchored.
  - Against a backdrop of geopolitical shocks and uncertainty, the resilience of the U.S. economy stands out. Given that resilience and the potential for even stronger performance, the mood inside the FOMC over the two-day meeting was one of optimism.

  Communication & Commitment

  - **No forward guidance -** Chair Warsh reiterated that he is not in the forward guidance business and will not prejudge future decisions. He described the rate increase as a sober, serious, and responsible decision that the Committee had been preparing for. His commitment is to a discipline and a set of principles, looking out

the window at what can actually be observed, as he did at Jackson Hole and as the FOMC did at this meeting.

- **The arc of commitments -** In June, Chair Warsh reaffirmed that the FOMC will deliver price stability. In July, the Committee chose to buy a little time to evaluate developments across a range of dimensions. At Jackson Hole in August, he committed to a discipline rather than a decision. The September rate increase is the first demonstration that the Committee is serious.
- **Not a market-led hike -** Markets had priced roughly a 90 percent probability of a hike, but Chair Warsh stressed that the Fed holds enormous power and that this was the FOMC's own decision, based on its assessment of the situation, the trajectory for employment, and the strength of the economy. He has long believed the relationship between financial markets and the Fed could be better balanced. Markets sometimes try to prejudge the Committee's outcomes; the Fed will observe market prices and weigh what they signal, but the decision belongs to the FOMC.
- **Data Dependence -** Chair Warsh does not depend on individual data points. Over the past decade, market participants and the press have grown used to waiting breathlessly for each release, but he did not wait on either the morning's retail sales report or the prior week's CPI release. Trends matter, data points are noisy, and dependence on data points is a dangerous preoccupation. Over time, markets will come to understand how this Fed makes its decisions and what it considers relevant.
- **The SEP is not the Chair's forecast -** The Summary of Economic Projections reflects the forecasts of the other 18 participants, which Chair Warsh presented on their behalf. He again declined to offer a projection of his own, consistent with his avoidance of forward guidance.
- **Fed Independence -** Chair Warsh declined to discuss any conversations with the President. He stated that the Fed is not a Wall Street newsletter and that independence means staying in its own lane. Independence is a two-way street: those responsible for trade and fiscal policy should stay in their lanes as well, which allows the Fed to call things as it sees them.
- **Dual Mandate Tradeoff -** The unemployment rate is consistent with full employment, and Chair Warsh does not believe the labor market must be harmed to achieve price stability. Over the medium term, the two halves of the mandate do not work at cross purposes. The Fed's business is continuous, sustainable, and durable economic growth, and price stability allows that growth to last longer.

Financial Conditions & the Neutral Rate

- **Removing a dose of accommodation -** Chair Warsh has found it hard to describe financial conditions as restrictive, and his colleagues expressed the same view around the table. The FOMC removed a dose of accommodation so that financial and credit conditions would be more consistent with its ultimate objectives, and it will continue to evaluate conditions going forward.
- **Neutral rate -** Asked whether the FOMC targets a short-term or longer-term neutral rate, Chair Warsh answered no. He regards the neutral rate, the real equilibrium or Wicksellian rate, as a useful academic concept for thinking about policy, but not one with any operational bearing on current decisions.
- **Supply shocks -** A rate increase cannot reopen the Strait of Hormuz, and the Fed cannot influence any individual price, such as oil or groceries. What the FOMC can

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and will do is ensure that changes in relative prices do not broaden out or produce second- and third-order effects throughout the economy.

The Bond Market

Long-term Treasury yields have risen notably over recent months. Chair Warsh described the 10-year Treasury as the most important asset in the world, the risk-free benchmark to which virtually every other asset is priced, and said the causes of its moves tend to be overdetermined. He offered three leading, though not exclusive, explanations:

1. **Economic strength.** Long-term yields have risen over 2026 in part because the economy has strengthened.
2. **Competition for capital.** The surge in capital expenditures is real, and hyperscalers are actively raising funds in the market. This competition for capital partly explains higher yields.
3. **Geopolitics.** Global hot spots are pushing long-term yields higher. The concern is not only spot prices for energy and agricultural commodities such as corn, soybeans, and wheat, but also crack spreads and how those costs pass through to products on store shelves.

The Economy

Economic activity is expanding at a solid pace. Uncertainty remains elevated, partly because of geopolitical developments, yet domestic spending has been resilient, productivity growth is strong, and capital investment is robust. New hiring, private-sector earnings, and business capital investment have all improved in recent months. Credit flows have been robust, particularly to businesses. Underlying growth is higher; inflation is the problem.

The Labor Market

The unemployment rate remains low at around 4.1 percent, while job openings and weekly hours have been rising. The four-week moving average of unemployment claims is consistent with full employment. The employment side of the Fed's congressional mandate is in good shape.

Inflation

- Inflation has run above target for more than five years, so the FOMC's predominant focus is the price-stability side of its mandate. Inflation is too high and has been for too long.
- Summer inflation readings do not indicate meaningful improvement in underlying trends. Based on the latest CPI and PPI data, total PCE inflation was likely around 3.6 percent over the 12 months through August, with core PCE at about 3.2 percent and CPI at about 2.4 percent. Too many categories are still rising faster than 3 percent on both a 6-month and 12-month basis, and prices of many key commodity inputs rose during the intermeeting period.
- The number of times Chair Warsh expressed his/Committee's commitment to bring inflation back down to 2%:
    1. The Committee will deliver price stability, and the rate increase supports a timelier return to the 2 percent goal.

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2. Since Chair Warsh's first meeting in June, the FOMC has been unequivocal in its commitment to price stability and to its 2 percent PCE inflation objective.
3. The unanimous vote demonstrates the Committee's resolve to reach price stability on a timelier basis.
4. Months ago, Chair Warsh pledged that the FOMC would deliver stable prices, and this action is consistent with that pledge.
5. The Fed bears responsibility for stable prices. Chair Warsh repeated that inflation is a choice, and the Committee took a step toward delivering price stability.
6. Price stability has been the problem for more than five and a half years. Because it is foundational to economic growth, the rate increase is an important step toward achieving it.
7. The FOMC will deliver on its price-stability objective and, as the statement said, on a timelier basis.

Who Benefits: The Least Well Off

Those who are least well off have the most to gain from a durable expansion, a solid labor market, and stable prices. Chair Warsh defined this group as households without financial assets, a bit under half the country, with no home equity or 401(k) holdings, who live paycheck to paycheck. While the Fed looks at economic aggregates, it can confirm the economy is near full employment and then focus on price stability. With inflation back at 2 percent, these households can keep their heads above water and see real take-home pay increase.

Global Central Banks

In meetings at Jackson Hole, at the G-20 meeting hosted by the U.S. in Asheville, and at a central bank conference in Basel, Chair Warsh found that most advanced economies face price pressures and are making their own decisions under their own mandates. He declined to comment on specific actions by the European Central Bank. Fed policy spills over to the rest of the world and, to a lesser extent, foreign policy decisions spill back to the U.S.; when foreign central banks raise rates to address inflation, they help suppress inflation at home.

Artificial Intelligence

The FOMC cares greatly about AI's implications for both the demand and supply sides of the economy and has established a task force due to report by year-end on its implications for future policy. Consistent with staying in its lane, the Fed leaves decisions about AI's risks and rewards to other parts of the government and will focus on how those decisions bear on its own responsibilities.

- **Summary of Economic Projections (Committee median; Chair Warsh did not submit a projection)**
  - Real GDP rises at 2.3 percent this year and 2.4 percent next year.
  - Total PCE inflation runs at 3.7 percent this year and falls to 2.3 percent next year.
  - The unemployment rate holds steady at about 4.1 percent.
  - The appropriate federal funds rate is 4.1 percent at the end of this year and remains there next year.
  - Inflation risks are to the upside, while labor risks are roughly balanced.

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- **Fed Funds Rates**
  The Committee decided by a unanimous vote to raise the target range for the federal funds rate by 1/4 percentage point to 3-3/4 to 4 percent. (In July, the Committee voted 9 to 3 to maintain the range at 3-1/2 to 3-3/4 percent.)

- **Balance Sheet**
  The Committee is continuing its policy of maintaining ample reserves in the banking system.

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