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## Federal Reserve Holds Rates Steady Amid Unusual Internal Divide

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The Federal Reserve on Wednesday left its benchmark interest rate unchanged, maintaining the federal funds rate in a range of 3.5% to 3.75%, as policymakers signaled continued caution in the face of persistent inflation and geopolitical uncertainty.<sup>1</sup>

The decision, widely anticipated by financial markets, came at the conclusion of the Federal Open Market Committee's April meeting and marked what is expected to be Chair Jerome Powell's final gathering at the helm of the central bank.

In its policy statement, the Fed reiterated its commitment to returning inflation to its 2 percent target while supporting maximum employment, emphasizing that future policy adjustments will depend on incoming economic data and evolving risks.<sup>2</sup>

Yet the headline decision masked an unusually sharp divide within the central bank. Four officials dissented—three objecting to the Fed's perceived bias toward future rate cuts and one favoring an immediate reduction—making it the most contentious vote since 1992.<sup>3</sup>

The disagreement reflects growing uncertainty about the path of inflation, which has remained above target amid rising energy prices linked to ongoing geopolitical tensions, including conflict in the Middle East. Policymakers appear split between those concerned that easing policy too soon could reignite price pressures and others wary of holding rates high for too long.

Chair Powell, speaking after the decision, described the U.S. economy as "quite resilient," pointing to steady consumer spending and strong business investment—particularly in data infrastructure—as supporting growth expected to exceed 2 percent this year.<sup>4</sup> At the same time, he acknowledged that inflation remains elevated and reiterated the Fed's commitment to bringing it down over time.

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<sup>1</sup> "Federal Reserve Issues FOMC Statement." *Board of Governors of the Federal Reserve System* (April 29, 2026). <<https://www.federalreserve.gov/newsevents/pressreleases/monetary20260429a.htm>>.

<sup>2</sup> "Federal Reserve Issues FOMC Statement." *Board of Governors of the Federal Reserve System* (April 29, 2026). <<https://www.federalreserve.gov/newsevents/pressreleases/monetary20260429a.htm>>.

<sup>3</sup> "Fed holds rates steady, but board vote is most divided since 1992." Reuters (April 29, 2026). <<https://www.msn.com/en-us/money/markets/fed-holds-rates-steady-but-board-vote-is-most-divided-since-1992/ar-AA221Rj3>>.

<sup>4</sup> "US economy 'quite resilient', should keep growing above 2%, Fed's Powell says." Reuters (April 29, 2026). <<https://www.msn.com/en-us/money/markets/us-economy-quite-resilient-should-keep-growing-above-2-feds-powell-says/ar-AA2223oB>>

Financial markets reacted cautiously. Equity indexes declined while short-term Treasury yields rose, signaling reduced expectations for near-term rate cuts and a modest increase in the perceived chance of future tightening.<sup>5</sup>

The policy decision comes during a leadership transition at the central bank. Powell is expected to step down as chair next month, with former Fed governor Kevin Warsh set to assume the role. Analysts suggest the internal divisions evident in this meeting could foreshadow more contentious debates under new leadership, particularly if inflation proves more persistent than anticipated.

For now, the Fed's stance remains one of strategic patience. By holding rates steady while keeping its options open, the central bank signaled that it is not yet prepared to declare victory over inflation—nor to commit firmly to either easing or tightening in the months ahead.

**For additional inquiries, please contact [info@vegaeconomics.com](mailto:info@vegaeconomics.com).**

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<sup>5</sup> "Fed holds rates steady, but board vote is most divided since 1992." Reuters (Apr 29, 2026). <<https://www.msn.com/en-us/money/markets/fed-holds-rates-steady-but-board-vote-is-most-divided-since-1992/ar-AA221Rj3>>.