

FX Viewpoint Flash

Currencies
Global

USD stronger amid a divided Fed in June

- ◆ In his first meeting as Fed chair, Kevin Warsh unveiled a shorter policy statement with less forward guidance on rates
- ◆ Policy rates were unchanged in June, but a more divided, inflation focused FOMC prompted a hawkish market reaction
- ◆ For now, the USD is likely to remain supported, and we have likely already seen the low in the USD for 2026

In his first meeting as the Federal Reserve (Fed) Chair, Kevin Warsh announced that **US policy rates were left unchanged at 3.50-3.75% at the 16-17 June meeting**, as widely expected. The accompanying statement was notably shorter, with an apparent emphasis on the price stability element of the dual mandate, and **no retention of a bias to ease**.

The updated plot contained 18 projections, with **Fed Chair Warsh confirming he did not add his own**. Nine Federal Open Market Committee (FOMC) members see at least one hike as likely in 2026, while nine expect unchanged or lower rates, underscoring a more divided FOMC. The median projection for 2026 GDP was revised down, while inflation projections were revised notably higher. Together, this suggests **a hawkish shift in views among FOMC policymakers was even more broad-based** than markets had anticipated, reflecting **inflation concerns**. **The USD strengthened, with the US Dollar Index (DXY) surpassing 100.**

Median of the FOMC's key economic projections	2026	2027	2028	Longer run
Real GDP growth, 4Q/4Q				
June 2026 projection	2.3%	2.3%	2.2%	2.0%
March 2026 projection	2.4%	2.3%	2.1%	2.0%
Unemployment 4Q/4Q				
June 2026 projection	4.3%	4.3%	4.2%	4.2%
March 2026 projection	4.4%	4.3%	4.2%	4.2%
PCE inflation 4Q/4Q				
June 2026 projection	3.6%	2.3%	2.0%	2.0%
March 2026 projection	2.7%	2.2%	2.0%	2.0%
Federal funds rate, year-end				
June 2026 projection	3.750%	3.625%	3.375%	3.062%
March 2026 projection	3.375%	3.125%	3.125%	3.125%

Source: Federal Reserve

Fed Chair Warsh also announced the formation of a task force to assess potential changes to Fed communications, alongside four additional task forces on other topics. He indicated work would begin "in the next couple of weeks", with most – if not all – task forces expected to reach conclusions by year-end.

Our economists' view is that the FOMC will hold the federal funds target range steady through 2026 and 2027. In contrast, **markets are fully pricing in a 25bp hike, with a 50% chance of a second 25bp hike, by end-2026** (Bloomberg, 18 June 2026).

Overall, the June meeting points to a more divided FOMC than markets had anticipated, and the USD has benefited accordingly. While **Fed Chair Warsh did not provide forward guidance**, his press conference also offered little to suggest he will be a consistently dovish voice on the Committee. For now, rates and FX markets appear to be leaning towards the hawkish cohort, implying the USD is likely to remain supported and that **we may already have seen the 2026 low in the DXY.**

The Fed kept rates unchanged in June, with a much shorter statement that removed the easing bias

The FOMC is more divided, and projections have turned more hawkish, supporting a stronger USD

Fed Chair Warsh launched task forces to review communications, among other topics

Our economists expect steady rates; markets are pricing in hikes

The USD is likely to remain supported, in our view

Disclosure appendix

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