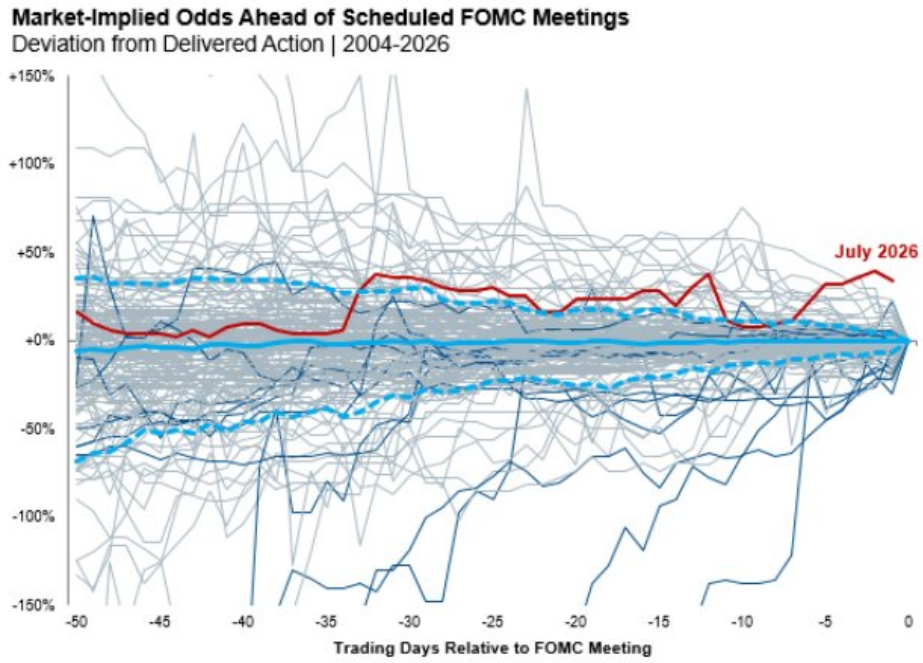
CHIEF ECONOMIST UPDATES

The Sound of Silence: Warsh Communication Regime Leaves Bond Market Guessing

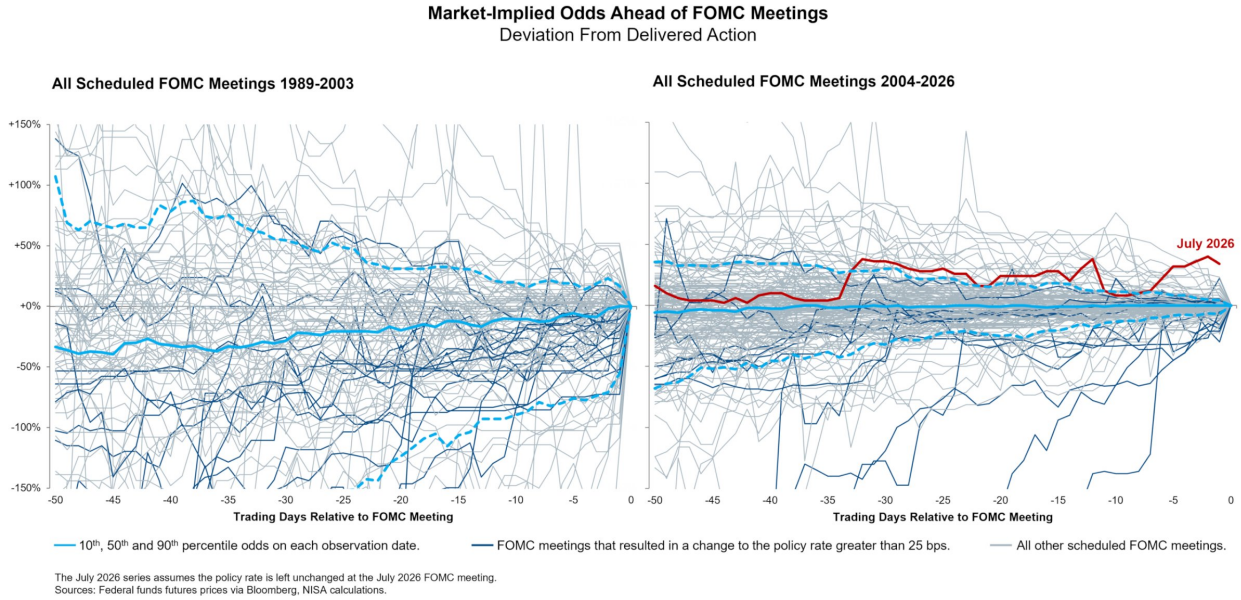
July 28, 2026
Author: Stephen Douglass



This is an exciting week for Fedwatchers. The odds of a rate hike at tomorrow's FOMC meeting were down to 34% this morning amidst continued volatility in energy prices and tech stocks. But those odds touched 40% yesterday, which was the highest level of market-implied uncertainty in the two days prior to an FOMC meeting since 2003. As we discussed at length in our recent webinar, increased transparency in Fed communications since the 1990s has allowed interest rate markets to become much more accurate in predicting the next FOMC decision.

The charts below show the evolution of those market-implied odds in the 50 trading days ahead of each scheduled FOMC meeting since 1989 (when fed funds futures began trading). Increased transparency in Fed communications led to improved forecasting and tighter dispersion of those odds in the final weeks of each intermeeting period. The greatest uncertainty in the last two decades was observed during intermeeting periods where the Fed ultimately delivered a policy rate change greater than 25 bps (illustrated in the dark blue lines below).

The changes to communications that Chairman Warsh has implemented in his short tenure have left the bond market guessing about tomorrow's decision. It remains to be seen how far Warsh intends to roll back communications, and we wonder if he views this week's elevated uncertainty as a positive development. We expect the FOMC to leave rates unchanged tomorrow, but at 34% odds, the decision will be something of a surprise either way!



The July 2026 series assumes the policy rate is left unchanged at the July 2026 FOMC meeting.
Sources: Federal funds futures prices via Bloomberg, NISA calculations.

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