

Arc Commodity

January 29, 2026

Visit us at www.sharekhan.com

FOMC monetary policy decision: Slightly hawkish but eclipsed by other developments

Summary

- US Fed FOMC voted 10-2 to hold the Fed funds rate at 3.5-3.75%. Governors Waller, Miran dissent in favour of a 25 bps cut
- It was expected that the Fed would adopt a hawkish stance to reinforce its autonomy.
- The Fed noted that inflation stays high, even as unemployment rate stabilises. Overall, it noted that economic activity has been expanding robustly.
- Precious metals, though quite stretched, may remain bid on macroeconomic and geopolitical worries, amid huge volatility. At the same time, change in geopolitical situation may lead to a sudden and sharp sell-off, though dips will be opportunities to buy.

Market reactions

- The US Dollar Index recovered from around 4-year low but gave back most of its gains.
- Ten-year US yields fell by 1 bps following the Fed's decision.
- Gold posted its largest gains in US Dollar terms as it surged by \$235 to fresh record high above \$5400.
- WTI crude oil has breached the resistance around \$62 as Middle East tensions escalated.

Fed Chair's commentary

- US Fed chair Jerome Powell noted that US economic activity is strong, even amid impacts on multiple fronts – inflation, trade tariffs, the AI boom, US Dollar's movement, unemployment trends, etc.

Inflation:

- Inflation expectations are anchored. Upside inflation risks and downside employment risks still exist, mostly due to tariff-led price hikes. Tariff-led impact on inflation will subside by mid-2026
- Tariffs will lead to a one-time increase in prices; most of the passthrough has already happened. Both survey-based and market-based assessments of inflation expectations have reduced.
- Higher productivity growth will stem a surge in prices; disinflation in the services sector seems to be continuing.

Unemployment and jobs data:

- The job market is showing some stability; situation is challenging as labour demand and supply are slowing. When GDP and job market data divide, data becomes more reliable.

AI boom impact

- Policymakers have been conscious of the fact that technological change is boosting productivity.
- A wide range of possibilities concerning AI impact on the job market.
- No model can accurately predict what will happen in the economy.

Rate cut path:

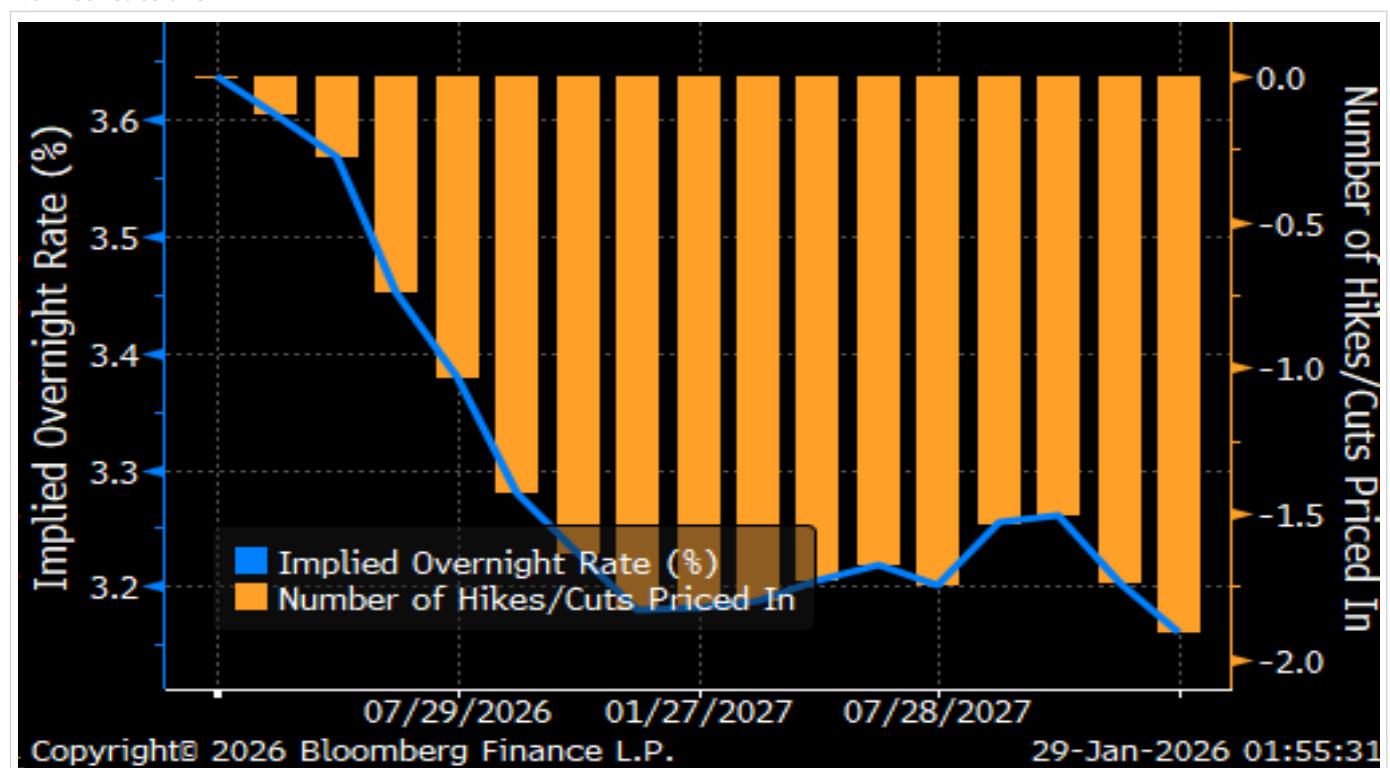
- Monetary policy is not on a pre-set course. Rates are in the 'range of neutral' again.
- Not anybody's base case that the next move will be a hike.
- The Fed can afford to wait for incoming data before making its next move.

Other developments:

- Betting markets assigning about an 80% probability to a shutdown by the end of the month as Democrats demand ICE changes. Another prolonged government shutdown, which could delay the release of key economic data.
- The level of US debt is sustainable, but the path is not.
- US Fed can maintain its independence. The Fed's credibility would be hard to restore if it were lost.
- Bank of Canada kept its rate unchanged at 2.25%, as widely expected.
- Bessent affirms strong Dollar policy though President Trump welcomes weaker Dollar.

Fed rate cut probability:

- Traders see the first rate cut this year in July.
- Overall, markets eye slightly less than 2 rate cuts (45 bps) this year.

Market reactions

Source: Bloomberg; Mirae Asset Sharekhan Research

Conclusion

- As expected, the FOMC monetary policy decision and assessment turned out to be slightly hawkish, suggesting an extended pause.
- US Dollar Index found some support after Bessent's affirming strong Dollar policy and ruling out selling Dollar to support the Yen, though markets remain skeptical as President supporting weak Dollar seems to be straight out of the Mar a Lago playbook.
- A hawkish FOMC is unlikely to support the beleaguered US Dollar for long as other developments take precedence over the Fed's policy presently.
- The FOMC's policy decision and its assessments are somewhat hawkish but other developments are overshadowing the FOMC; thus, making the policy decision, which otherwise also is on the expected lines, somewhat inconsequential.
- As the FOMC decision is out of the way now, investors are focusing on a highly likely US government shutdown, geopolitical tensions due to US-Iran standoff and inability of the US Dollar to shake off its weakness.
- Precious metals, though quite stretched, may remain bid on macroeconomic and geopolitical worries, amid huge volatility. At the same time, change in geopolitical situation may lead to a sudden and sharp sell-off, though dips will be opportunities to buy.

DISCLAIMER

This research report ("Report") has been issued by Sharekhan Limited ("**Mirae Asset Sharekhan**"), and is intended for use only by the person or entity to which it is addressed to. This Report may contain confidential and/or privileged material and is not for any type of circulation, and any review, retransmission, or any other use is strictly prohibited unless specifically permitted by Mirae Asset Sharekhan. This Report is subject to change without prior notice.

Recommendation in reports is based on technical and derivatives analysis and based on studying charts of a stock's price movement, trading volume, and outstanding positions, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. However, this would only apply to information/ documents focused on technical and derivatives research and shall not apply to reports/ documents/ information focused on fundamental research.

This Report does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same without discrimination, not all customers may receive this report at the same time. Mirae Asset Sharekhan will not treat recipients as customers only by virtue of their receiving this Report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable, and Mirae Asset Sharekhan has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavor to update the information herein on a reasonable basis, Mirae Asset Sharekhan, its subsidiaries and associated companies, their directors, and employees ("**Affiliates**") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent Mirae Asset Sharekhan and its affiliates from doing so. This Report is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this Report should also be aware that past performance is not necessarily a guide to future performance, and the value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this Report should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this Report (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of, and/ or other individual analysts employed by Mirae Asset Sharekhan may have issued other recommendations/ reports that are inconsistent with and reach different conclusions from the information presented in this Report. The reports may reflect different assumptions, views and analytical methods of the analysts who prepared them. Mirae Asset Sharekhan may make investment or other decisions that are inconsistent with the opinions and views expressed in this Report. The views and opinions expressed in this Report may vary from or contradict with the report, views, estimates, rating, and target price if any provided/ issued by entity(ies) within or outside the group or other team(s) within Mirae Asset Sharekhan basis various factors including but not limited to rating criteria, valuation methodologies, assumptions, accounting methodologies, etc.

This Report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Mirae Asset Sharekhan and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restrictions.

The analyst certifies that the analyst might have dealt or traded directly or indirectly in the securities of the company and that all the views expressed in this Report accurately reflect his or her personal views about the subject company or companies and its or their securities. The analyst and Mirae Asset Sharekhan further certifies that either he or his relatives or Mirae Asset Sharekhan or their associates might have direct or indirect financial interest or might have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the Report. The analyst and Mirae Asset Sharekhan encourage independence in research report/ material preparation and strive to minimize conflict in the preparation of the research report. The analyst and Mirae Asset Sharekhan and their associates have not served as officers, directors or employees of the subject company. The analyst and Mirae Asset Sharekhan or its associates may have managed or co-managed the public offerings of the company. Mirae Asset Sharekhan, or its associates, or analysts may have received compensation for investment banking, merchant banking, brokerage services or received compensation for products or services other than investment banking, merchant banking or brokerage services from the subject company or from a third party in the past twelve months in connection with the Report, or received any other compensation or benefits from the subject company or other third party in connection with this Report. Mirae Asset Sharekhan or its associates have not been debarred/ suspended by the Securities and Exchange Board of India ("**SEBI**") or any other regulatory authority for accessing/ dealing in securities market. Mirae Asset Sharekhan or its associates or research analyst or his/her relatives may have financial interest or any other material conflict of interest in the subject company of this research report at the time of publication of the research report or at the time of public appearance. Further, please note that Mirae Asset Sharekhan or its research analysts or their associate(s) have not used artificial intelligence tools in providing research services.

Either Mirae Asset Sharekhan or its Affiliates or its directors or employees/representatives/clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities of the subject company or related securities referred to in this Report and they may have used the information set forth herein before publication. Mirae Asset Sharekhan may from time to time solicit from, or perform investment banking or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall Mirae Asset Sharekhan, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Forward-looking statements (if any) are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not a guarantee of future performance, and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Mirae Asset Sharekhan and its Affiliates undertake no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change, except as required by applicable securities laws. The reader/ investors are cautioned not to place undue reliance on forward-looking statements and use their independent judgment before taking any investment decision.

Investment in securities market is subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendatory. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Mirae Asset Sharekhan has been ranked as India's No.1 Retail Broker by Asia money Brokers Poll 2023. For more details, visit bit.ly/AsiamoneyPoll

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges on www.sharekhan.com

Registered Office: 1st Floor, Tower No. 3, Equinox Business Park, LBS Marg, Off BKC, Kurla (West), Mumbai 400 070, Maharashtra, India. Tel: 022-67502000.

Correspondence/Administrative Office Address: Gigaplex IT Park, Unit No 1001, 10th Floor, Building No. 9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai – 400708. Tel: 022 61169000 / 61150000, Fax No. 61169699.

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited - (AMFI-registered Mutual Fund Distributor), Research Analyst Regn No.: INH000006183. CIN: U99999MH1995PLC087498.

SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE - 748, NSE - 10733, MCX - 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

Compliance Officer: Mr. Joby John Meledan; Tel: 022-4657 3809; email id: complianceofficer@sharekhan.com

For any complaints/ grievances, email us at igc@sharekhan.com, or you may even call the Customer Service desk on 022-41523200 / 022-61151111.