

Fed Holds Rates Steady, Trump Names Chair Pick



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Week of January 26, 2026 in Review

President Trump named his pick for the next Fed chair, the Fed held rates steady at its first meeting of the year, and home price data pointed to renewed national strength. Here's a look at the key highlights.

- [Trump Taps Kevin Warsh for Fed Chair](#)
- [Fed Pauses Rate Cuts, Two Officials Dissent](#)
- [Buyer Demand Supports Home Prices](#)
- [Key Labor and Inflation Updates](#)
- [Family Hack of the Week](#)
- [What to Look for This Week](#)
- [Technical Picture](#)

Trump Taps Kevin Warsh for Fed Chair

President Trump announced plans to nominate Kevin Warsh as the next chair of the Federal Reserve, selecting a former central bank official who has echoed the president's criticism of the Fed's recent handling of monetary policy and its role in the surge in inflation over the past several years. Warsh served on the Fed's Board of Governors from 2006 to 2011 and, if confirmed by the Senate, would succeed Jerome Powell when his term expires in May.

Long viewed as an inflation hawk for warning that accommodative monetary policy could fuel higher prices, Warsh has more recently argued that the Fed should move more quickly to cut interest rates.

Fed Pauses Rate Cuts, Two Officials Dissent

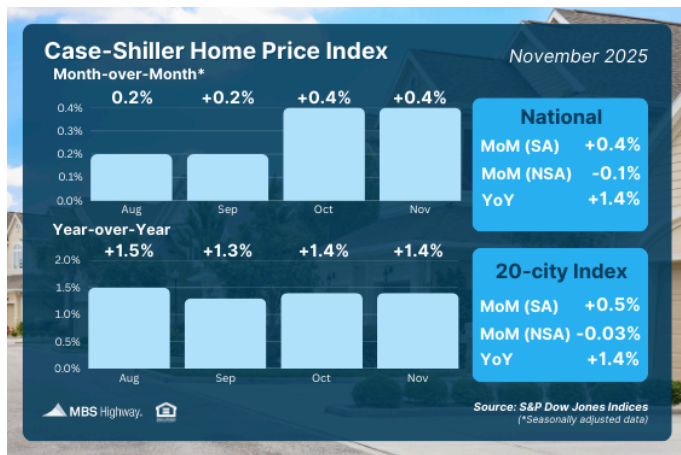
As widely expected, the Federal Reserve held its benchmark Federal Funds Rate steady at a range of 3.50%-3.75%, following three consecutive 25 basis point cuts to end last year. While the Fed Funds Rate doesn't directly determine mortgage rates, it plays a key role in shaping borrowing costs across the broader economy.

What's the bottom line? Although the pause itself came as no surprise, the decision was not unanimous. Governors Stephen Miran and Christopher Waller favored another quarter-point cut, underscoring the Fed's ongoing challenge: balancing above target inflation with signs of a cooling labor market. Persistent inflation constrains the Fed's ability to ease policy, while weakening employment data could increase pressure to act.

Notably, the Fed also adjusted its statement, removing a reference from December that said "downside risks to employment rose in recent months." That change drew sharp disagreement from Waller, who argued in his dissent that "substantial deterioration in the labor market is a significant risk."

Market expectations point to rates remaining on hold at the next two meetings, though that outlook could shift as new economic data emerges.

Buyer Demand Supports Home Prices



The Case-Shiller Home Price Index, one of the most closely watched measures of home values, recorded a 0.1% decline from October to November before seasonal adjustments. After accounting for normal seasonal patterns, prices rose 0.4%. On an annual basis, national home prices remain 1.4% higher than a year ago, matching October's year-over-year gain.

The FHFA Home Price Index, which tracks homes financed with conventional mortgages and excludes cash and jumbo purchases, painted an even stronger picture. Prices rose 0.6% month over month on a seasonally adjusted basis and were up 1.9% compared to last year.

What's the bottom line? Buyer demand has picked up as mortgage rates eased in recent months, helping support home prices. At the same time, homebuilders have scaled back activity and cannot quickly add new supply, as new homes must move through the full permitting, construction, and completion process. If mortgage rates continue to trend lower, renewed buyer demand could place additional upward pressure on home prices.

Key Labor and Inflation Updates

Initial jobless claims fell by 1,000 to 209,000, while continuing claims declined by 38,000 to 1.827 million, though they have remained elevated for much of the past year. Some workers appear to be opting for gig or contract roles instead of filing for unemployment, while others are facing longer job searches.

December's Producer Price Index showed wholesale inflation rising 0.5% month over month and 3.0% year over year. Core producer prices, which exclude food and energy, increased 0.7% for the month and 3.3% from a year earlier. While the data came in hotter than expected, price pressures were relatively narrow, with much of the increase concentrated in machinery and equipment wholesaling margins.

Family Hack of the Week

These crowd-pleasing Guacamole and Fresh Baked Tortilla Chips from Food Network are easy to make and perfect for game day or any favorite celebration! Yields 4 to 6 servings.

To make the guacamole, coarsely mash 4 avocados in a medium bowl, then gently fold in 1/2 medium white onion (minced), 3 tablespoons fresh cilantro, and 2 tablespoons freshly squeezed lime juice. Season with salt and pepper to taste and set aside.

For the chips, preheat your oven to 400 degrees Fahrenheit. Brush 12 fresh corn tortillas with vegetable oil, then cut each tortilla into eighths. Arrange the chips in a single, non-overlapping layer across two baking sheets and bake on the top rack until golden and crisp, about 10 to 12 minutes. Transfer to a serving bowl, season with salt, and serve immediately.

For extra flavor, sprinkle the tortillas with chipotle powder or garlic salt before baking.

What to Look for This Week

It's a packed week for labor market data, starting Tuesday with the latest job openings report. Wednesday brings ADP's private payroll numbers, followed by Thursday's update on weekly jobless claims. The week wraps up Friday with the closely watched employment report, featuring nonfarm payrolls and the unemployment rate.

One caveat: government data releases could be delayed, depending on how funding votes unfold.

Technical Picture

Mortgage Bonds ended last week sitting on support at their 25-day Moving Average, a level worth watching closely. A break below that threshold would open roughly 23 basis points of downside toward the 50-day Moving Average. Meanwhile, the 10-year Treasury yield is hovering just above its key 200-day Moving Average.