

Special Commentary — March 18, 2026

## March FOMC: In the Right Place for Now

- **Optionality maintained.** As expected, the FOMC left the fed funds rate unchanged at 3.50%-3.75% at its March meeting and was careful not to hint at the timing of future adjustments. The statement reaffirmed the FOMC's view of "solid" growth and inflation that "remains somewhat elevated," but signaled a little less confidence in the state of the labor market by noting that the unemployment rate "has been little changed" versus previously saying it has shown "some signs of stabilization."
- **Increased uncertainty was acknowledged head on in the statement and press conference.** There is no doubt in our minds that the spike in oil prices is inflationary over the near term, but this is a supply shock, which monetary policy is ill-equipped to solve. The Fed also has to grapple with the growth-sapping effects of higher oil prices that add a fresh challenge to the already-struggling labor market ([Figure 1](#)).
- **Participants seemed hesitant to incorporate looming stagflation risks into the SEP.** The median estimate for PCE inflation at year-end rose to 2.7% from 2.4% in December, less than what we were expecting with our own estimate tracking at 2.9%. The median core projection rose to 2.7%, perhaps reflecting some pass-through of higher energy costs, but more likely, in our view, stemming from the stubborn strength of recent readings that has left the index up 3.1% over the past year ([Figure 2](#)). Meantime, the median estimate for GDP this year was revised *up* a tenth and the median unemployment rate was unchanged. While this did not signal as much of a stagflationary shock as we expected, we note that participants flagged higher uncertainty around their estimates with risks skewed more toward higher inflation and unemployment than in the December SEP.
- **Wait-and-see mode kept the median view of rates this year unchanged.** The median estimate of the fed funds rate at year-end remained at 3.375%, implying one 25 bps cut in 2026, while the median dot for 2027 held at 3.125% ([Figure 3](#)). The continued bias toward easing reflects that most Fed officials still view policy as slightly restrictive, even as the median long-run estimate drifted up a tenth to 3.1%.
- **The Committee looks a little less divided.** No participants viewed a hike as appropriate this year, even as hawkish members have been voicing their concerns about inflation's prolonged overshoot from target these past five years. At the same time, Governor Waller voted in line with the Committee, making Governor Miran the lone dissenter. Yet even the lowest projection for the fed funds rate at year-end—presumably Governor Miran's—shifted up, and suggests less dispersion among members' view at present.
- **Two more cuts this year remain our base case.** We sympathize with the view that the labor market remains on a shaky footing. While the renewed inflation concerns generate risk to our call for the FOMC to cut again by June, we still look for two 25 bps cuts this year and acknowledge they just might end up coming a little later ([Figure 4](#)). The inflationary effects of higher oil prices become visible more quickly than does the damage they inflict on growth and the labor market. So long as long-term inflation expectations stay anchored, we believe the Fed could still move the fed funds rate further toward neutral in the second half of the year.
- **Reserve management purchases (RMPs) continue at their current \$40B monthly pace.** The Fed did not announce plans to reduce RMPs as we were expecting. Yet given the recent reduction in funding pressures, we suspect a slowdown to around a \$20-25B monthly pace has merely been delayed and is likely to be announced at the Fed's April meeting and begin mid-May.

Economist(s)

### Tom Porcelli

Chief Economist | Wells Fargo Economics  
Tom.Porcelli@wellsfargo.com | 212-214-6422

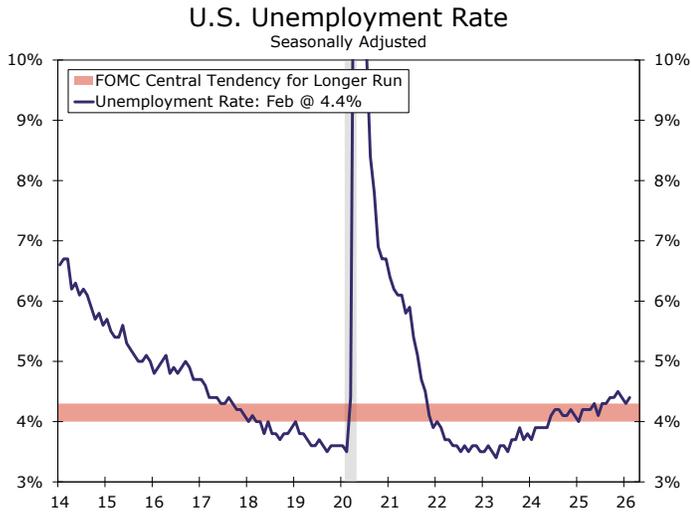
### Sarah House

Senior Economist | Wells Fargo Economics  
Sarah.House@wellsfargo.com | 704-410-3282

### Michael Pugliese

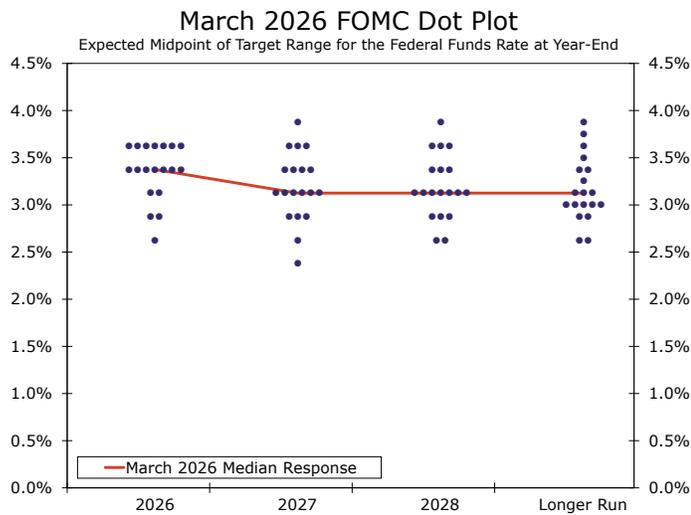
Senior Economist | Wells Fargo Economics  
Michael.D.Pugliese@wellsfargo.com | 212-214-5058

Figure 1



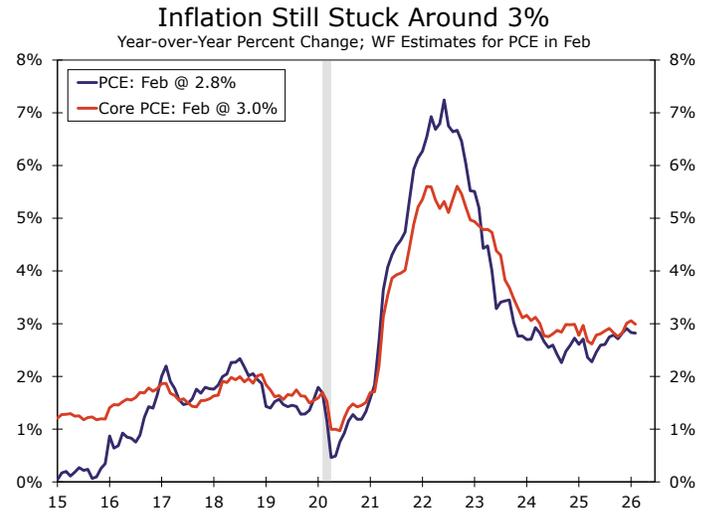
Source: U.S. Department of Labor and Wells Fargo Economics

Figure 3



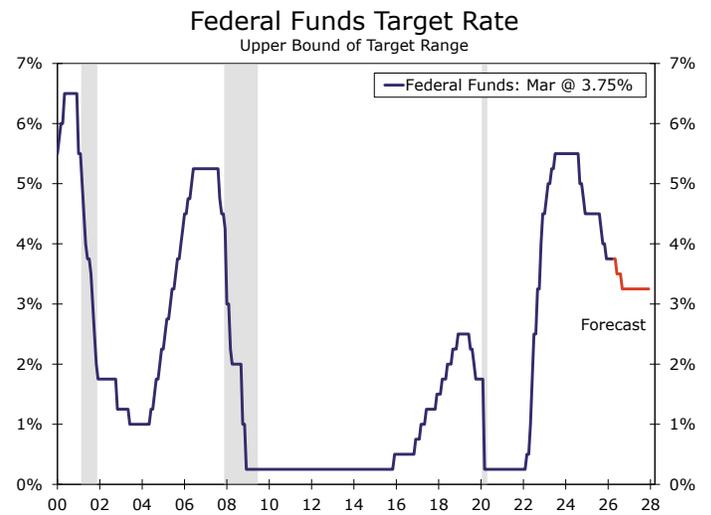
Source: Federal Reserve Board and Wells Fargo Economics

Figure 2



Source: U.S. Department of Commerce and Wells Fargo Economics

Figure 4



Source: Federal Reserve Board and Wells Fargo Economics

**Economics Group**

Tom Porcelli	Chief Economist	212-214-6422	Tom.Porcelli@wellsfargo.com
Tim Quinlan	Senior Economist	704-410-3283	Tim.Quinlan@wellsfargo.com
Sarah House	Senior Economist	704-410-3282	Sarah.House@wellsfargo.com
Aroop Chatterjee	Senior Economist	212-214-8819	Aroop.Chatterjee@wellsfargo.com
Charlie Dougherty	Senior Economist	212-214-8984	Charles.Dougherty@wellsfargo.com
Michael Pugliese	Senior Economist	212-214-5058	Michael.D.Pugliese@wellsfargo.com
Brendan McKenna	International Economist	212-214-5637	Brendan.Mckenna@wellsfargo.com
Jackie Benson	Economist	704-410-4468	Jackie.Benson@wellsfargo.com
Shannon Grein	Economist	704-410-0369	Shannon.Grein@wellsfargo.com
Nicole Cervi	Economist	704-410-3059	Nicole.Cervi@wellsfargo.com
Delaney Conner	Economic Analyst	704-374-2150	Delaney.Conner@wellsfargo.com
Ali Hajibeigi	Economic Analyst	212-214-8253	Ali.Hajibeigi@wellsfargo.com
Azhin Abdulkarim	Economic Analyst	212-214-5154	Azhin.Abdulkarim@wellsfargo.com
Anagha Sridharan	Economic Analyst	704-410-6212	Anagha.Sridharan@wellsfargo.com
Andrew Thompson	Economic Analyst	704-410-2911	Andrew.L.Thompson@wellsfargo.com

## Required Disclosures

This report is produced by the Economics Group of Wells Fargo Securities, LLC (“Wells Fargo Securities”). This report is not a product of Wells Fargo Global Research and the information contained in this report is not financial research. Wells Fargo Securities distributes this report directly and through affiliates including, but not limited to, Wells Fargo & Company, Wells Fargo Bank, N.A., Wells Fargo Clearing Services, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Europe S.A., and Wells Fargo Securities Canada, Ltd. Wells Fargo Securities, LLC is registered with the Commodity Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. WFBNA is registered with the Commodity Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. Wells Fargo Securities, LLC and WFBNA are generally engaged in the trading of futures and derivative products, any of which may be discussed within this report. All reports published by the Economics Group are disseminated and available to all clients simultaneously through electronic publication to our internal client website. Clients may also receive our reports via third party vendors. We are not responsible for the redistribution of our reports by third-party aggregators. Any external website links included in this report are not maintained, controlled or operated by Wells Fargo Securities. Wells Fargo Securities does not provide the products and services on these websites and the views expressed on these websites do not necessarily represent those of Wells Fargo Securities.

This publication has been prepared for informational purposes only and is not intended as a recommendation, offer or solicitation with respect to the purchase or sale of any security or other financial product, nor does it constitute professional advice. The information in this report has been obtained or derived from sources believed by Wells Fargo Securities to be reliable, but has not been independently verified by Wells Fargo Securities, may not be current, and Wells Fargo Securities has no obligation to provide any updates or changes. All price references and market forecasts are as of the date of the report or such earlier date as may be indicated for a particular price or forecast. The views and opinions expressed in this report are those of its named author(s) or, where no author is indicated, the Economics Group; such views and opinions are not necessarily those of Wells Fargo Securities and may differ from the views and opinions of other departments or divisions of Wells Fargo Securities and its affiliates. Wells Fargo Securities is not providing any financial, economic, legal, accounting, or tax advice or recommendations in this report. Neither Wells Fargo Securities nor any of its affiliates makes any representation or warranty, express or implied, as to the accuracy or completeness of the statements or any information contained in this report, and any liability therefore (including in respect of direct, indirect or consequential loss or damage) is expressly disclaimed. Wells Fargo Securities is a separate legal entity and distinct from affiliated banks, and is a wholly-owned subsidiary of Wells Fargo & Company.

You are permitted to store, display, analyze, modify, reformat, copy, duplicate and reproduce this report and the information contained within it for your own use and for no other purpose. Without the prior written consent of Wells Fargo Securities, no part of this report may be copied, duplicated or reproduced in any form by any other means. In addition, this report and its contents may not be redistributed or transmitted to any other party in whole or in part, directly or indirectly, including by means of any AI Technologies (defined below) through which this report or any portion thereof may be accessible by any third-party. “AI Technologies” means any deep learning, machine learning, and other artificial intelligence technologies, including without limitation any and all (a) proprietary algorithms, software, or systems that make use of or employ neural networks, statistical learning algorithms (such as linear and logistic regression, support vector machines, random forests or k-means clustering) or reinforcement learning, or curated data sets accessible by any of the foregoing or (b) proprietary embodied artificial intelligence and related hardware or equipment. In addition, certain text, images, graphics, screenshots and audio or video clips included in this report are protected by copyright law and owned by Wells Fargo Securities, its affiliates or one or more third parties (collectively, “Protected Content”). Protected Content is made available to clients by Wells Fargo under license or otherwise in accordance with applicable law. Any use or publication of Protected Content included in this report for purposes other than fair use requires permission from Wells Fargo Securities or, in the case of content attributed to any third party, the third-party copyright owner. You may not alter, obscure, or remove any copyright, trademark or any other notices attached to or contained within this report. All rights not expressly granted herein are reserved by Wells Fargo Securities or the third-party providers from whom Wells Fargo Securities has obtained the applicable information. © 2026 Wells Fargo Securities, LLC

### Important Information for Non-U.S. Recipients

For recipients in the United Kingdom, this report is distributed by Wells Fargo Securities International Limited (“WFSIL”). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority (“FCA”). For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 (the “Act”), the content of this report has been approved by WFSIL, an authorized person under the Act. WFSIL does not deal with retail clients as defined in the Directive 2014/65/EU (“MiFID2”). The FCA rules made under the Act for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. For recipients in the EFTA, this report is distributed by WFSIL. For recipients in the EU, it is distributed by Wells Fargo Securities Europe S.A. (“WFSE”). WFSE is a French incorporated investment firm authorized and regulated by the Autorité de contrôle prudentiel et de résolution and the Autorité des marchés financiers. WFSE does not deal with retail clients as defined in MiFID2. This report is not intended for, and should not be relied upon by, retail clients.

SECURITIES: NOT FDIC-INSURED - MAY LOSE VALUE - NO BANK GUARANTEE