

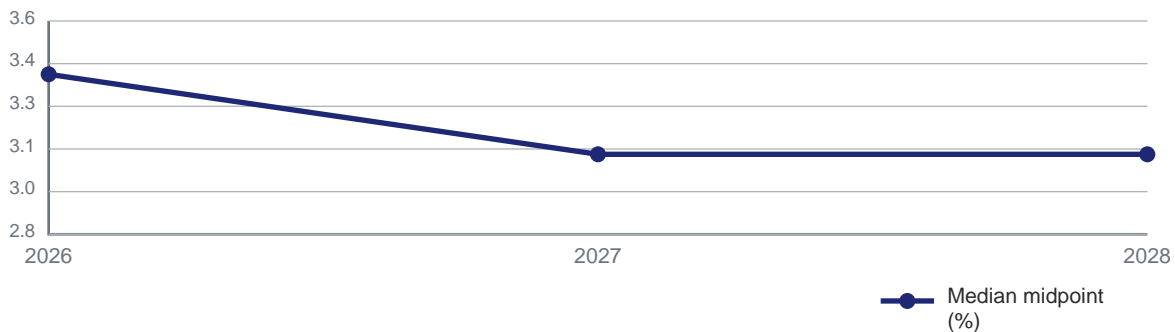
May to June FOMC Data Watch: Prints, Scenarios, and Positioning

Research Team

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On March 18, 2026, the Federal Open Market Committee maintained the federal funds target range at 3.5% to 3.75%, with one dissent favoring an immediate cut. The March Summary of Economic Projections lifted median 2026 PCE inflation to 2.7% while leaving the median projected policy rate path broadly intact, including a 3.4% midpoint for year-end 2026. That configuration embeds **patience**: the Committee can wait for more evidence before easing. Between that decision and the May 6 to 7 and June 17 to 18 meetings (illustrative calendar; confirm against the Federal Reserve Board schedule), the dominant inputs will be realized core inflation, labor-market momentum, financial conditions, and any new shocks to energy or geopolitics. For investors, the objective is the same as after any hold with a live forward path: translate noisy releases into scenarios for the median voter, compare them to market-implied cuts, and size duration and equity beta accordingly.

SEP Median Federal Funds Rate (March 2026)



Source: Federal Reserve Board, Summary of Economic Projections (March 18, 2026)

Executive Summary

The Fed has reiterated data-dependent forward guidance. In practice, that means the **May and June meetings are not pre-committed**: a run of softer core prints and cooling employment could bring an insurance cut or dovish guidance into range; a reacceleration in core services, sticky wages, or an easing of financial conditions that the Committee reads as complicating disinflation could extend the pause well beyond midyear. The March SEP still envisages gradual easing over the projection horizon, but timing is not pinned. Cross-asset markets will therefore oscillate between pricing "one cut soon" and "higher for longer," with the belly of the Treasury curve and rate-sensitive equities absorbing most of the repricing. Quality in equities, barbelled duration in bonds, and selective real-asset hedges remain the default posture until trends in core inflation and claims clarify.

Key Takeaways:

- **May and June are live meetings**: labor or inflation surprises can shift both the median dot and market pricing; do not anchor only on a single baseline.
- Core measures (core PCE, core CPI ex volatile lines) outweigh headline CPI when energy moves on supply shocks unrelated to domestic demand.
- High-frequency labor data, initial and continuing jobless claims, can front-run payroll revisions; JOLTS and participation color the unemployment path.
- Gap risk between market-implied year-end funds rate and the SEP median remains a key source of volatility into each statement and press conference.
- **Portfolio takeaway**: barbell fixed income (carry in front and belly, selective long duration only on dovish data); favor quality, pricing power, and balance-sheet strength in equities; retain gold or similar hedges when oil and geopolitics can move inflation expectations independently of labor.

From March to May to June: The Committee's Stance

The March statement described solid growth, low job gains, inflation still somewhat elevated, and elevated uncertainty, including references to Middle East developments where relevant to the outlook. That framing validates neither a preset cutting path nor indefinite hawkishness. Dissent (Governor Miran favoring a cut at March) signals internal dispersion: the median may shift if employment softens or if a broader consensus forms around insurance easing. Minutes released roughly three weeks after March, speeches outside blackout, and Q&A at the press conference all add color, but the bulk of the signal into May will still come from the data calendar.

The Data Calendar: What Matters Most

Inflation: Focus on month-over-month and three- or six-month annualized core series to reduce base-effect noise in year-over-year readings. Shelter, core services ex shelter, and sticky categories (insurance, medical, recreation) have outsized weight in the Fed's reaction function when the debate is "last mile" disinflation. Energy can swing headline CPI; treat large moves as supply shock unless confirmed in core.

Labor: Nonfarm payrolls, unemployment rate, participation, and average hourly earnings should be read with revisions. Household vs establishment divergence occasionally matters. The Sahm rule and similar recession indicators are inputs to public debate but are not the sole trigger for policy, narrative still flows through the Committee's assessment of maximum employment and price stability.

Financial conditions: Equity levels, credit spreads, and the dollar affect the effective stance of policy; a large easing of conditions without progress on inflation can tilt officials toward patience.

Reading the Prints: Noise vs Trend

Single prints rarely change the median outlook; sequences do. Two consecutive soft core reports plus rising claims carry more weight than one weak payroll distorted by weather. Revisions can change the story a month later, markets often overreact to the first headline. Chair communication after blackouts can clarify whether the bar for a cut is "confirmation of trend" or "avoiding overtightening into weakness."

March 2026 SEP Medians: Policy Rate vs PCE Inflation (2026)



Source: Federal Reserve Board, SEP (March 18, 2026)

Market Pricing vs the SEP

Futures-implied paths for the funds rate should be compared explicitly to the SEP median and to the range of dots. When markets price more cuts than the median, dovish data can be partly priced in; hawkish surprises bite harder. When markets are aligned with or below the median, soft data can produce larger rallies in duration. This gap, not the next meeting in isolation, is often what drives curve shape and equity multiples.

Scenarios for May vs June

Soft landing, disinflation: Core inflation trends toward 2% on a sustained basis; unemployment drifts up modestly. The Committee may deliver an insurance cut or strengthen forward guidance; curve bull steepening and quality growth can work.

Sticky inflation: Core reaccelerates or financial conditions ease too fast. Fewer cuts priced; front end supported, long end under pressure; equities favor quality and short duration factor tilts.

Labor shock: Sharp deterioration in employment could pull forward cuts despite inflation noise; steepening, cyclicals, and small caps may outperform briefly, subject to recession risk.

Bonds and Duration

A patient Fed with two-sided data risk typically favors a barbell: short-to-intermediate Treasuries and IG credit for carry, with long duration added tactically on dovish surprises or risk-off. TIPS may warrant attention if realized inflation validates higher SEP medians. Avoid all-or-nothing duration bets until core trends clarify.

Equities: Quality, Margins, and Rate Sensitivity

When the path of cuts is uncertain, earnings durability and balance-sheet strength command a premium. Rate-sensitive growth can work on dovish data but remains volatile around CPI weeks. Cyclical and small caps often need clearer easing or a resilient growth narrative; until then, dispersion within indices may exceed index-level volatility.

Gold, Oil, and Cross-Asset Hedging

Consistent with our March and geopolitical work, supply-driven oil moves can raise headline inflation and complicate the Fed's communication even when domestic demand cools. Gold can serve as a hedge against policy mistake, tail risks, and real-rate uncertainty when nominal policy is on hold. Size hedges for portfolio objectives, not for directional bets on a single CPI print.

What to Watch Next

FOMC minutes and speeches; core CPI and PCE releases; payrolls and claims; regional Fed surveys; any update to balance-sheet policy (QT) pace; fiscal and trade headlines that affect growth or prices. Re-anchor to the SEP median and range after each major data week.

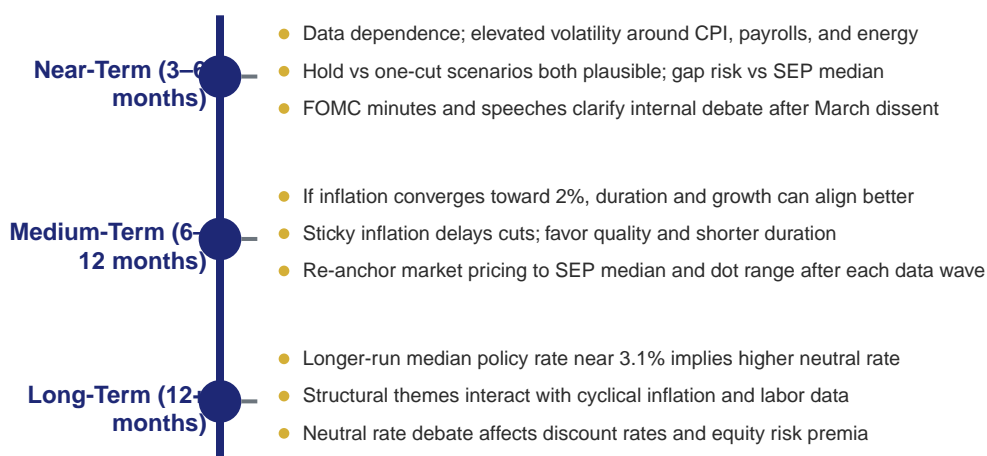
Timeline and Outlook

Near-Term Outlook (3 to 6 months): Data dependence dominates. Expect elevated volatility around CPI, payrolls, and energy headlines. Hold versus one-cut scenarios both remain plausible; the median SEP still embeds gradual easing over the horizon, but timing is uncertain.

Medium-Term Outlook (6 to 12 months): If inflation converges toward 2% on a path consistent with 2027 to 2028 SEP medians, duration and growth can work together more constructively. If inflation tracks nearer the higher 2026 medians, the Fed may slow or delay cuts, favoring quality, shorter duration, and real-asset hedges.

Long-Term Outlook (12+ months): The longer-run median policy rate near 3.1% suggests a higher neutral rate than in the pre-pandemic decade, with implications for discount rates and equity risk premia. Structural forces, fiscal stance, demographics, productivity, will interact with the cycle.

Timeline Overview



Source: AVANTAS Research Analysis

Risk Factors

Inflation Persistence Risk: Energy and services strength could validate higher 2026 inflation medians, reducing room for cuts and pressuring long-duration assets.

Labor Market Shock Risk: A sharp deterioration could shift the Committee toward easing faster than the median path, steepening the curve and supporting cyclicals, at the cost of late-cycle recession risk.

Geopolitical and Oil Risk: Escalation or de-escalation can move oil and risk sentiment over short windows, overwhelming domestic data.

Communication Risk: Misalignment between market-implied cuts and SEP medians can trigger sharp repricing around meetings or Chair commentary.


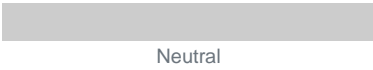
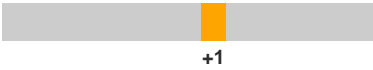
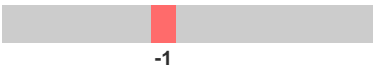
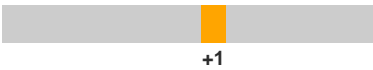



Conclusion

The bridge from March to May to June is a data bridge. The March hold and SEP frame patience and gradual easing over time, but the May and June outcomes will be set by inflation and labor trends, financial conditions, and shocks. Positioning should be nimble: respect the Fed's conditional stance, barbell duration, maintain quality in equities, and retain sensible hedges where supply shocks and geopolitics can move inflation expectations on their own. The next several prints will matter as much as the March decision.

Asset Class Impact

Rates: Neutral to modestly short duration bias; barbell rather than all-in long bonds until inflation data confirm deceleration. **Credit:** Favor IG quality; HY remains sensitive to growth and spreads. **Equities:** Quality and earnings durability preferred; rate-sensitive growth selectively on confirmed dovish trends. **Real assets:** Gold and selective commodities remain relevant hedges. **FX:** Dollar path hinges on relative growth and rate differentials; data surprises dominate near term.

Asset Class Impact

| Asset | View | Commentary |
|---------------------------------|---|---|
| Short / Intermediate Treasuries |  <p>+1</p> | Overweight. Barbell for carry; add long duration tactically on dovish data. |
| TIPS |  <p>Neutral</p> | Neutral. Add if realized inflation tracks higher 2026 SEP medians. |
| IG Credit |  <p>+1</p> | Overweight quality. Stable spreads preferred in data-dependent regime. |
| HY Credit |  <p>-1</p> | Underweight or selective. Vulnerable if growth scares widen spreads. |
| Quality Equities |  <p>+1</p> | Overweight. Earnings durability and pricing power favored. |
| Rate-Sensitive Growth |  <p>Neutral</p> | Neutral. Tactical around CPI weeks; path of cuts uncertain. |
| Gold / Real Assets |  <p>+1</p> | Overweight as hedge vs oil shocks and policy communication risk. |
| USD |  <p>Neutral</p> | Neutral. Relative data surprises drive the dollar near term. |

Source: AVANTAS Research Analysis