

U.S. Municipal Bond Market

The Fed's Independence and Credibility, Reinforced

- The U.S. Federal reserve is still likely to be the central driver of 2026's financial direction, and its target rate process only works if it stays credible, consistent, and anchored in data rather than outside pressure.
- Fed Chair Jerome Powell's Sunday statement strengthened confidence in Federal Reserve independence by reaffirming that rate decisions will follow the Fed's public mandate, reinforcing trust in the process.

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Why Chair Powell's Sunday Statement Matters for 2026 and Beyond

The Federal Reserve and the path and direction of its rate-setting process was always likely going to be the leading theme that helps determine the financial course of 2026. Important elements that impact the economy and the cost of capital run through the Fed's rate target process, and that process only works when it is credible, consistent, and grounded in data. [Chair Jerome Powell's Sunday night statement](#) reinforced that foundation. He drew an important distinction between legitimate oversight and pressure that seeks to steer monetary policy, and he framed the current moment as a test of whether rates will be set by evidence and economic conditions.

We [wrote this week](#) that investors are looking for positive signs. Chair Powell's Sunday night statement was one of them, not because it settles any debate about where rates should go next, but because it clarified how the decisions will be made. **The clarity of Chair Powell's statement strengthened the Federal Reserve's independence, removing any lingering questions for now as we move into 2026 and beyond.**

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Independence of the Federal Reserve is about protecting a decision process that the public and markets can understand and trust over time. Powell's reputation for steadiness matters here, because his credibility and the credibility of the institution is built in the moments when it would be easier to shade the message or soften the edges. By stating that he will continue to execute the mandate of price stability and maximum employment without fear or favor, he reinforced the idea that the rate target process is a public-interest decision, not a political instrument. His closing sentence illustrates this clearly, where he wrote: "**Public service** sometimes requires standing firm in the face of threats. I will continue to do the job the Senate confirmed me to do, with integrity and a commitment to serving the American people."

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