

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.

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.**

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."

*Tom Kozlik
Head of Public Policy and
Municipal Strategy
214.859.9439
tom.kozlik@hilltopsecurities.com*

Independence of the Federal Reserve is about protecting a decision process that the public and markets can understand and trust over time.

Recent HilltopSecurities Municipal Commentary

- [Range Break in the Signal Hunt: Municipals Enter 2026 with Strength](#), January 12, 2026
- [Finishing 2025 with Patience, "Range-bound" Until New Signals Arrive](#), December 16, 2025
- [Why the Fed's Likely Dec. 10 Move Matters for Municipal Investors](#), December 9, 2025
- [Rate Cut Expectations Surge, Could Mean Renewed Momentum for Municipalities](#), December 1, 2025
- [Markets Swing and Fed Expectations Shift While Municipalities Hold Steady](#), November 24, 2025

Readers may view all of the HilltopSecurities Municipal Commentary [here](#).

The paper/commentary was prepared by HilltopSecurities (HTS). It is intended for informational purposes only and does not constitute legal or investment advice, nor is it an offer or a solicitation of an offer to buy or sell any investment or other specific product. Information provided in this paper was obtained from sources that are believed to be reliable; however, it is not guaranteed to be correct, complete, or current, and is not intended to imply or establish standards of care applicable to any attorney or advisor in any particular circumstances. The statements within constitute the views of HTS Public Finance as of the date of the document and may differ from the views of other divisions/departments of Hilltop Securities Inc. In addition, the views are subject to change without notice. This paper represents historical information only and is not an indication of future performance. This material has not been prepared in accordance with the guidelines or requirements to promote investment research; it is not a research report and is not intended as such. Sources available upon request.

Hilltop Securities Inc. is a registered broker-dealer, registered investment adviser and municipal advisor firm that does not provide tax or legal advice. HTS is a wholly owned subsidiary of Hilltop Holdings, Inc. (NYSE: HTH) located at 717 N. Harwood St., Suite 3400, Dallas, Texas 75201, (214) 859-1800, 833-4HILLTOP

©2026 Hilltop Securities Inc. | All rights reserved | MEMBER: NYSE/FINRA/SIPC