PRECISION PIPS

MACROECONOMICS SERIES

PART 5

FOMC & XAUUSD

How Fed decisions, the Chair's language and rate expectations move gold

Expanded edition with Federal Reserve, CME and World Gold Council material

DECISION | EXPECTATIONS | YIELDS / DXY | XAUUSD



Next lesson: Part 6, DXY & Gold

Educational material only. Not financial advice. Trading involves substantial risk of loss.

• About this lesson

Welcome back to the Precision Pips macroeconomics series. In Part 3 we studied CPI and inflation; in Part 4 we covered NFP and employment. Now we move to one of the most important events for gold traders: the **Federal Open Market Committee (FOMC)**.

The key lesson

Gold does not react only to what the Federal Reserve does. It also reacts to **what the market expected the Fed to do** and to **what the Fed signals about the future**.

Update note

The first edition of this lesson refers to Jerome Powell as Fed Chair. **Kevin Warsh is the current Chair**; the Fed's own transcript for 16 September 2026 describes his first meeting as Chair as the one in June. The principles below do not depend on who holds the job, so the text says “the Chair” and uses Powell only when quoting his earlier remarks.

What this expanded edition adds

- How the committee is built, how often it meets, and what is published when (Federal Reserve sources).
- A decision-day timeline in New York time that links the event to the NY PM window from the ICT lessons.
- How to **measure** market expectations with fed funds futures and CME FedWatch.
- A closer look at the dot plot and the Summary of Economic Projections, with the September 2026 numbers.
- World Gold Council research on what drives gold, so the Fed is kept in proportion.
- A real case study: the 16 September 2026 rate hike and how gold reacted around the statement and press conference.
- An event-day plan, position-sizing example and a source list.

1 What is the FOMC?

The FOMC is the body of the Federal Reserve System that sets national monetary policy. The Fed describes it as making all decisions about **open market operations**, which affect the federal funds rate (the rate at which depository institutions lend to each other), the size and composition of the Fed's asset holdings, and communication about the likely future course of policy.

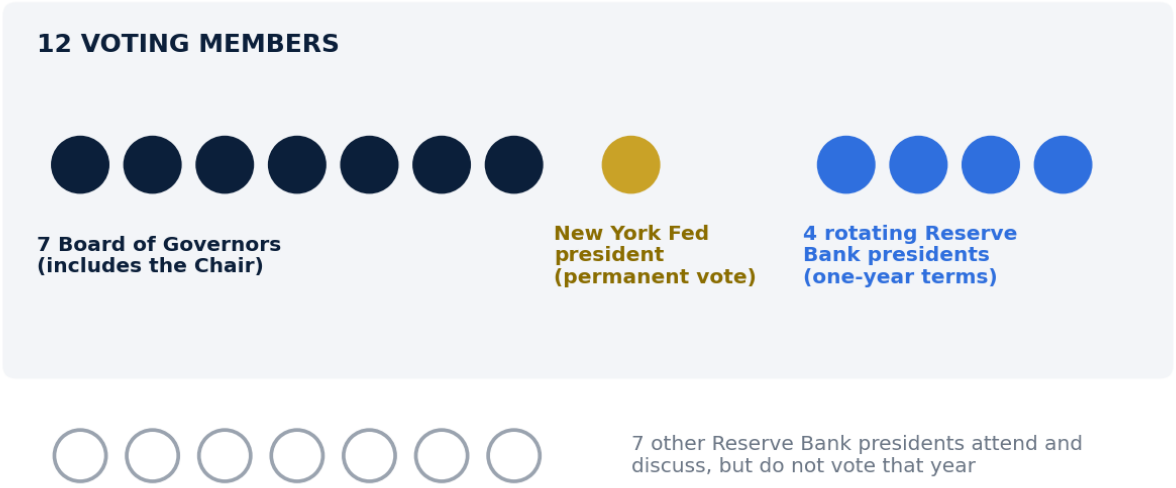


Figure 1 — Who votes. The committee has 12 voting members; the other Reserve Bank presidents attend and take part in discussions.

Fact	Detail (Federal Reserve)
Meetings	Eight scheduled meetings a year, about one every six weeks
Chair	The Chair of the Board of Governors chairs the FOMC; the New York Fed president is vice chair
After each meeting	The Chair holds a press conference to discuss the decision and give context
Projections	Economic projections from every participant are published four times a year, at the last meeting of each quarter
Minutes	Published three weeks after a regular meeting ends; full transcripts follow after five years

What XAUUSD traders monitor

- The **interest-rate decision** (the target range for the federal funds rate).
- The **policy statement**, compared with the previous one.
- The **Summary of Economic Projections and dot plot**, when released.
- The **Chair's press conference**.
- **Changes in market expectations** for future rates.

> **Remember**
>
> The rate announcement is only one part of the event. The statement and the press conference can change how markets interpret the decision.

2 The FOMC calendar and the decision-day timeline

2026 meeting	Dates	Projections / dot plot
January	27 – 28	No
March	17 – 18	Yes
April	28 – 29	No
June	16 – 17	Yes
July	28 – 29	No
September	15 – 16	Yes
October	**27 – 28** (next)	No
December	8 – 9	Yes

On a decision day the statement is released at **2:00 PM New York time** and the Chair's press conference starts at **2:30 PM**, a deliberate half-hour gap: markets read the statement first, then hear the Chair take questions. That means one event contains **two separate catalysts**.

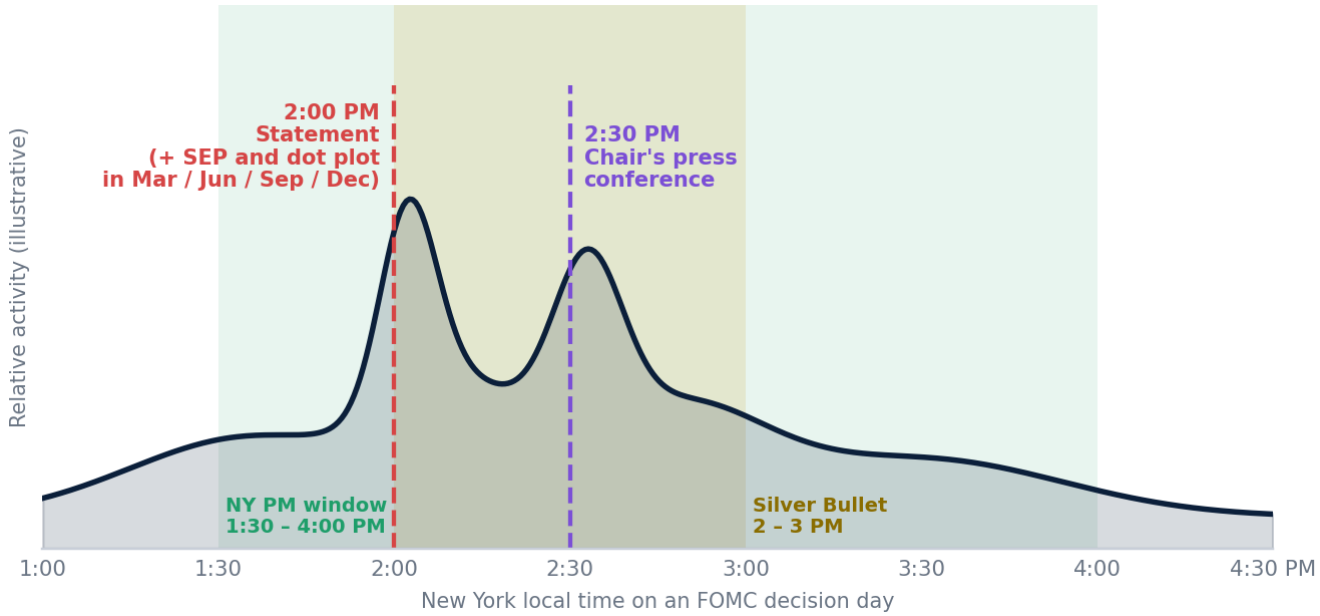


Figure 2 — An FOMC decision day in New York time. The curve is an illustration of how activity tends to spike at the statement and again at the press conference.

- 2:00 PM sits inside the **NY PM window** and the 2–3 PM Silver Bullet window used in earlier ICT lessons (check the exact boundaries in the material you follow).
- Convert times carefully: New York moves between EST and EDT, so the gap to your own clock can change by an hour.
- Spreads widen and slippage rises around both releases, particularly on XAUUSD.

3 Hawkish versus dovish

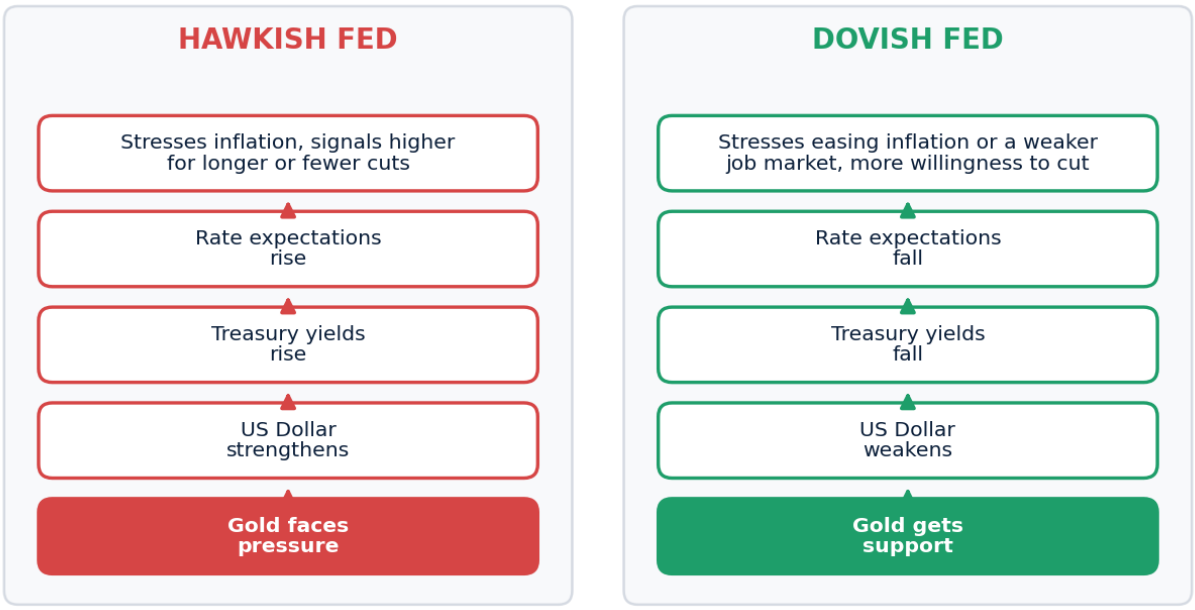


Figure 3 — The typical transmission chain in each direction.

	Hawkish	Dovish
Typical language	Inflation persistent or too high, policy may need to stay restrictive or tighten	Inflation easing, labor market weakening, more willingness to cut
Typical gold effect	Potential headwind	Potential support

A caution

These are typical scenarios, not rules. Gold can move differently if the decision was already priced in or if other forces (geopolitics, central-bank buying, risk sentiment) dominate. “Hawkish” and “dovish” are always measured **against what the market expected**.

4 Why expectations matter more than the headline

Suppose the Fed announces a quarter-point cut. Is that automatically bullish for gold? No. You need to know what markets expected first.

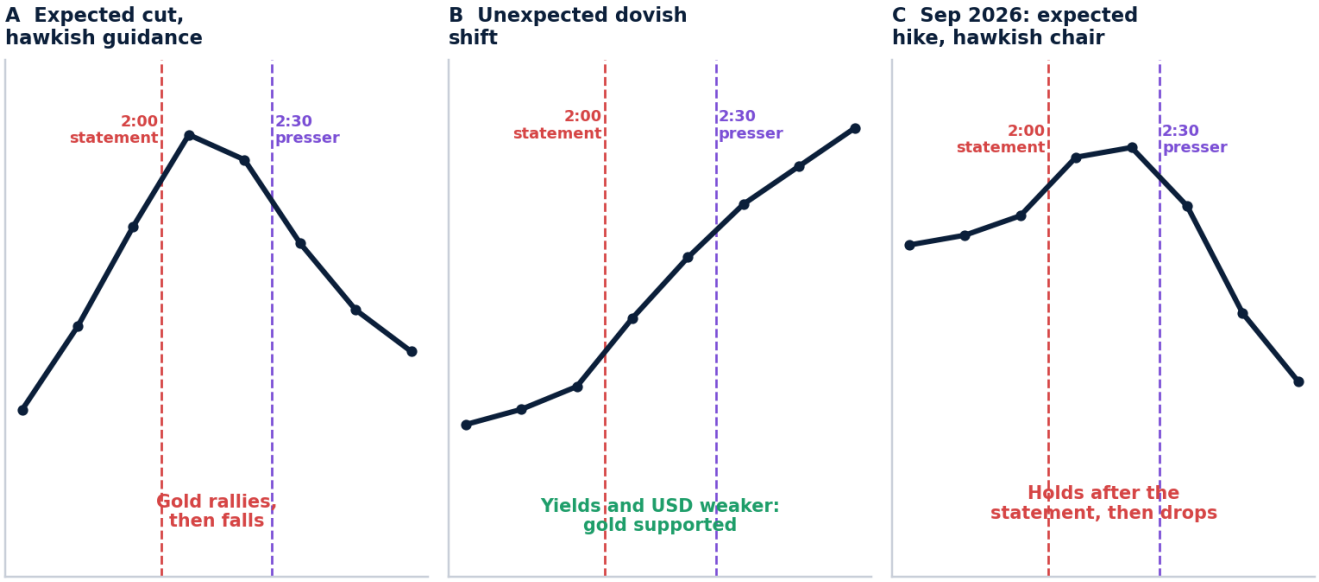


Figure 4 — Same event, three different reactions. Paths are schematic.

Scenario	What happens	Possible result for gold
A Expected cut	A 0.25-point cut was priced in. The Chair signals further cuts are unlikely	Initial rally, then a fall as future rate expectations are reassessed
B Unexpected dovish shift	Markets expected no change; the Fed cuts and signals more easing	Yields and the dollar may weaken, supporting gold
C September 2026 (real)	A 0.25-point hike was widely expected and delivered; the Chair was hawkish and the projections pointed to more	Gold held after the statement, then fell during the press conference

The decision tells you what happened. The guidance tells you what may come next. The reaction tells you how expectations are changing.

How to measure expectations

Do not guess what is “priced in”. Fed funds futures show it. A 30-day fed funds futures contract is priced at **100 minus the average federal funds rate** the market expects for that month. **CME FedWatch** converts those prices into probabilities for each upcoming meeting and each possible target range. CME describes it as showing how likely interest-rate traders think a change is; it is **not** a forecast by the Fed.



Figure 5 — Futures price to implied rate, and the probabilities FedWatch derives. The numbers are illustrative.

- Check the FedWatch probabilities for the next meeting in the days before the event, and note how they changed.
- Expectations move **before** the meeting. After the Chair's Jackson Hole speech in late August 2026, reports put the odds of a September hike up from about 35% to above 57% in a day, and gold fell about 3% that session. By the meeting, the hike was widely expected.
- A move that is already priced in rarely surprises; the **guidance** and the projections are where surprises come from.

5 The dot plot and the Summary of Economic Projections

Four times a year (March, June, September, December) the Fed publishes the **Summary of Economic Projections (SEP)**. Each participant gives their own view of the appropriate federal funds rate at the end of each year, and these appear as dots. Participants also submit projections for growth, unemployment and inflation, which explain why the dots sit where they do. Markets usually focus on the **median** and on how it has changed.

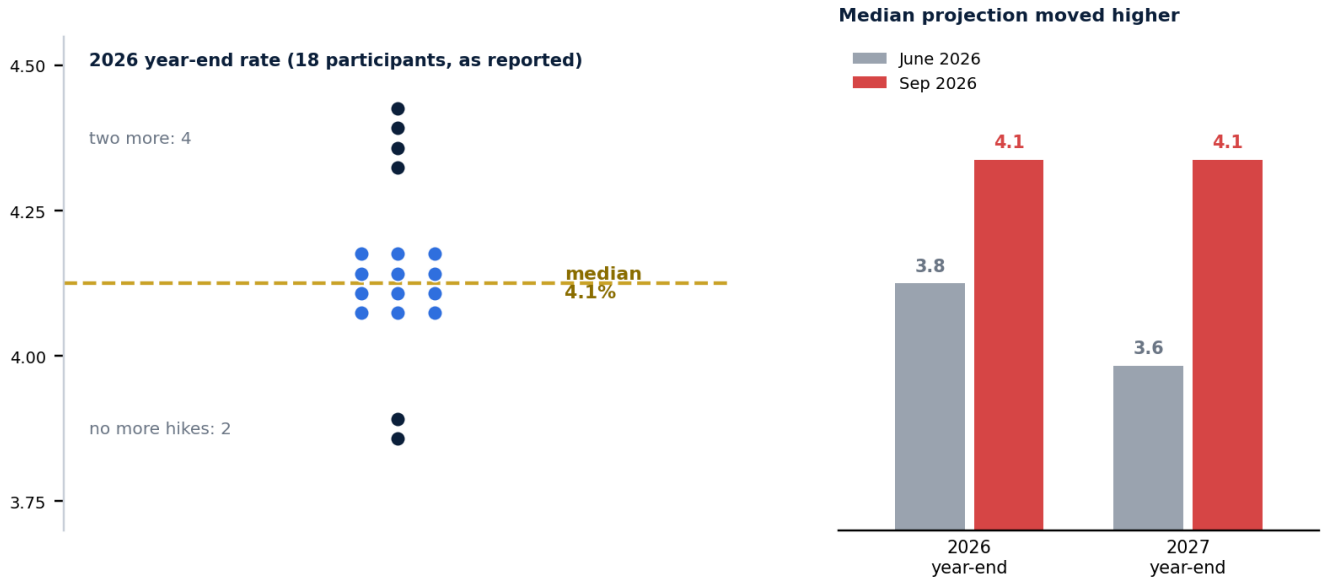


Figure 6 — Left: the 2026 year-end dots as reported after the September 2026 meeting (2 participants expected no more hikes, 12 expected one, 4 expected two). Right: how the median projections moved from June to September.

September 2026 SEP (as reported)	Value	Previous (June)
Median fed funds rate, end of 2026	4.1%	3.8%
Median fed funds rate, end of 2027	4.1%	3.6%
2026 headline PCE inflation	3.7%	3.6%
2026 core inflation	3.4%	3.3%

Outlets differ slightly on the exact count of participants for each path, so confirm the numbers against the Fed's own SEP table when you use them.

- **The dots are not a promise.** Each is one official's projection. Powell once described the projections as “not a plan or any kind of decision”.
- **Do not trade the dots in isolation.** Compare them with the previous projections, with what futures already price in, and with the Chair's comments.
- **If the dots are more hawkish than pricing,** expectations rise, yields may rise, the dollar may strengthen and gold may face pressure. The opposite applies if they are more dovish.

6 Reading the Chair's press conference

Markets use the press conference to understand the Fed's **reaction function**: how policymakers are likely to respond to inflation, employment and growth.

Topic	What to understand
Inflation	Is the Fed satisfied with progress or still concerned?
Employment	Is the labor market resilient or weakening?
Future rates	Is policy likely to stay restrictive, tighten, or become less restrictive?
Economic growth	Is the outlook improving or deteriorating?
Uncertainty	What risks could change the policy outlook?

- A statement can sound positive to the public and still be **hawkish for markets**. Strong employment is good news for workers but can reduce expectations of rapid cuts if inflation is persistent.
- **Trade the change in expectations, not the emotional tone of a headline.**
- **Forward guidance matters.** One analyst noted that Chair Warsh has opposed giving forward guidance or hints about the reaction function. When a Chair gives fewer signals, each remark in the press conference can carry more weight and uncertainty can last longer.
- **Compare with the last meeting.** What was added, removed or emphasized differently? What was not said?

7 The FOMC-to-gold transmission mechanism



Observe the actual price response, liquidity and market structure

WHAT ELSE MOVES GOLD (World Gold Council driver groups)

Economic expansion	Risk and uncertainty	Opportunity cost	Momentum and positioning
wealth, income, growth	safe-haven demand	rates, yields, dollar: the Fed channel	flows, trends, crowding

Figure 7 — The Fed works mainly through gold's opportunity-cost channel, but other drivers matter too.

- **Opportunity cost:** gold pays no interest, so higher rates and yields make holding it relatively less attractive, and a stronger dollar tends to weigh on it. The World Gold Council groups gold's drivers into economic expansion, risk and uncertainty, opportunity cost, and momentum and positioning.
- **Real yields:** roughly, a nominal yield minus inflation expectations. Gold is particularly sensitive to them, but there is **no fixed relationship**.
- The World Gold Council's own research cautions that the link between gold, the dollar and US rates is real but **complex and asymmetric**, and that non-US demand and non-investment demand respond differently.

> **Keep the Fed in proportion**
>
> Geopolitical risk, central-bank gold purchases, investment flows and liquidity can all outweigh the Fed on a given day. Observe the actual price response, liquidity and market structure.

8 Why gold can rise, then reverse, during FOMC

FOMC events can produce several rapid phases of price action. A common pattern: the decision is announced; gold rallies as traders read it as dovish; the Chair starts speaking; his comments sound more hawkish than expected; yields and DXY rise; gold reverses the initial rally. The reverse can also happen.

Case study: 16 September 2026

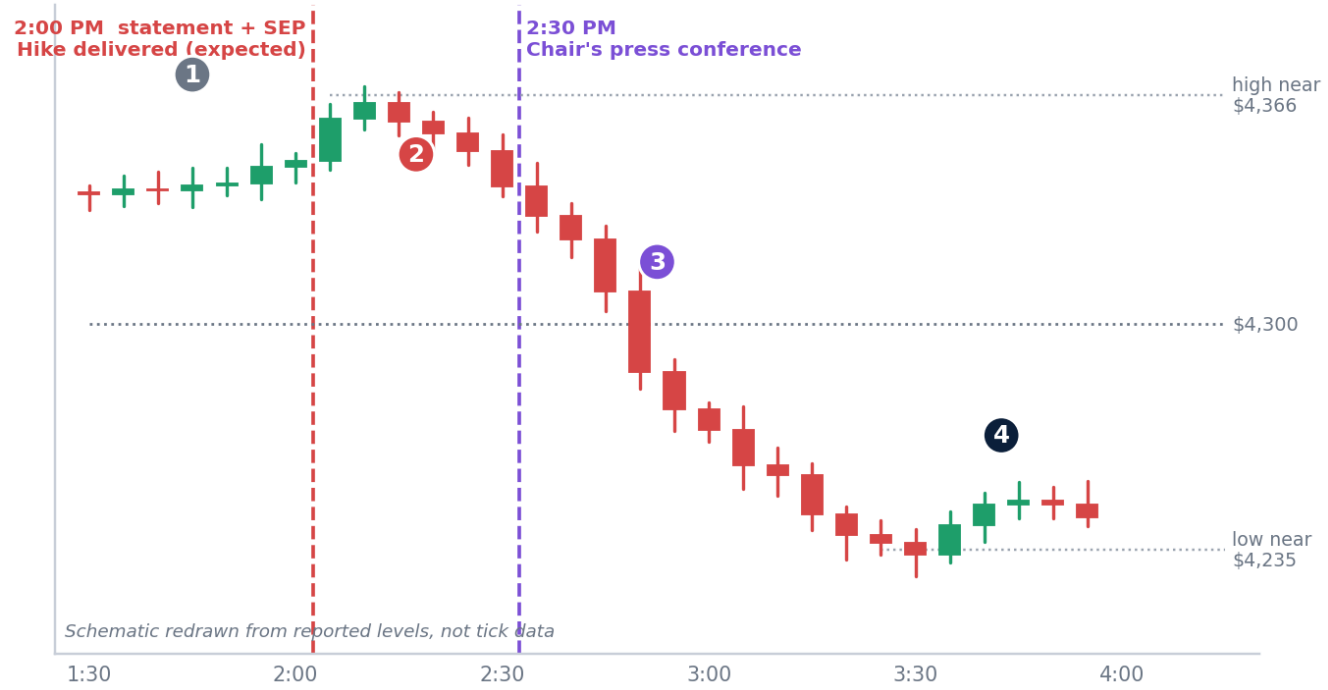


Figure 8 — Gold around the September 2026 decision, redrawn as a schematic from reported levels (not tick data).

1	**Before 2:00 PM.** A 25-point hike to 3.75 – 4.00% was widely expected.
2	**Statement and projections.** Gold held above about $4,300, with an intraday high reported near $4,366.
3	**Press conference.** The Chair repeatedly stressed price stability; gold fell through $4,300.
4	**Aftermath.** A post-meeting low was reported near $4,220 – 4,235, about 3% below the high.

What happened and why it fits the lesson: the hike itself was expected, so the decision alone did not move gold much. The surprise was in the **guidance**: the median projection for the end of 2026 rose to 4.1% from 3.8% in June, and the Chair's tone was hawkish. Sources differ by a few dollars on the exact high and low, which is normal for spot gold quoted by different providers.

Avoid assuming the first candle reveals the final direction. The market can reprice again when new information arrives.

9 Applying FOMC to ICT/SMC

Macro gives you context. Price action tests your thesis. Before the announcement, map your higher-timeframe context:

- Weekly and daily highs and lows.
- Higher-timeframe FVGs and order blocks.
- Buy-side and sell-side liquidity.
- Premium and discount.
- Previous day high and low.
- Asian and London session extremes.

Step	What to do
1 Build the narrative	What did the market expect? Is the decision, and the guidance, more hawkish or dovish than expected?

Step	What to do
2 Observe liquidity	Did price take buy-side or sell-side liquidity? Did it sweep a previous high or low and reject?
3 Wait for displacement and MSS	Look for a decisive move and a meaningful market structure shift. A sweep alone is not confirmation.
4 Assess the retracement	If your model confirms, evaluate an FVG, order block, breaker or BPR as the entry area.
5 Control risk	Define invalidation, stop, target and size. If spreads, slippage or volatility make execution unsuitable, stand aside.

Example: a potential bearish FOMC setup

Suppose the Fed is more hawkish than expected, yields rise and DXY strengthens. Gold rallies into a higher-timeframe premium zone, sweeps buy-side liquidity and then delivers bearish displacement. You would not sell merely because the Fed sounded hawkish. You would check whether a bearish MSS develops and whether a suitable retracement entry appears, with risk defined. If price instead keeps climbing with strong bullish structure, do not force a sell to match your fundamental opinion.



Figure 9 — A bearish FOMC-day sequence on a 5-minute chart (illustrative).

1	**Premium zone** from the higher timeframe is mapped before 2:00 PM.	2	**Liquidity sweep** of buy-side liquidity around the press conference.
3	**Bearish displacement and MSS** through the prior swing low.	4	**FVG / IFVG** forms on the way down and is retested.
5	**Entry** on the retest, stop above the zone.	6	**Target** sell-side liquidity.

Both directions

A bullish mirror works the same way: a dovish surprise, a sweep of sell-side liquidity in discount, bullish displacement and MSS, then a retest. Either way, the model decides, not the headline.

10 Risk on FOMC day (illustrative sizing)

Volatility, spreads and slippage are different on FOMC days. Wider stops mean smaller positions. The numbers below are illustrative and assume a $10,000 account and a standard gold lot of 100 oz (so a $1 move is about $100 per lot; check your broker).

	Ordinary session	FOMC day (an option)
Risk per trade	1% = $100	0.5% = $50
Stop distance	$6	$12
Loss per 1.00 lot	$600	$1,200
Position size	0.16 lot	0.04 lot

- Reducing risk on event days is **one option, not a rule**. The point is that the stop comes from structure and the size from the stop.
- **Standing aside is a valid decision** when spreads, slippage or volatility make execution unsuitable.
- Avoid excessive leverage during an event with unpredictable volatility.

11 Event-day plan

When	What to do
Days before	Check the calendar; note the FedWatch probabilities and how they move; read the last statement and projections
Morning	Mark higher-timeframe liquidity and PD arrays; write your expected scenarios (hawkish, in line, dovish)
1:30 PM	Check spreads and your risk settings; decide whether you will trade or stand aside
2:00 PM	Read the statement and projections against expectations; observe yields, DXY and the first liquidity reaction
2:30 PM	Listen for changes in the Chair's view on inflation, employment and future rates; expect a possible second repricing
After 3:00 PM	Only take setups your model confirms; record the session in your journal
Three weeks later	The minutes are published and can re-open the debate on the path of rates

12 Checklist and the biggest mistakes

	Before and during FOMC
☐	Review the market's expected rate decision (fed funds futures / FedWatch)
☐	Compare the statement with previous guidance
☐	Review the dot plot and projections when released
☐	Listen for changes in the Chair's inflation and employment outlook
☐	Observe Treasury yields and DXY
☐	Mark higher-timeframe liquidity and PD arrays
☐	Wait for market structure confirmation
☐	Account for spreads, slippage and volatility
☐	Define risk before entering

Mistakes to avoid

- Assuming a rate cut always makes gold rise.
- Ignoring what the market expected before the announcement.
- Trading the first candle without confirmation.
- Ignoring the press conference.
- Treating the dot plot as a guaranteed forecast.
- Reading a FedWatch probability as the Fed's decision.
- Forcing technical entries to match a bullish or bearish macro opinion.
- Using excessive leverage during an event with unpredictable volatility.

13 Final takeaway

The FOMC is not just an interest-rate announcement. It is an opportunity for markets to reassess the future path of US monetary policy. Remember this sequence:



Figure 10 — FOMC → Expectations → Yields / DXY → XAUUSD → Liquidity → MSS/BOS → Entry → Risk management.

Questions every gold trader should ask

- What did the market expect before the meeting?
- Was the decision more hawkish or dovish than expected?
- Did the Chair reinforce or contradict the initial interpretation?
- How did yields and DXY react?
- Did gold confirm the narrative through price action?
- Is there a valid setup with acceptable risk?

PRECISION PIPS PRINCIPLE

UNDERSTAND THE NARRATIVE.
MAP THE LIQUIDITY.
WAIT FOR CONFIRMATION.
EXECUTE WITH DISCIPLINE.

Next lesson, Part 6: DXY & Gold

Learn how the US Dollar Index works, why gold and DXY often move inversely, when that relationship breaks down, and how to use Dollar strength as context for XAUUSD.

14 Practice and self-check

	Practice tasks
1	Before the next FOMC (27 – 28 October), record the FedWatch probabilities each day and note what changes them.
2	Read the last statement and the one before. List every sentence that was added, removed or reworded.
3	On decision day, journal gold's reaction at 2:00 PM and again at 2:30 PM. Did the two phases agree?
4	Write your three scenarios (hawkish, in line, dovish) and the price action that would confirm each, before the event.

Question	Answer
How many members vote on the FOMC?	Twelve: seven governors, the New York Fed president and four rotating presidents.
When are the statement and press conference?	2:00 PM and 2:30 PM New York time.
What does the dot plot show?	Each participant's projected policy rate; it is not a commitment.
What does FedWatch measure?	Market-implied probabilities from fed funds futures, not a Fed decision.
Why can gold reverse during FOMC?	The press conference and projections can reprice expectations after the statement.

Glossary

Term	Meaning
FOMC	Federal Open Market Committee: sets US monetary policy.
Federal funds rate	The rate at which depository institutions lend reserves to each other overnight; the Fed sets a target range.
Hawkish / dovish	Leaning toward tighter / easier policy than expected.
SEP / dot plot	Quarterly Summary of Economic Projections; the dot plot shows each participant's rate projection.
Forward guidance	Signals about the likely future path of policy.
Reaction function	How policymakers are likely to respond to inflation, employment and growth.
Real yield	Roughly, a nominal yield minus inflation expectations.
DXY	The US Dollar Index.
Priced in	Already reflected in market prices, for example in fed funds futures.

Sources

Federal Reserve: FOMC structure page, FAQ “What is the FOMC and when does it meet?”, meeting calendars page, and the transcript of the Chair's press conference on 16 September 2026. CME Group: FedWatch tool, user guide and fed funds futures probability material. World Gold Council: Gold Investor research on gold, the dollar and US interest rates, and its driver framework. Market coverage of 16 September 2026 and the August 2026 Jackson Hole reaction: Kitco, TMGM (via FXStreet-style market reports), Nation Thailand, Xetra-Gold, ATFX, FXCM; dot-plot explainer: BabyPips. Powell quote: FXStreet report of his June 2024 press conference. Market-report figures differ slightly between providers. This is educational material only and not financial advice.