

FEDERAL RESERVE

# Higher Oil, Higher Inflation. Powell Is Watching Iran Like a Hawk.

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March 18, 2026 6:25 pm EDT

The Federal Reserve held interest rates steady on Wednesday, as expected. What wasn't expected was what Jerome Powell said next.

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First, he made clear the central bank isn't prepared to simply "look through" the surge in oil prices triggered by war with Iran, breaking with the standard playbook for energy shocks.

Second, he said that if his nominated successor, Kevin Warsh, isn't confirmed by the Senate before Powell's term expires on May 15, he would serve as chair pro tem—and that he has "no intention of leaving the board" until the [Department of Justice's investigation into him](#) is "well and truly over." He hasn't decided whether he'll leave even after the probe concludes.

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One rate cut technically remains on the table this year. But the bar to deliver it is higher. The Fed is caught between an inflation overshoot it can't dismiss, an oil shock it can't predict, a labor market on a knife's edge, and a leadership transition tangled in legal uncertainty.

Powell asked for patience on Wednesday afternoon. "We will learn a lot" by the next meeting, he said.

But the Fed will have trouble looking through the oil-price shock. And the incoming Warsh Fed may have trouble looking through Powell.