

Instant Insight: Post-Fed Commentary

Committee Maintains Rates

Perspectives on Federal Open Market Committee Meeting

January 27-28, 2026

Following each Federal Reserve policy meeting, this document captures the immediate perspectives of Oppenheimer Asset Management thought leaders. These insights are designed to provide a timely, high-level interpretation of the Fed's decisions, tone, and implications for the markets. The goal is to equip you with expert-driven, viewpoints in the wake of each FOMC announcement.

Fixed Income Perspective

From a benchmark interest rate perspective, the January FOMC meeting came and went largely as uneventful as expected. The Committee kept the Fed Funds Target Rate unchanged at 3.50%–3.75%, while maintaining minimal forward commitment in both the statement and the press conference regarding the future path of policy rates. As anticipated, the statement acknowledged that inflation remains elevated but is not worsening, while, less expectedly, also pointing to stabilization in unemployment rate. Governor Miran dissented the decision in favor of a rate cut, and was unexpectedly joined by Governor Waller, a notable development given his positioning among the candidates for the Chair role.

Looking ahead, the policy path now appears increasingly tied to incoming labor-market data. In our view, signs of stabilization or improvement in employment should give the Fed confidence to remain on hold, while clearer evidence of labor-market deterioration would likely pull rate cuts forward and potentially increase the total number beyond our base case of two to three cuts, largely concentrated in the second half of the year.

At this stage, our rate outlook remains unequivocally asymmetric. In our opinion, additional hikes appear very unlikely, labor momentum has clearly cooled, and the Fed Funds Rate remains above estimates of neutral, leaving risks to policy decisively skewed to the downside. The timing and magnitude of easing will remain meeting-by-meeting and data-dependent, with shifting Committee personnel dynamics likely contributing to elevated rate volatility.

Through this choppy period, our baseline macro narrative remains intact. In 2026 we expect economic growth to stay resilient, inflation to trend lower toward the mid-2% range helped by cooling rent dynamics, and unemployment rate to stay around the key 4.5% level. In that potential environment, benchmark rates can remain within striking distance of two to three cuts, keeping near-term market narratives focused on dynamics such as: yield-curve steepening, U.S. dollar weakness, commodities outperformance and periodic global rate volatility, including angst about spillovers from Japanese government bond markets.

Research Insight

As expected, the divided Committee held interest rates steady as tension remains within the Fed's dual mandate.

Labor Market – Level: Subdued | Trend: Stable

The most recent non-farm payroll and ADP jobs reports reflected weaker than expected hiring. The positive news of the unemployment rate ticking down to 4.4% was countered by the labor force participation rate falling and the long-term unemployment rate rising.

Inflation – Level: Somewhat Elevated | Trend: Hovering

The last four Personal Consumption Expenditures (PCE) reports indicated that inflation has continued to hover at a somewhat elevated level of between 2.7% and 2.8%, notably higher than the Fed's target of 2.0%.

The Fed is now facing an environment in which the weakening U.S. dollar and rising Japanese government bond yields are creating additional stresses on global financial markets.

Chief Investment Strategist Viewpoint

The Federal Reserve's decision today to leave rates unchanged came as little surprise to most market participants, especially after the three cuts delivered late last year. As is often the case, the Chair's remarks following the announcement—and the Q&A session with the press—drew most of the market's attention. Investors appeared focused on whether the Fed would acknowledge the recent run of economic data showing a still resilient U.S. economy alongside inflation that remains somewhat sticky and not yet aligned with the Fed's 2% target.

The tone of the Chair's comments suggested a continued commitment to a data dependent approach. While the Fed noted progress on inflation, it also highlighted that the path toward price stability is not complete. This balanced message—recognizing resilience while cautioning against declaring victory—will likely influence market sentiment through the remainder of the week as traders parse any signals about the potential timing of future rate adjustments.

In our view for the markets near-term risks remain part of the backdrop. Concerns tied to Federal Reserve independence, the possibility of heightened credit card rate pressures, and the upcoming government funding deadline may contribute to volatility in both stocks and bonds. In addition, geopolitical factors related to trade, foreign policy, and national security continue to present ongoing challenges for markets.

Even with these uncertainties, we remain constructive on the market outlook for the year. We continue to favor diversified exposure across asset classes, sectors, market caps, and style categories. Our positioning maintains an overweight to equities, with fixed income playing its important role as a source of income and diversification in portfolios.

The views expressed herein reflect current opinions and are not guarantees of future results. Forward looking statements are based on current assumptions and subject to change without notice.

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