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Fed Meeting Commentary

Fed Holds in October, Keeps December in Play

Perspectives on the Federal Open Market Committee Meeting

October 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

Just as previously signaled, the Federal Reserve (Fed) voted 10–2 to hold its benchmark interest rate in the 3.75%–4% range.

If we look back at what transpired since the new Chair's hawkish pivot at Jackson Hole and through September, the 10-year Treasury yield climbed from roughly 4.63% to 5.30%. That 67 basis point move was so notable that, in our view, two of the Fed's most senior officials were dispatched back-to-back to offer some calming "forward guidance" to the bond market.

> September 29 | New York Fed President Williams: "With the policy action we took at our September meeting, there is no need for urgency, and we have time to gather more information."

> October 1 | Federal Reserve Vice Chair Jefferson: "As my base case, I expect inflation to be elevated in the short run before resuming its decline toward our two percent goal as the effects of energy and other price shocks fade."

That, coupled with the upcoming midterm elections and what we see as the Federal Open Market Committee's (FOMC) desire not to become part of the political story, understandably made October's meeting a largely expected non-event.

Reading the tea leaves, the October skip leaves December very much in play. As Governor Waller put it, hikes "do not need to come at consecutive meetings, but they should be in place in an acceptable period of time." That certainly leaves the door open for a possible "every-other-meeting hiking pace" (a scenario reflected in Fed Funds Futures, which at the time of publishing showed an 86.8% chance in December and a 70% chance at the March FOMC meeting).

The October statement also upgraded the pace of economic growth from "solid" to "strong." That change will keep investors watching the incoming data carefully, from energy prices and the economic boost from AI investment to any signs of fragility in growth.

Our house view remains the same: following the October skip, a December rate hike remains very much in play. Monthly core inflation readings above our 0.15%–0.25% range, along with any changing labor trends, will help determine whether the Fed follows through. For now, the Committee wants more information.

One thing Chair Warsh dropped into the Q&A that will undoubtedly spark intellectual debate is the new FOMC meeting schedule, with seven of eight meetings devoted to setting policy in 2027 and six of eight in 2028.

Insights from

Ozan Volkan
Senior Portfolio Manager,
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Michael Richman, CFA
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Research Insight

Against a backdrop of rising inflation in recent weeks, the Fed held rates steady this month, in line with market expectations.

Labor Market – Level: Healthy | Trend: Slowing
Employment continues to expand and unemployment remains low, but hiring momentum has weakened materially. September added just 29,000 jobs versus 162,000 in August.

Inflation – Level: Elevated | Trend: Rising
Inflation has reaccelerated, with the September Consumer Price Index reaching 3.7% year-over-year. Higher crude oil prices, constrained refinery capacity, and lower energy reserves are contributing to cost-push inflation across the global economy. Energy affordability has consequently become an increasingly important economic and political issue.

AI investment is supporting growth while commodity prices are supporting inflation. The combination is driving resilient growth, persistent inflation, and a higher-for-longer rate environment.

Insights from

Christopher Barsky, CFA
Head of OAM Research & Investment Management

Chief Investment Strategist Viewpoint

October's decision to leave interest rates unchanged gives policymakers additional time to assess incoming inflation and labor-market data following September's increase. In our view, this was a prudent course that preserved the Fed's flexibility to act again if price pressures remain persistent.

The decision came against a backdrop of resilient economic and corporate fundamentals. Third-quarter earnings were off to a solid start, consumer activity generally held up, and investment tied to AI and other productivity-enhancing technologies continued to support growth. At the same time, higher oil prices and renewed inflation concerns underscored why the Fed was not yet in a position to declare victory on price stability.

We continue to believe that another rate increase before year-end remains possible, but not predetermined. The inflation data released between now and the December meeting, including readings available after the midterm election, should play an important role in determining whether additional policy restraint is warranted.

Insights from

John Stoltzfus
Chief Investment Strategist

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