

Fed Meeting Commentary

Fed Raises Rates, Markets Adjust, Fundamentals Endure

Perspectives on the Federal Open Market Committee Meeting

Sept. 15-16, 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

In line with street consensus, the Federal Open Market Committee (FOMC) voted unanimously to increase the federal funds target range by 25 basis points to 3.75%–4.00%, up from 3.50%–3.75%.

The case for a September hike built over the last few weeks in three main steps:

1. At the Jackson Hole Economic Symposium, Federal Reserve Chair Warsh said, "We must be confident that underlying inflation is moving to our objective, clearly and at sufficient speed. Otherwise, we have work to do," signaling that the Fed was prepared to act if inflation moved in the wrong direction.
2. On September 4, the labor market cleared the first hurdle, with nonfarm payrolls increasing by 162,000 versus expectations for roughly 55,000.
3. On September 11, inflation cleared the final hurdle. Core Consumer Price Index (CPI) surprised to the upside, increasing 0.29% month over month, or 3.66% annualized. The report pointed toward another firm Core PCE reading (due 9/30) and reinforced the case for a September hike.

The combined result was today's expected 12–0 vote to raise interest rates by 25 basis points. While Chair Warsh continued to keep his cards close to the vest by refusing to provide any forward guidance, investors dug deeper into the Summary of Economic Projections accompanying the official release.

The result was a flatter yield curve. The short end sold off on the new dot plot, where 16 of 18 participants projected at least one additional hike this year, while the long end took some relief from seeing the Fed put its inflation-fighting credibility back into action.

This outcome was consistent with our prior house view. We have maintained that monthly core inflation would need to move outside the recent 15–25 basis point month-over-month range to materially shift benchmark interest rates, assuming labor market conditions remain broadly intact. The market accurately viewed Chair Warsh's repeated characterization of today's hike as "removing a dose of accommodation" as hawkish, leaving the door open to slightly higher benchmark interest rates. Our outlook, however, remains unchanged. Incoming inflation and labor-market data should continue to dictate the direction of interest rates, while investors also remain focused on Treasury issuance, AI-related capital spending, geopolitics and the federal budget deficit. We expect interest-rate volatility to remain elevated through year-end, with intermediate fixed income continuing to be a solid part of client asset allocations to help weather that volatility.

Research Insight

The Fed hiked interest rates for the first time since July 2023 in an attempt to slow inflation and regain some market credibility amidst persistent inflation.

Labor Market – Level: Robust | Trend: Growing

The labor market added a strong 162,000 jobs in August in addition to the positive 55,000 revision for the prior two months. July's job losses flipped to a gain. The labor market continues to grow.

Inflation – Level: Elevated | Trend: Persistent

The AI buildout, Iran conflict-driven energy spikes, and consumer spending have kept inflation elevated. The duration of above-target inflation finally pushed the Fed to act.

While markets are pricing a 50/50 chance of another interest rate hike at the next meeting in October, investors will be attentive to any new developments across the Iran conflict, AI spending, and hiring trends.

Chief Investment Strategist Viewpoint

For this FOMC meeting, the decision to raise rates by 25 basis points came as little surprise to us given the recent increase in inflation readings tied to the sharp rise in oil prices linked to renewed disruptions in the Middle East.

In our view, the Fed faced a difficult but understandable choice. While inflation has moderated from the elevated levels seen in prior years, recent Consumer Price Index and Producer Price Index reports suggested that progress toward the Fed's 2% target remains elusive. Higher energy prices create additional concerns as rising transportation and production costs have the potential to filter through the economy in the months ahead.

That said, economic activity has remained remarkably resilient. Employment conditions remain healthy, consumer spending has generally held up, and corporate earnings have continued to exceed expectations. In addition, investment related to artificial intelligence infrastructure and other productivity-enhancing technologies has supported growth across a broad range of industries.

The title of this week's Market Strategy Radar Screen is *Rain Before Rainbows*, and it reflects our view of the current environment. Markets appear to be moving through a period of transition where progress is unlikely to be linear. Inflation remains above target, monetary policy remains restrictive, and geopolitical uncertainty continues to create challenges for policymakers and investors alike.

While some market participants may view another rate increase as a negative, we see it as evidence that the Federal Reserve remains committed to restoring price stability while seeking to preserve the economic expansion. In our view, allowing inflation expectations to become entrenched would present a greater risk than a modest increase in rates at this stage of the cycle.

For intermediate- and longer-term investors, we continue to believe that fundamentals matter most. Revenue growth, earnings growth, innovation, and productivity gains remain important supports for equity markets over time. Though periods of volatility can prove uncomfortable, they can also create opportunities for disciplined investors who remain focused on diversification, quality, and patience. The path ahead may involve some rain. But the resilience of the U.S. economy, corporate America, and ongoing innovation suggests to us that brighter skies and even a rainbow remain possible.

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

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