



FOMC — October 28, 2026: Summary & Analysis

Fed decision & Chair Warsh press conference · cross-checked against public reporting · AkshayaAI research note

The Fed held rates at 3.75–4.00% — but in a 10–2 split, with two members wanting to hike. It is a hold against hawkish pressure, justified by an economy described as strong and broadening, with productivity rising fast enough to keep it "not too hot."

1. Meeting notes

Policy decision

- Rates held **unchanged at 3.75–4.00%** — a **10–2 vote**. Gov. Lisa Cook and Cleveland Fed's Beth Hammack dissented, both favoring a 25 bp hike (September was 12–0).
- No forward guidance on rates *except in a crisis* (like 2008); no prejudging future meetings; future data sets the Fed's direction.

Growth & activity

- Statement upgraded growth to "**strong**" (from "solid"); domestic spending ↑, capex ↑, productivity ↑, wages ↑.
- H1 GDP accelerated **1.8% → 2.4%**; Q3 tracking ~3%; business investment up >10% (figures cited in the press conference).
- Economy strong and in the right direction; *not* running too hot; productivity moving higher.

Labor market

- Labor firm — job gains keeping pace with the workforce; jobless rate and claims low / little changed.

Inflation & price stability

- Inflation **remains elevated** — Sept CPI **3.7% y/y** (core 2.6%); above the 2% goal since 2021. Statement flags a "timely return" to 2%.
- Inflation swaps declining; expectations moving the right way.

- No "soft" inflation target — a firm **2% PCE** goal reaffirmed.

Financial conditions

- Credit conditions tight; capital allocation careful; credit spreads widening out.
- Volatility sources: geopolitics ↑, inflation ↑.

Markets

- Oil and interest rates had a stable correlation until recently; the **correlation has flipped** — oil ↑ while Treasury rates ↓ (per the press conference).

AI boom & the economy

- AI boom's **dependence on financing** is notable; the Sept policy impact is showing, consistent with expectations.
- Interest rates clearly have an impact; aggregate demand ↑ (with AI).
- Capex is **broadening — not just AI**.

Framework & governance

- A "new monetary medicine" framing: responsibility, no blame, a clear framework, "interrogate reality."
- The Chair **de-emphasizes the dot plot** and forward guidance ("no dot by the chair"); the official projections (SEP) continue — next at the **Dec 8–9** meeting. 5 task forces at work.

Global

- Balance-sheet policy = maintaining ample reserves (runoff moderated); **Korea / Japan** — Korea especially — watching US rates closely.

2. Summary

This was a **hold against hawkish pressure**, not a dovish one. The Fed kept the target range at 3.75–4.00%, but the **10–2 vote** — with Cook and Hammack pushing for a hike — shows real internal pressure to tighten, because inflation is still elevated (Sept CPI 3.7%). What let the Chair hold instead of hike is the growth mix: an economy upgraded to "strong," business investment and capex rising, and the argument that **productivity is rising fast enough to keep growth from being inflationary**.

Around the decision, the Chair leaned heavily on **framework and credibility**: a firm 2% PCE goal, a de-emphasis of the dot plot and forward guidance, and explicit data-dependence ("future data → direction"; "no prejudging meetings"). The projections themselves continue (next Dec 8–9). The undercurrents to watch: tightening credit and widening spreads, the AI boom's dependence on financing, and a notable shift in the oil–yields relationship.

3. AkshayaAI analysis

A hold that is really a productivity bet — over hawkish objection

Holding at 3.75–4.00% while inflation runs at 3.7% and two voters dissent for a hike is only defensible if you believe productivity is absorbing the growth. That is exactly the wager: the AI/capex productivity impulse is real and durable enough that strong demand and wages need not re-ignite inflation. It is the bullish base case — but it is a *bet made over hawkish objection*, so the bar to hike at the Dec 8–9 meeting is low if inflation doesn't cooperate. Watch the dissent count as a leading indicator.

The oil ↑ / yields ↓ shift is the most interesting signal

Normally an oil-price rise lifts yields (growth/inflation impulse). Yields easing while oil firms suggests the long end is driven by something else — flight-to-quality, balance-sheet/supply technicals, or a market convinced the Fed will stay restrictive enough to cap inflation (so the long end rallies on credibility). It can also hint at demand-side worry bleeding through oil's supply story. Either way it is a regime tell worth tracking.

Capex broadening is the quiet bull case

The most constructive line is that **capex is broadening beyond AI**. A cycle carried only by a few hyperscalers is fragile; one spreading across sectors has real legs and supports the "strong, not too hot, productivity higher" framing. Confirm it in the hard data over the next two quarters.

The fragility: financing-dependent AI + widening spreads

The notes flag the AI boom's dependence on financing, tight credit, and widening spreads together. With the Fed on hold (and leaning hawkish, not cutting), if spreads widen materially the marginal AI-capex project gets repriced and the cycle now powering growth and productivity slows. **Credit spreads — not the policy rate — are the variable most likely to change the story first.**

A communications reset

De-emphasizing the dot plot, reaffirming a hard 2% PCE target, and withholding guidance except in crisis moves the Fed away from pre-commitment toward pure data-dependence. The trade-off: less hand-holding means **higher rate volatility around data releases**, since prices move on the data rather than on Fed signaling. Expect sharper reactions through the data-heavy stretch into Dec 8–9.

Global & what to watch next

Ample-reserves balance-sheet policy plus Korea/Japan "watching closely" points to dollar-liquidity and Asian-carry sensitivity — a higher-for-longer US path pressures those markets. **Watch list:** (1) credit spreads; (2) whether the oil–yield shift persists; (3) PCE/CPI vs the 2% line and inflation-swap direction; (4) confirmation capex is genuinely broadening; (5) the Dec 8–9 meeting and new projections — and the dissent count.

Validation. Cross-checked against public reporting (Yahoo Finance, Fox Business, CNBC, 28 Oct 2026). **Confirmed:** the 3.75–4.00% hold; the 10–2 split with Cook and Hammack dissenting for a hike (Sept was 12–0); growth upgraded to "strong"; inflation elevated (Sept CPI 3.7% y/y, core 2.6%). **Corrected/clarified vs the raw notes:** the two dissents were added; the dot plot / projections are *not* dropped — they continue at the Dec 8–9 meeting (the "Dec 9" in the notes), with the Chair personally de-emphasizing them. Press-conference color (the "new monetary medicine" framing, AI/financing, the oil–yield shift, capex breadth, Korea/Japan) is reported as stated and is not independently verifiable line by line.

Prepared by AkshayaAI. Not investment advice.