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.

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