



Update: FOMC Meeting FOMC September 16, 2026

FOMC Meeting, Date: 16 Sep 2026

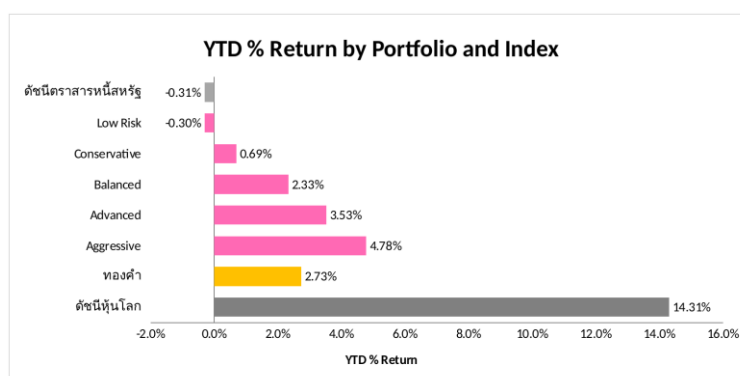
- The FOMC meeting held on 16 Sep 2026 voted to raise the US policy rate by +0.25%, bringing the rate to a range of 3.75% to 4.0%, marking the first rate hike in 3 years.
- The Fed views the economy as continuing to expand well, revising its economic growth forecast up from 2.2% to 2.3% this year, and lowering its unemployment rate forecast from 4.3% to 4.1%.
- However, inflation remaining above the Fed's 2.0% target for more than 5 years is a factor of concern for the Fed. At this meeting, the Fed revised its core inflation forecast for this year up from 3.3% to 3.4%.
- The Committee's view is that the Fed may raise rates 1 time this year and hold the rate at that level through next year.

Market Impact on 16 Sep 2026

- Given the current Fed Chair's hawkish stance on inflation, the market had already priced in a high probability of this rate hike. As a result, US Treasury yields for the 10- and 30-year tenors stayed roughly unchanged at around 5% and 5.3% respectively. Only the 2-year yield rose, from 4.6% to 4.7%.
- US equities edged slightly lower by -0.45%

Market Views and Investment Recommendations

- The current situation differs from 2022 (US equities down -19.4%), when inflation was driven mainly by rising wages and demand-side factors, forcing the Fed to rapidly raise rates from a range of 0% to 0.25% to a range of 4.25% to 4.5% within a single year. In the current environment, although inflation remains above the Fed's target, demand-side pressure is not particularly strong.
- Although the Fed has clearly reaffirmed its intention to bring inflation back down to its 2.0% target, it chose to hold rates steady at the previous 2 meetings. The reason is that market borrowing costs had already risen on their own: the 10-year US Treasury yield, which serves as a benchmark for mortgage and corporate lending rates, climbed from 4.1% at the start of the year to 5.0% currently. This means the market has already helped cool the economy on the Fed's behalf to some extent. This rate hike is therefore better understood as bringing policy in line with what the market had already anticipated, rather than as a new, more hawkish signal, while still affirming that the Fed continues to take inflation seriously.
- In addition, the current 10-year US Treasury yield is also consistent with the level of nominal GDP growth (including inflation) seen prior to 2008, suggesting that the rate move may simply reflect solid economic growth.
- We continue to believe the Fed may not need to raise rates many more times, particularly given that the current policy rate is already at a relatively high level. Based on current data, we still see the probability of a sharp sell-off in risk assets as fairly limited. That said, we will continue to monitor developments closely should the Fed signal a greater likelihood of further rate hikes than we currently expect, or should economic data appear weaker than expected.



Year-to-date (YTD) returns of the portfolios and benchmark index as of August 31, 2026

Source: Bloomberg, FMLP

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