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FOMC Update

As summarized by Smith Shellnut Wilson

October 28, 2026

Fed Votes 10-2 to Hold Rate Steady at 3.75% to 4.00%

The Federal Reserve left rates unchanged at 3.75% to 4.00% at this week's FOMC meeting, choosing to remain patient despite continued inflation concerns. While the decision was widely expected, it was notable that two Fed officials dissented and preferred an immediate 25-basis-point rate hike, highlighting the ongoing debate within the Committee about whether current policy is restrictive enough to bring inflation back to the Fed's 2% target.

The Fed's statement acknowledged that "inflation remains elevated" and reiterated that policymakers need to see more data before determining the appropriate path forward. At the same time, officials characterized economic activity as expanding at a "strong pace," supported by resilient consumer spending, a healthy labor market, and continued investment tied to artificial intelligence. In short, the economy remains stronger than many anticipated, which continues to complicate the inflation outlook.

Chairman Kevin Warsh and other Fed officials have emphasized a data-dependent approach, signaling no commitment to a December rate move. However, markets continue to price in a meaningful probability of another rate hike before year-end. Before the announcement, there was a 78% chance of a December rate hike, while following the meeting it rose to 86%. Investors will remain focused on upcoming inflation data, particularly the Fed's preferred PCE inflation measure, to determine whether price pressures are showing signs of easing.

For investors, the message is that higher rates may remain in place for longer than previously expected. A stronger economy and stubborn inflation could keep upward pressure on Treasury yields and borrowing costs, while extending the period of elevated deposit competition. Conversely, continued economic strength and stable credit conditions remain supportive.

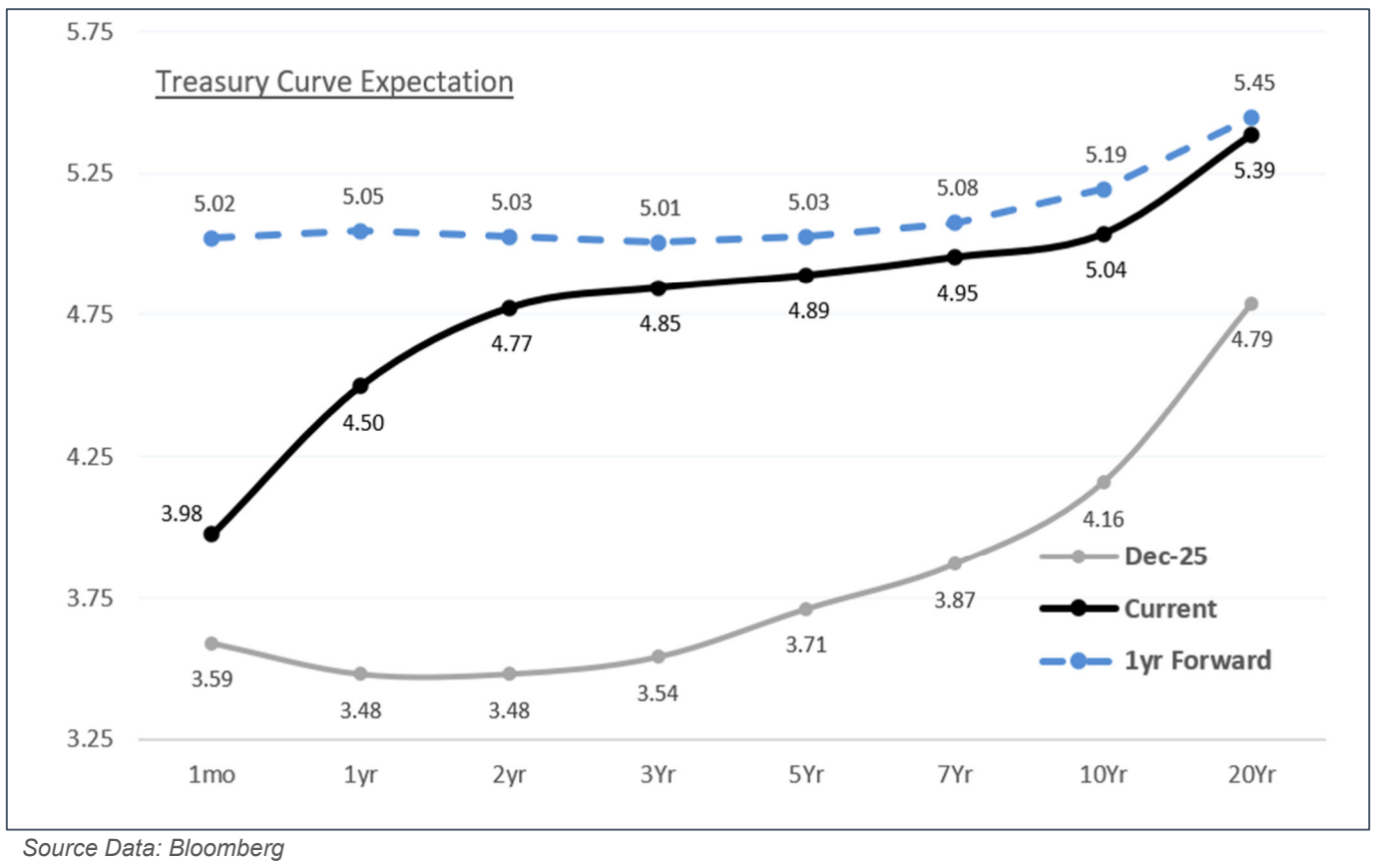
Key takeaway: The Fed is not yet convinced that inflation is moving back toward its target quickly enough. While policymakers paused this month, the door remains open for additional tightening if inflation data fails to improve, making the next several economic reports particularly important for both markets and financial institutions.

Post-Meeting Market Expectations for the FOMC Overnight Rate

	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES						
MEETING DATE	375-400	400-425	425-450	450-475	475-500	500-525	525-550
10/28/2026	99.4%	0.6%	0.0%	0.0%	0.0%	0.0%	
12/9/2026	13.6%	86.0%	0.5%	0.0%	0.0%	0.0%	0.0%
1/27/2027	7.6%	54.4%	37.8%	0.2%	0.0%	0.0%	0.0%
3/17/2027	2.4%	22.4%	49.1%	25.9%	0.1%	0.0%	0.0%
4/28/2027	1.5%	14.7%	38.8%	34.9%	10.1%	0.1%	0.0%
6/9/2027	0.8%	9.0%	28.5%	36.6%	20.7%	4.3%	0.0%
7/28/2027	0.7%	8.0%	25.9%	35.5%	22.8%	6.5%	0.6%
9/15/2027	0.6%	6.8%	23.0%	33.9%	24.8%	9.1%	1.6%
10/27/2027	0.7%	7.0%	23.1%	33.8%	24.7%	9.0%	1.5%
12/8/2027	1.2%	8.3%	24.0%	33.1%	23.4%	8.4%	1.4%

Source Data: Bloomberg

Post-Meeting Market Expectations for the Treasury Curve



Source Data: Bloomberg

Side-by-side comparison of the U.S. Federal Open Market Committee statements from October 28, 2026 and September 16, 2026.

October 28, 2026	September 16, 2026
The Federal Open Market Committee approved the following statement for release by a 10 – 2 vote:	The Federal Open Market Committee approved the following statement for release by a 12 – 0 vote:
The Committee decided to maintain the target range for the federal funds rate at 3-3/4 to 4 percent, in support of the Federal Reserve's dual mandate. The Committee is continuing its policy of maintaining ample reserves in the banking system.	The Committee decided to raise the target range for the federal funds rate by 1/4 percentage point to 3-3/4 to 4 percent, in support of the Federal Reserve's dual mandate. The Committee is continuing its policy of maintaining ample reserves in the banking system.
Economic activity is expanding at a strong pace. While uncertainty remains elevated owing, in part, to geopolitical developments, domestic spending has been resilient. Productivity growth is strong, and capital investment is robust. Job gains have kept pace with the workforce, and the unemployment rate has changed little.	Economic activity is expanding at a solid pace. While uncertainty remains elevated owing, in part, to geopolitical developments, domestic spending has been resilient. Productivity growth is strong, and capital investment is robust. Job gains have kept pace with the workforce, and the unemployment rate has changed little.
Inflation remains elevated. The accumulation of more information will help the Committee determine the policy stance appropriate to ensure a timely return of inflation to the Committee's 2 percent goal. The Committee will deliver price stability.	Inflation remains elevated. Today's policy action will support a timelier return to the Committee's 2 percent goal. The Committee will deliver price stability.
Voting against the monetary policy action were Lisa D. Cook and Beth M. Hammack, who preferred to raise the target range for the federal funds rate by 1/4 percentage point at this meeting.	SOURCE: Federal Reserve Board
SOURCE: Federal Reserve Board	

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✉ Forward

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