Macro Note

US Oct 2026 FOMC: Fed paused as Warsh explains "accumulation of more information" will help next decision

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- **The Fed left the Fed Funds Target Rate unchanged at 3.75%-4.00% in a split 10-2 decision in the Oct FOMC, reflecting continued concern over inflation but a preference to gather additional data before taking further action**: While the FOMC upgraded its assessment of economic activity to "expanding at a strong pace," it maintained that inflation remains elevated and emphasized that the "accumulation of more information" will guide future policy decisions. The dissent by Governor Cook and Cleveland Fed President Hammack, both of whom favored a 25bp hike, underscores ongoing hawkish pressure within the FOMC.

- Chairman Warsh reaffirmed the Fed's commitment to restoring inflation to its 2% target while stayed steadfast in his stance of not providing any form of forward guidance. He described the economy as strong, consumer spending and capital expenditure as healthy, and labor market conditions as positive, but stressed that inflation remains too high and continues to dominate policy discussions. Warsh reiterated that he would not prejudge future meetings, does not support publishing his rate projections through the Dot Plot. Warsh's key announcement is that the Fed will reduce effective rate-setting meetings, from eight to seven in 2027, and then down to six in 2028.

- **Keeping our FOMC Outlook - Still expecting two additional hikes, in Dec 2026 and 1Q27, thereafter on hold for rest of 2027.** We do not think this is a "one-and-done hike" from the Fed, and as per previous rate hike cycles, the Fed usually does not stop at one. On the other hand, we do not believe this is the start of a long series of hikes. As such, we still expect two additional hikes, in Dec 2026 and 1Q27, thereafter on hold for rest of 2027. Although inflation is expected to ease more sustainably later in 2027, risks from higher energy prices, tariffs, and AI-related investment could necessitate additional tightening beyond the currently expected path.

Oct 2026 FOMC: A non-unanimous decision for pause as "accumulation of more information" provided as reason for Fed to better decide in Dec

As widely expected, the US Federal Reserve kept its Fed Funds Target Rate (FFTR) unchanged at the range of 3.75%-4.00%, at the 27/28 Oct FOMC, after implementing its first hike since 2023, in the previous Sep FOMC. The decision however, was not a unanimous decision (10-2) as Fed Governor Cook and Cleveland Fed President Hammack both dissented as they preferred to raise rates by 25-bps at this meeting. In addition to the rate decision, the Fed Board of Governors voted unanimously to maintain the interest rate paid on reserve balances (IORB) at 3.90%, with effect from 29 Oct and approve the primary credit rate at the current level of 4.00%.

Right By You

In the Oct statement, the Fed upgraded its view of economic activity to "expanding at a strong pace" (from "solid pace" in the Sep FOMC) but kept the rest of the paragraph unchanged from the Sep FOMC, which read as "While uncertainty remains elevated owing, in part, to geopolitical developments, domestic spending has been resilient. Productivity growth is strong, and capital investment is robust."

On the jobs market, the Fed also kept its description that "Job gains have kept pace with the workforce, and the unemployment rate has changed little." (same as the Jun and Jul FOMC).

As for inflation, the Fed's description remained succinct, "Inflation remains elevated".

The most revised part of the statement helped explain the policy pause in Oct which was "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." (versus "Today's policy action will support a timelier return to the Committee's 2 percent goal." In the Sep FOMC) Thereafter, the FOMC statement ended with the unchanged remark "The Committee will deliver price stability." (since Jun FOMC)

Warsh's press conference: Promises to deliver price stability but says no to SEP dot (i.e. forward guidance is still out), announces changes to FOMC meeting schedules in 2027 & 2028

In the post-meeting press conference, FOMC Chairman Warsh's remarks were seen as bullish on the economy, still decidedly hawkish on inflation, but expectedly, no signal as to when the Fed will respond with another hike.

Warsh continued to emphasize that "This Committee will deliver price stability", and that the Sep rate hike has "removed a dose of accommodation" while he would not characterise financial conditions as tight. ("While overall financial conditions are tighter, I'm unwilling and unable to call them tight. But broadly, these developments go in the direction of achieving a longer, more durable period of economic growth and price stability.") He spelt clearly that there is no "soft" inflation target, the target is 2% as measured by the [core] PCE. When asked if the proximity of midterm election affect the Oct FOMC decision, Warsh said that politics "played no role in the decision".

Warsh remained positive on the state of the US economy ("strong but not running hot", consumer spending is healthy, bumper capital expenditure) and the employment situation (which Warsh said "conditions are quite positive").

It was evident that Warsh kept the focus on inflation, stressing that "inflation is too high" and that the FOMC discussion has been centred on the price-stability side of the Fed's dual mandate. That said, while Warsh noted the near term price pressures, he sounded confident on the outlook for inflation expectations, which he suggested remains anchored.

On questions referring to monetary policy outlook, he said he does not believe in forward guidance absent a crisis; and reiterated his earlier position that he is not going to prejudge meetings. He also declared he did not submit a projection to the DotPlot and that he does not plan to [in the future], a clear reminder that he is not changing his stance of not giving forward guidance. And on a question relating to AI financing, Warsh noted that rates have affected AI financing but not significantly tightened it, and that the capex story is broadening beyond AI.

The most important announcement from his press conference was a structural change to FOMC schedule. Warsh said the Fed will reduce effective rate-setting meetings from eight to six per year. Beginning in 2027, one meeting will be designated for broad policy strategy discussion without a vote or statement. This will then be increased to two meetings in 2028. Warsh reasoned that "Getting policy right involves assessing near-term developments at timely, regular and information-rich intervals...But it's equally important we reserve time and space, as an intellectually diverse group, for strategic deliberations, for thinking anew about big questions, looking out over longer time horizons, focusing — as I say — on the left side of the decimal point."

Overall, the messaging from Warsh is entirely clear that the Fed remains concerned about inflation but with absolutely no signal when the next hike will be, and he intends to keep forward guidance out.

Keeping our FOMC Outlook - Still expecting two additional hikes, in Dec 2026 and 1Q27, thereafter on hold for rest of 2027

Post-Oct FOMC decision, the 2-year UST yields was trading broadly steady at around 4.76% as the Fed decision was in line with market expectations, but long-dated UST yields rose on the back of the schedule changes announced by Warsh, because it was seen that having one less meeting could introduce more market volatility and uncertainty. As of 29 Oct, Fed Funds futures imply a rate of 4.1% at the Dec FOMC (87.2% probability), with the implied path extending to approximately 4.361% by Mar 2027 FOMC — consistent with two additional hikes by 1Q 2027. The futures are also pricing in a very high probability of a third hike by Sep 2027 FOMC (92.5% probability)

Like the markets, we do not think this is a "one-and-done hike" from the Fed, and as per previous rate hike cycles, the Fed usually does not stop at one. On the other hand, we do not believe this is the start of a long series of hikes. As such, **we still expect two additional hikes, in Dec 2026 and 1Q 27, thereafter on hold for rest of 2027** as the inflation fades in a more durable fashion in the later part of 2027 as the most likely course of action. That said, we continue to keep in mind the risks of further policy tightening if inflation trajectory is made more persistent by the combination of higher energy prices, trade tariffs and AI-related factors.

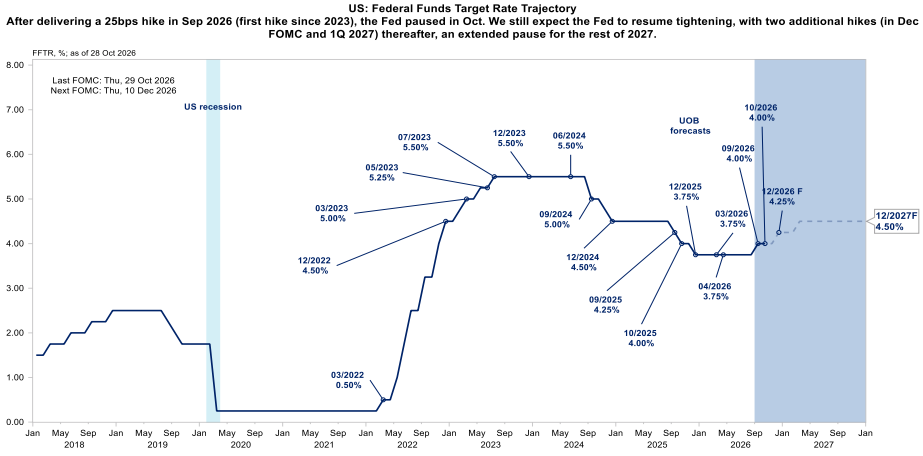
The next FOMC meeting will be on 8/9 Dec 2026 (decision on 10 Dec, 3am SGT) and this meeting will be accompanied with a post-decision press conference and importantly, an update for the Summary of Economic Projections (SEP) and Dot Plot.

Please use the following links to access the official Fed documents:

1) 27/28 Oct 2026 FOMC Statement
2) Implementation Note for Oct 2026
3) FOMC calendar for 2026 and 2027

Chart 1: UOB's projected US federal funds target rate trajectory (as of 29 Oct 2026)

Source: Macrobond, UOB Global Economics & Markets Research



Our forecast

%	As of 29 Oct	4Q26	1Q27	2Q27	3Q27
US Fed Funds Target - Upper Bound	4.00	4.25	4.50	4.50	4.50

Source: Global Economics & Markets Research

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