Register-Guard Capital

FEDERAL RESERVE REGISTER GUARD 9/16/26

PRE-MEETING OUTLOOK

We predict the Federal Open Market Committee will raise the target range for the federal funds rate by a quarter point, to 3.75 percent to 4.00 percent, at the conclusion of its September 15–16, 2026 meeting, the third chaired by Kevin Warsh, and the first increase since July 2023.[1] The decision is priced as few have been this year: the CME FedWatch Tool puts the probability of a quarter-point increase at roughly 92 percent as of Monday afternoon, up from about a third before the Chair's Jackson Hole address on August 28, and Polymarket's contract on the decision trades at 88 percent.[2] Reuters' poll of 101 economists taken after Friday's Consumer Price Index has 86 expecting the increase, a reversal from the 65 of 93 who expected a hold in the same survey a week earlier.[3] We are with the market and the economists on the decision and, once again, against the market on the path. We put the probability of a quarter-point increase at 80 percent, a little below the futures market, and a hold at 17 percent. We expect the vote to be unanimous or nearly so, with no more than one dissent, Governor Bowman the most plausible dissenter if there is one; we expect the Summary of Economic Projections to show a 2026 median of 3.9 percent, this increase and no other; and, above all, we see this as the only increase of 2026, with the range held at 3.75 to 4.00 percent at the October and December meetings. The market prices a second increase by December at better than three chances in four.[4] We put the probability that the range ends the year higher than 3.75 to 4.00 percent at 35 percent, and we set out below both why we would have the Committee move further this week than it will and why we expect it to stop anyway.

Our July Register Guard called the hold, called a non-unanimous vote with a hawkish dissent, and named Logan; it understated the count, which was three. Its central forward view was no change at the September, October, and December meetings. We withdraw the September part of that forecast here because the intervening evidence no longer supports it; the original forecast remains on record and will be scored against Wednesday's decision. We wrote in July that September was the closest call on the calendar, that we supported a hike on the merits more than the hold we predicted, and that a firm core CPI or evidence of broadening would flip the call.[5] The record since is mixed on that evidence and unambiguous on the votes, and our two

[1] Board of Governors of the Federal Reserve System, "Meeting Calendars and Information," Monetary Policy, accessed September 14, 2026, https://www.federalreserve.gov/monetarypolicy/fomccalendars.htm; *Register-Guard Capital*, Federal Reserve Register Guard 7/29/26 (July 29, 2026).
[2] CME Group, "CME FedWatch Tool," Interest Rates Market Data, accessed September 14, 2026, https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html; Jeff Cox, "Counting the Votes: Warsh Faces Tough Battle as Fed Girds for Expected Rate Hike," CNBC, September 14, 2026, https://www.cnbc.com/2026/09/14/counting-the-votes-warsh-faces-tough-battle-as-fed-girds-for-expected-rate-hike.html; "Fed Decision in September?," Polymarket, accessed September 14, 2026, https://polymarket.com/event/fed-decision-in-september-762; "September Fed Decision Now a Coin Flip as Rate Hike Odds Increase," CNBC, August 28, 2026, https://www.cnbc.com/2026/08/28/-september-fed-decision-now-a-coin-flip-as-rate-hike-odds-increase.html.
[3] Indradip Ghosh, "Fed Rate Hike on Wednesday Now Likely, Say Economists, and at Least One More to Follow: Reuters Poll," Reuters, September 14, 2026; Indradip Ghosh, "Fed to Hold Rates Steady in Rest of 2026; Rising Number of Analysts See at Least One Hike: Reuters Poll," Reuters, September 9, 2026.
[4] Cox, "Counting the Votes."
[5] *Register-Guard Capital*, Federal Reserve Register Guard 7/29/26.

most recent Registers conceded the point before this document was opened: the Employment Register of September 4 said the August report removed the labor market from the case for a hold, and the Inflation Register of September 11 said the CPI gave the hawks their number and did not support our base case.[6] The direction we called, hold as the base case with the hike as the live contingency, was the Committee's own scenario language; we now expect the contingency a meeting earlier than we had it.

The data since July 29 delivered neither the broadening the hawks wanted nor the disinflation the doves needed. July payrolls fell 23,000 and July core CPI eased to 2.5 percent, and by mid-August the market had priced September down to roughly one chance in four.[7] Then the August data reversed the picture. Payrolls rose 162,000 on September 4 against a consensus near 55,000 and our own 40,000, June and July were revised up by a combined 55,000, the unemployment rate held at 4.1 percent as a 683,000 inflow to the labor force was absorbed, and average hourly earnings rose 3.1 percent over the year, the slowest since May 2021.[8] The August Producer Price Index rose 0.4 percent on the month and 5.4 percent over the year, with final demand energy up 4.2 percent and diesel up 24.1 percent, and the August CPI rose 0.4 percent with the annual rate holding at 3.4 percent, while core rose 0.3 percent, a tenth above consensus and its largest increase since April, even as the annual core rate eased to 2.4 percent, its lowest of the year.[9] The Fed's own measure runs higher: PCE inflation was 3.7 percent and core PCE 3.3 percent in the year to July, and the Cleveland Fed's nowcast carries August core PCE at 3.4 percent on a 0.27 percent month, with the August report due September 30, two weeks after the decision.[10] Growth is firm underneath: the second quarter printed 1.5 percent, but real final sales to private domestic purchasers rose 4.2 percent, and the Atlanta Fed's tracker has the third quarter at 4.4 percent.[11] What has changed most since July is the price of oil. U.S. forces destroyed five IRGC-linked tankers on September 7 and 8, and drone strikes launched from Iraqi territory on September 10 and 11 shut Saudi Aramco's East-West pipeline, the kingdom's route around the Strait of Hormuz. West Texas Intermediate topped 100 dollars on September 10 and settled just above it the next day, Brent is near 108, the national average gasoline price is 4.32

[6] *Register-Guard Capital*, Employment Register 9/4/26 (September 4, 2026); *Register-Guard Capital*, Inflation Register 9/11/26 (September 11, 2026).
[7] Bureau of Labor Statistics, "The Employment Situation—July 2026," news release, U.S. Department of Labor, August 7, 2026; Bureau of Labor Statistics, "Consumer Price Index—July 2026," news release, U.S. Department of Labor, August 12, 2026; CNBC, "September Fed Decision Now a Coin Flip."
[8] Bureau of Labor Statistics, "The Employment Situation—August 2026," news release, U.S. Department of Labor, September 4, 2026, https://www.bls.gov/news.release/archives/empsit_09042026.htm; *Register-Guard Capital*, Employment Register 9/4/26.
[9] Bureau of Labor Statistics, "Producer Price Indexes—August 2026," news release, U.S. Department of Labor, September 10, 2026; Bureau of Labor Statistics, "Consumer Price Index—August 2026," news release USDL-26-1496, U.S. Department of Labor, September 11, 2026, https://www.bls.gov/news.release/cpi.nr0.htm.
[10] Bureau of Economic Analysis, "Personal Income and Outlays, July 2026," news release BEA 26-39, U.S. Department of Commerce, August 26, 2026, https://www.bea.gov/news/2026/personal-income-and-outlays-july-2026; Federal Reserve Bank of Cleveland, "Inflation Nowcasting," Center for Inflation Research, accessed September 14, 2026, https://www.clevelandfed.org/indicators-and-data/inflation-nowcasting.
[11] Bureau of Economic Analysis, "Gross Domestic Product (Second Estimate) and Corporate Profits (Preliminary), 2nd Quarter 2026," news release, U.S. Department of Commerce, August 26, 2026, https://www.bea.gov/news/2026/gdp-second-estimate-and-corporate-profits-2nd-quarter-2026; Federal Reserve Bank of Atlanta, "GDPNow," accessed September 14, 2026, https://www.atlantafed.org/research-and-data/data/gdpnow.

dollars and diesel a record 5.97, and the Cleveland Fed already carries the September CPI near four-tenths.[12] The University of Michigan's September preliminary survey, taken the same week, put sentiment at 47.8, the second-lowest reading on record, with year-ahead inflation expectations up to 4.6 percent from 4.0 and the long-run measure up to 3.4.[13]

The Chair's Jackson Hole address of August 28, "In Our Time," is the document that moved the market, and it is worth being precise about what it did and did not say, because Wednesday will be scored against it.[14] It committed to nothing. "You can call it an outline . . . you can call it a trail map . . . just don't call it forward guidance," he said of his own remarks, and he closed "committed to a discipline, not to a decision." What it supplied instead was a standard and an assessment. The standard: "We must be confident that underlying inflation is moving to our objective, clearly and at sufficient speed. Otherwise, we have work to do." The assessment: the 2 percent PCE objective is "a firm, fixed target"; "price stability is not self-executing, nor is inflation necessarily mean-reverting"; the twelve-month PCE rate stands at 3.7 percent and the six-month at 4.1; 54 percent of the 199 components of the PCE basket rose more than 3 percent over the past year, against 32 percent in the two decades before the pandemic; the summer's softer readings "do not tell me that underlying trends have meaningfully improved"; the labor market is "consistent with full employment"; and, in the line that matters most for the stance, "I would be hard pressed to describe broad financial conditions as restrictive," with credit and loan markets "showing few signs of policy restraint." He assigned "the responsibility for 65 months of sustained, elevated inflation" to the central bank, and he said that "money matters." Read together, the standard and the assessment leave one conclusion open, and the market drew it: the summer's data cannot clear a bar set at "clearly and at sufficient speed," so the Fed has work to do. Bank of America's reading is ours: Warsh "has raised the bar for standing pat," and "absent a material downside surprise, the onus is now on Warsh to deliver" a September hike.[15] The speech left out a rate path, a dot, and any balance-sheet plan beyond the principle that short-term rates are "the predominant tool." We agree with nearly all of it.

With the Chair's assessment in hand, the intermeeting speeches sort the twelve voters into three groups, and the vote count favors a hike. The three July dissenters have not moved. Cleveland's Hammack said at Jackson Hole that "I believe now is the time to act. . . . I don't see any restriction in policy when I look at financial conditions," and wrote on September 4 that

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[12] Duarte Dias and Frank Andrews, "U.S. Forces Hit IRGC-Linked Oil Tankers as Oil Nears $100 a Barrel," CBS News, September 8, 2026; "Saudi Arabia Shut Down East-West Crude Oil Pipeline after Multiple Attacks by Drones from Iraq," CNBC, September 11, 2026, https://www.cnbc.com/2026/09/11/saudi-arabia-shut-down-east-west-crude-oil-pipeline.html; "Treasury Yields Remain Near Multiyear Highs as August CPI Shows Sticky Inflation," CNBC, September 11, 2026, https://www.cnbc.com/2026/09/11/us-treasurys-bonds-yields.html; AAA, "National Average Gas Prices," accessed September 14, 2026, https://gasprices.aaa.com/; U.S. Energy Information Administration, "Weekly U.S. No. 2 Diesel Retail Prices," Petroleum & Other Liquids Data, accessed September 14, 2026; Federal Reserve Bank of Cleveland, "Inflation Nowcasting."

[13] University of Michigan, Surveys of Consumers, "Preliminary Results for September 2026," September 11, 2026, https://www.sca.isr.umich.edu/.

[14] Kevin Warsh, "In Our Time," keynote remarks at the Federal Reserve Bank of Kansas City Economic Policy Symposium, Jackson Hole, Wyoming, August 28, 2026, https://www.federalreserve.gov/newsevents/speech/warsh20260828a.htm.

[15] "Markets See Warsh Endorsing a Rate Hike in September. Not Everyone Is Convinced," CNBC, August 31, 2026, https://www.cnbc.com/2026/08/31/markets-see-warsh-endorsing-a-rate-hike-in-september-not-everyone-is-convinced.html.

"what I'm hearing is that it's time to act."[16] Minneapolis's Kashkari, whose statement invoked the 1970s and "a potential series of small policy moves" over waiting, said on August 5 that "now is the time to start slowly moving up."[17] Dallas's Logan wrote that inflation "appears to be trending toward the mid-2's, not all the way to 2 percent," that "monetary policy is not restraining the economy," and that "modest action in the near term would reduce the likelihood of needing to take sharper action later."[18] The second group is two governors whose stated conditions have since been met. Cook, in Anchorage on August 5: "Inflation is too high, and I consider the risks to the inflation side of the dual mandate higher than the risks to the employment side at this point. As such, I am prepared to act by raising rates, if necessary," adding that in this environment "we do not have that luxury" of waiting longer.[19] Barr, on September 1: "if inflation appears not to be moderating sufficiently, then I think we should act decisively to raise rates."[20] The third group asked for patience. Williams told CNBC on September 2 that "we have to wait and see" and that there are "no clear signs right now whether monetary policy currently is sufficient," while attributing the rise in yields to "a strong U.S. economy" rather than to any doubt about the Fed.[21] Philadelphia's Paulson supported July, said it "was not a close call," puts underlying inflation "somewhere between 2.4 and 2.8 percent," and wants "progress from here," adding that "the passage of time without progress would itself signal that more restrictive policy is needed."[22] Jefferson, Powell, and Bowman have said nothing on policy since the spring. Bowman's last word, in May, was a warning against hiking on an inflation spike; her Reykjavík framework looked through the energy shock unless the conflict

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[16] Beth M. Hammack, "Statement Regarding July FOMC Meeting Vote," Federal Reserve Bank of Cleveland, July 31, 2026, https://www.clevelandfed.org/collections/speeches/2026/sp-20260731-statement-regarding-july-fomc-meeting-vote; "Fed's Hammack Says 'Now Is the Time to Act' on Raising Interest Rates," CNBC, August 27, 2026, https://www.cnbc.com/2026/08/27/feds-hammack-says-now-is-the-time-to-act-on-raising-interest-rates.html; "Fed's Hammack Says It's Time to Act to Bring Down Inflation," Bloomberg, September 4, 2026, https://www.bloomberg.com/news/articles/2026-09-04/fed-s-hammack-says-it-s-time-to-act-to-bring-down-inflation.

[17] Neel Kashkari, "Statement on My FOMC Dissent," Federal Reserve Bank of Minneapolis, July 31, 2026, https://www.minneapolisfed.org/article/2026/statement-on-my-fomc-dissent; "Fed's Kashkari Says Now Is the Time to Start Slowly Moving Rates Up," CNBC, August 5, 2026, https://www.cnbc.com/2026/08/05/feds-kashkari-says-now-is-the-time-to-start-slowly-moving-rates-up.html.

[18] Lorie K. Logan, "Statement from Dallas Fed President Lorie Logan on FOMC Dissent," Federal Reserve Bank of Dallas, July 31, 2026, https://www.dallasfed.org/news/releases/2026/nr260731dissent.

[19] Lisa D. Cook, "Outlook for the U.S. and Alaskan Economies," speech delivered at the Anchorage Economic Development Corporation, Anchorage, Alaska, August 5, 2026, https://www.federalreserve.gov/newsevents/speech/cook20260805a.htm.

[20] Michael S. Barr, "Unlocking Opportunities for Workers and Entrepreneurs with a Criminal Record," speech delivered at the Second Chance Lending Forum, Washington, D.C., September 1, 2026, https://www.federalreserve.gov/newsevents/speech/barr20260901a.htm.

[21] "New York Fed's Williams Says Yield Surge Due to Strong Economic Prospects," CNBC, September 2, 2026, https://www.cnbc.com/2026/09/02/new-york-feds-williams-says-yield-surge-due-to-strong-economic-prospects.html.

[22] Anna Paulson, "Monetary Policy Perspective: Keeping an Open Mind," Federal Reserve Bank of Philadelphia, August 4, 2026, https://www.philadelphiafed.org/the-economy/monetary-policy/monetary-policy-perspective-keeping-an-open-mind; "Philadelphia Fed President Paulson Content with Current Rates but Keeping an Open Mind," CNBC, August 4, 2026, https://www.cnbc.com/2026/08/04/philadelphia-fed-president-paulson-content-with-current-rates-but-keeping-an-open-mind.html.

persisted and broadened, which it has.[23] Our base-case coalition reaches seven of twelve: the three dissenters, the Chair, Cook, Barr, and Vice Chair Jefferson, who has not dissented since joining the Board in 2022. That count rests on stated positions and past behavior, and it is a forecast rather than a guaranteed lower bound. Beyond seven, the argument JPMorgan's David Kelly made this weekend is the one we find persuasive: "If a majority within the committee coalesces around a decision to hike, the other members may well join them to portray a more united front to the public and the President."[24] The July minutes recorded that "many participants assessed that policy tightening would likely be necessary if inflation did not decline," and inflation did not decline.[25]

Governor Waller is the vote that decides whether the front is united, and he has told us his rule. On September 3, with hike odds near two-thirds, he said that recent data "suggest we are finally seeing some signs of disinflation," that if the August data continued the trend "I would be inclined to support holding," and, in the line the market traded on, "Give disinflation a chance. We can wait one meeting. What's the cost of waiting one meeting? Hiking 25 basis points, one meeting right now, is not going to bring the CPI down to 2%."[26] But the rest of the speech is the reaction function the Chair declined to give: "if inflation comes in hot, I would consider a rate hike. I judge that policy is currently only slightly restricting aggregate demand, and it may not take much acceleration in inflation to nudge me into supporting tighter policy. If there is evidence that progress toward 2 percent inflation reversed in August, a small adjustment in our stance would help ensure that it resumes."[27] August core CPI came in a tenth hot, the largest monthly increase since April, and the nowcast for August core PCE sits at 0.27 percent. That is not a reversal of the three-month core PCE trend he cited, which fell from 4.76 percent in February to 3.05 percent through July, but it is the end of the improvement, and by his own words a small adjustment is the remedy. We expect him to vote for it. Waller also offered a lead on the gap between the two inflation measures the Committee watches, and we treat it as a lead rather than a finding. Core CPI rose 2.4 percent in the year to August and core PCE 3.3 percent in the year to July; those are the latest readings of each, not a matched month. Waller reported that nonmarket services prices, which "are imputed and not actual price changes," accounted for "approximately half of the increase in core prices" in July, and that a pending Commerce Department change to its estimate of "the fees paid to stock market traders and related professionals" could lower twelve-month PCE inflation "by a few tenths of a percentage point."[28] That supports a narrow claim: part of the PCE overshoot is measurement, worth perhaps

[23] Michelle W. Bowman, "A Framework for Practical Monetary Policy Decision Making," speech delivered at the Reykjavík Economic Conference 2026, Central Bank of Iceland, Reykjavík, Iceland, May 29, 2026, https://www.federalreserve.gov/newsevents/speech/bowman20260529a.htm; Cox, "Counting the Votes."
[24] Cox, "Counting the Votes."
[25] Board of Governors of the Federal Reserve System, "Minutes of the Federal Open Market Committee, July 28–29, 2026," August 19, 2026, https://www.federalreserve.gov/monetarypolicy/fomcminutes20260729.htm.
[26] Christopher J. Waller, "The Economic Outlook and Some Comments on My Policy Communication," speech delivered at the Reuters NEXT Newsmaker Interview, Washington, D.C., September 3, 2026, https://www.federalreserve.gov/newsevents/speech/waller20260903a.htm; "Fed Governor Waller Indicates He Will Support Holding Rates Steady at September Meeting," CNBC, September 3, 2026, https://www.cnbc.com/2026/09/03/fed-governor-waller-indicates-he-will-support-holding-rates-steady-at-september-meeting.html.
[27] Waller, "The Economic Outlook and Some Comments on My Policy Communication."
[28] Waller, "The Economic Outlook and Some Comments on My Policy Communication."

a few tenths on the annual rate. It does not show that the imputed categories explain the whole gap, that the Chair's breadth statistic depends on them, or that the Committee's concern rests on them. The July minutes record several participants noting that price increases "were broad based, spanning various categories of goods and services," and they record large price increases in materials for data centers, such as chips and steel, and price pressure on computer equipment, software, and electricity.[29] We have not decomposed either the annual rate or the breadth count by component, and we will do so against the August PCE report on September 30. At the margin, the lead argues for one move and a pause rather than a sequence, which is where we come out.

On the merits, we would go further than the Committee will. Were we seated at the table, we would vote for a half-point increase, to 4.00 to 4.25 percent, and then stop. The arithmetic is part of that case, but arithmetic on a real rate means nothing without a benchmark, and ours is the Committee's own. The central tendency of June's projections for the longer-run federal funds rate ran from 3.0 to 3.5 percent; against the 2 percent objective, that is a real neutral rate of 1.0 to 1.5 percent, and the full range of projections, 2.9 to 3.9 percent, is a reminder of how uncertain that estimate is.[30] The real rate a given range delivers then depends on the inflation rate it is set against. Against trailing core PCE, 3.4 percent on the August nowcast, a quarter point leaves the real rate on the range's midpoint near 0.5 percent and a half point near 0.7, both below the neutral band, which is why the hawks speak of a sequence. Policy acts with a lag, so the benchmark that matters is forward-looking, and as our proxy for it we use roughly 3 percent: the pace the Cleveland Fed nowcasts for core PCE in the third quarter, the 3.05 percent three-month rate Waller cited through July, and the upper end of what Committee members describe as underlying inflation, from Paulson's 2.4 to 2.8 percent to Musalem's 2.5 to 3.[31] On that benchmark the current range delivers a real rate of about 0.6 percent; a quarter point takes it to about 0.9 percent, still below the bottom of the band; and a half point takes it to about 1.1 percent, inside it. That is the premise behind our preference. Under our 3 percent proxy, a half point is the smallest move in quarter-point steps that brings the real rate into the Committee's neutral band, at its lower end, without relying on inflation to fall first.[32] It does not end accommodation against the higher estimates in that band, and it is not a claim that 4.00 to 4.25 percent is restrictive. The choice under uncertainty turns on the balance of risks. If inflation falls faster than we expect, a pause at 4.00 to 4.25 percent costs little; if it does not, a quarter point leaves the stance accommodative for another quarter with 65 months of misses behind it. We would rather reach the band in one step and then watch than approach it in increments whose sequence has to be signaled, which is forward guidance by another name. The case against is real: no participant's June projection sat above 4.375 percent for year-end, and a half point into a supply shock would split a Committee whose patience wing has asked for one more meeting.

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[29] Board of Governors, "Minutes of the Federal Open Market Committee, July 28–29, 2026."

[30] Board of Governors of the Federal Reserve System, "Summary of Economic Projections," June 17, 2026, https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20260617.pdf.

[31] Federal Reserve Bank of Cleveland, "Inflation Nowcasting"; Waller, "The Economic Outlook and Some Comments on My Policy Communication"; Paulson, "Monetary Policy Perspective: Keeping an Open Mind"; Alberto Musalem, interview with CNBC, August 20, 2026, Federal Reserve Bank of St. Louis, https://www.stlouisfed.org/from-the-president/remarks/2026/cnbc-interview-aug-20-2026.

[32] Corrected September 16, 2026. As published before the meeting, this sentence said that a half point is the smallest move that ends accommodation on every estimate in the Committee's central tendency. A real rate of about 1.1 percent is inside the band of 1.0 to 1.5 percent but below most of it, so that wording overstated what the arithmetic shows.

The market prices a half point at between one and three percent.[33] So we predict a quarter point, with our preference on the record. Why expect the Committee to stop at a move we regard as insufficient? Because the Committee is betting on the disinflation that our half point would insure against, and we think the bet is more likely than not to pay. If core PCE runs near the 2.8 percent annualized pace we carry below, the real rate on a 3.875 percent midpoint rises to about 1.1 percent without further action, the bottom of the band, and the Committee arrives by the end of the year roughly where we would put it this week. Our disagreement with the Committee is over the cost of arriving late, not over the destination.

The path is where this document takes its risk. The market prices a second increase by December at roughly three chances in four and about four in total through the end of 2027; JPMorgan, HSBC, Deutsche Bank, UBS, and Barclays have December; Bank of America and TD have three.[34] We see one. The case is the one our Inflation Register made on Friday. Several participants assessed in July that the pass-through of past tariff increases was "now largely complete" and that the effects of recently announced tariffs "would likely be modest," and we read the core goods index, up 0.7 percent in the year to August, as supporting that assessment. Shelter rose 3.0 percent in the year to August and is drifting toward the high 2s; the cyclical services that respond to slack are running at their trailing averages, and motor vehicle insurance and medical care services subtracted from the August index; core CPI rose at a 2.0 percent annualized pace from June through August; wages rose 3.1 percent in the year to August and are decelerating; and in July the hires rate was the weakest since February and the quits rate at a post-pandemic low.[35] What remains, on our reading, is energy, administered prices, and the AI buildout's pressure on a concentrated set of goods and on electricity, and nobody, the Committee included, knows how long the Gulf will stay shut. A Committee that hikes into that picture, under a Chair who says trends matter and isolated prints do not, will want to see the shock pass before moving again. The October 27–28 meeting will have one further CPI, for September, and the August PCE report in hand; we expect a hold there.[36]

December is the live meeting, and a forecast that the Committee will pause if the data allow it is not much of a forecast, so we set out the arithmetic. Core PCE divides roughly into housing services, about a sixth of the index; core goods, about a quarter; and services excluding housing, about three-fifths. We carry housing at 0.22 percent a month, between the 0.2 percent that rent and owners' equivalent rent printed in the August CPI and the pace Zillow's forecast describes; core goods near 0.07 percent, the trailing twelve-month average of the CPI's core goods index; and services excluding housing at 0.30 percent. That sums to about 0.23 percent a month, or 2.8 percent annualized, against the Cleveland Fed's nowcasts of 0.27 and 0.28 percent

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[33] Board of Governors, "Summary of Economic Projections," June 17, 2026; Polymarket, "Fed Decision in September?"

[34] Cox, "Counting the Votes"; Ghosh, "Fed Rate Hike on Wednesday Now Likely"; Rashika Singh, "Goldman Sachs, JP Morgan Expect September Fed Hike as Inflation Lingers," Reuters, September 14, 2026.

[35] Board of Governors, "Minutes of the Federal Open Market Committee, July 28–29, 2026"; *Register-Guard Capital*, Inflation Register 9/11/26; Bureau of Labor Statistics, "Consumer Price Index—August 2026"; Bureau of Labor Statistics, "Job Openings and Labor Turnover—July 2026," news release, U.S. Department of Labor, September 1, 2026, https://www.bls.gov/news.release/jolts.nr0.htm.

[36] Board of Governors, "Meeting Calendars and Information"; Bureau of Economic Analysis, "Personal Consumption Expenditures Price Index," release schedule, accessed September 14, 2026, https://www.bea.gov/data/personal-consumption-expenditures-price-index.

for August and September.[37] The whole step down sits in services excluding housing, from roughly 0.37 percent implied by the nowcasts to 0.30, and it is worth about four-hundredths on the core index. It rests on two assumptions, which we state as assumptions: that the imputed nonmarket prices Waller flagged, about a tenth of a point of July's core increase, return toward a more typical contribution of a few hundredths, and that the insurance and medical categories that subtracted from the August CPI do not rebound. On that carry, with August at its nowcast, the three-month core PCE rate through October comes to about 3.0 percent, just below the 3.05 percent Waller cited through July. That is our December test, and we take it from him: progress not reversed after one increase. The calculation breaks easily, and we say by how much. If services excluding housing hold the pace the nowcasts imply, core PCE runs near 0.27 percent a month and the three-month rate near 3.3 percent; each five-hundredths on those services moves the core index by three; and oil above 100 dollars passing into airfares and transportation services is the likeliest source of that miss. There is a feedback in the forecast as well. The July minutes attributed part of the intermeeting tightening in financial conditions to "market expectations that the Committee would adopt a more restrictive policy stance before long," and some of that restraint would unwind if a one-and-done view became consensus.[38] The longer end is less exposed: Williams attributes the rise in yields to growth, and strategists cited by CNBC point to heavy debt issuance and a rising term premium, neither of which depends on a second increase. The 10-year yield touched 5.01 percent on Monday, its highest since October 2023.[39] We expect much of the curve's work to survive a one-and-done message, but not all of it, and a sharp rally at the front end after Wednesday would count against a December hold. The Chair told Jackson Hole that wage growth "has not proven a reliable indicator of future inflation for a very long time," and we do not use it to forecast prices.[40] We cite decelerating pay only as evidence against the channel the July minutes describe, that continued elevated inflation "could begin to affect inflation expectations and wage- and price-setting decisions," which is why the December test is written on prices and not on pay. If we are wrong on the path, we will be wrong in December, and the thing that makes us wrong is the thing that made us wrong in July: broadening. No probability we assign to a cut on this horizon rounds above zero.

The hold is the scenario we would not be astonished by. The Chair's stated philosophy frowns on reacting to a single print, Waller and Williams asked for one more meeting, and the firm with the most influence on the Street says there is no economic case. The cost of a hold is what makes us doubt it. A Committee that has told the market for a month that it has work to do and then declines to do it risks a sell-off at the long end, with 5.02 percent on the 10-year, a level last seen in July 2007, the obvious line to watch, and a return of the steepening we described in July. That is a risk scenario, not a modeled response.[41] The Chair said in July that "where

[37] *Register-Guard Capital*, Inflation Register 9/11/26; *Register-Guard Capital*, Inflation Guard 9/11/26 (September 11, 2026); Federal Reserve Bank of Cleveland, "Inflation Nowcasting." Weights are approximate shares of the core PCE price index; the carry is *Register-Guard Capital*'s.
[38] Board of Governors, "Minutes of the Federal Open Market Committee, July 28–29, 2026."
[39] CNBC, "New York Fed's Williams Says Yield Surge"; "10-Year Treasury Yield Hits 5% before Reversing as Traders Await Fed Meeting," CNBC, September 14, 2026, https://www.cnbc.com/2026/09/14/10-year-us-treasury-is-closing-in-on-5percent.html.
[40] Warsh, "In Our Time."
[41] "Kevin Warsh Faces Fed Credibility Test after Hot CPI Inflation Report," CNBC, September 11, 2026, https://www.cnbc.com/2026/09/11/kevin-warsh-fed-cpi-inflation-rate-hike-analysis.html; CNBC, "10-Year Treasury Yield Hits 5%."

necessary and appropriate, we will not hesitate to act," and he set a standard at Jackson Hole that the August data did not meet.[42] We expect him to keep his word, and we expect the Committee to follow him in numbers that make the vote look, in retrospect, like less of a close call than the summer suggested.

For scoring against the release, we freeze our probabilities and markers below. The decision, the vote, the projections, and the path are scored as separate calls; the administered rates are a customary related action and are scored as one line rather than four; and the August retail sales report, which prints the morning of the decision, does not change them.[43]

Decision:
Increase of 25 basis points to 3.75 to 4.00 percent: 80 percent.
Hold at 3.50 to 3.75 percent: 17 percent.
Increase of 50 basis points or more: 3 percent.
Related action, one line: the administered rates move with the range, to 3.90 percent on reserve balances, 4.00 percent on standing repurchase agreements, 3.75 percent on overnight reverse repurchase agreements, and 4.00 percent on primary credit.

Vote:
No more than one dissent: 75 percent. Scored by count: zero or one dissent is a hit, two is a miss by one, and three or more is a miss by two or more.
Identity, scored separately: if there is a dissent, it is Bowman's, in favor of holding. Each other dissenter counts as a miss on identity.

Projections:
Median federal funds rate for 2026 at 3.9 percent: 55 percent; at 4.1 percent: 40 percent.
The 2027 median above June's 3.6 percent; 2026 PCE and core PCE medians above June's 3.6 and 3.3 percent; the 2026 unemployment median below June's 4.3 percent; a first column for 2029; no dot submitted by the Chair.

Path:
No change at the October 27–28 meeting: 90 percent.
Range at year-end 2026 of 3.75 to 4.00 percent: 55 percent; higher: 35 percent; unchanged at 3.50 to 3.75 percent: 10 percent.
December test, on which the hold call rests: three-month core PCE inflation through October at or below 3.05 percent.

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[42] Board of Governors of the Federal Reserve System, "Transcript of Chairman Warsh's Press Conference Opening Statement," July 29, 2026, https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20260729.pdf.
[43] Board of Governors of the Federal Reserve System, "Decisions Regarding Monetary Policy Implementation," July 29, 2026, https://www.federalreserve.gov/newsevents/pressreleases/monetary20260729a1.htm; Board of Governors of the Federal Reserve System, "Federal Reserve Issues FOMC Statement," news release, July 29, 2026, https://www.federalreserve.gov/monetarypolicy/files/monetary20260729a1.pdf; Board of Governors, "Summary of Economic Projections," June 17, 2026; Warsh, "In Our Time," note 7, citing Eric Engstrom, "Anchored to the Dot Plot: Central Bank Projections and Interest Rate Expectations," Finance and Economics Discussion Series 2026-026 (Washington: Board of Governors of the Federal Reserve System, May 2026); U.S. Census Bureau, "Advance Monthly Sales for Retail and Food Services," release schedule, accessed September 14, 2026, https://www.census.gov/retail/.

Statement and press conference: the short form retained; no forward guidance restored; the commitment that the Committee "will deliver price stability" recast around the action; the energy language sharpened; job gains that "have kept pace with the workforce" retained; a press conference held, with the Chair declining to call the move either the first of a series or a single adjustment.

DECISION AND STATEMENT

The Committee raised the target range for the federal funds rate by a quarter point, to 3.75 to 4.00 percent, exactly as we predicted, and did so on a 12–0 vote, its first increase since July 2023.[44] In the customary related action, the Board raised the interest rate on reserve balances to 3.90 percent effective September 17, the standing repurchase rate to 4.00 percent, the overnight reverse-repurchase offering rate to 3.75 percent with the $160 billion per-counterparty limit unchanged, and the primary credit rate to 4.00 percent; the directive's provisions for Treasury-bill purchases to maintain ample reserves and for reinvestment are unchanged.[45] We score the meeting against the probabilities and markers we froze before it, and the scorecard splits cleanly. The decision, the vote, and the statement's structure were right. The central number in the projections was wrong, and wrong in the direction that matters most for our path.

Decision:
An increase of 25 basis points, to which we assigned 80 percent. Hit.
Related action: the administered rates moved with the range as we set out. Hit.

Vote:
No dissents, inside our call of no more than one, to which we assigned 75 percent. Hit on count; there is no dissenter to score on identity.

Projections:
Median federal funds rate for 2026 at 4.1 percent, against our 3.9 percent at 55 percent and 4.1 percent at 40 percent, with the remaining 5 percent an unlabeled residual for any other median. Miss.
The other five projection markers hit: the 2027 median at 4.1 percent, above June's 3.6; 2026 PCE and core PCE at 3.7 and 3.4 percent, above June's 3.6 and 3.3; 2026 unemployment at 4.1 percent, below June's 4.3; a first column for 2029; and no projection from the Chair.

Statement and press conference:
Five of six. The short form, the absence of forward guidance, the price-stability commitment tied to the action, the workforce language, and a press conference in which

[44] Board of Governors of the Federal Reserve System, "Federal Reserve Issues FOMC Statement," news release, September 16, 2026, https://www.federalreserve.gov/monetarypolicy/files/monetary20260916a1.pdf.
[45] Board of Governors of the Federal Reserve System, "Decisions Regarding Monetary Policy Implementation," implementation note, September 16, 2026, https://www.federalreserve.gov/newsevents/pressreleases/monetary20260916a1.htm.

the Chair declined to characterize the move all held. The energy language was removed rather than sharpened. Miss on that marker.

Path: no change at the October 27–28 meeting and a year-end range of 3.75 to 4.00 percent. Open until October 28 and December 9. The 10 percent we placed on a year-end range unchanged at 3.50 to 3.75 percent was ruled out by the increase itself.

We score the vote as the call we most wanted to get right. In June we expected a dissent and got unanimity; in July we expected one hawkish dissent and got three. This time we wrote that the Committee would follow the Chair "in numbers that make the vote look, in retrospect, like less of a close call than the summer suggested," and it did, 12–0, with Waller, Williams, Paulson, and Bowman voting for the increase alongside the three July dissenters. The Chair called it "a firm, unanimous decision" and attributed it to three developments in the seven weeks since July: a wide-ranging set of data showing that "the economy has strengthened," inflation trends that "weren't passing the test," and geopolitics.[46] The patience wing's reservations did not become dissents, and the projections suggest they did not survive as reservations either.

The projections are where we missed, and the miss is not a rounding matter. We expected the median participant to pencil in this increase and no other; two of eighteen did. In the dot plot, twelve placed the funds rate at 4.125 percent at year-end, one further quarter point, and four at 4.375 percent, two further increases, for a central tendency of 4.1 to 4.4 percent.[47] Sixteen of eighteen participants therefore see at least one more increase this year; in June, nine of eighteen saw at least one increase at all. For 2027 the median holds at 4.1 percent, with eight participants at 4.375 percent, six at 4.125, three at 3.625, and one at 3.125, and it declines only to 3.9 percent in 2028 and 3.6 percent in 2029. The longer-run median rose a tenth, to 3.2 percent, with a central tendency of 3.0 to 3.6 percent. Headline PCE inflation for 2026 moved up to 3.7 percent and core to 3.4, with core projected at 2.5 percent in 2027, 2.2 percent in 2028, and 2.0 percent only in 2029; unemployment was marked down to 4.1 percent in every year through 2029, and growth for 2026 up a tenth to 2.3 percent. As in June, eighteen participants submitted projections and the Chair did not.

On the statement, the short form survives and three changes deserve attention. First, the attribution of elevated inflation "in part" to "supply shocks that have driven price increases in certain sectors, including energy" is gone. The inflation paragraph now reads, in full, "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." We had expected the energy language to be sharpened for the Strait and the Saudi pipeline; the Committee removed the supply-shock explanation altogether, and with it the textual basis for looking through the shock. That is a miss on the marker and, in our reading, the most hawkish change of wording in the release: the statement no longer offers a reason for inflation, only a remedy. Second, "the conflict in the Middle East" became "geopolitical developments," and the uncertainty it creates is now set

[46] "Transcript: Fed Chairman Kevin Warsh's Postmeeting Press Conference," WSJ Pro, *Wall Street Journal*, September 16, 2026, https://www.wsj.com/pro/central-banking/fed-chairman-kevin-warshs-postmeeting-press-conference-72c32afe.
[47] Board of Governors of the Federal Reserve System, "Summary of Economic Projections," September 16, 2026, https://www.federalreserve.gov/monetarypolicy/fomcprojtabl20260916.htm.

against a new clause, that “domestic spending has been resilient.” Third, capital investment moved from “strong” to “robust.”[48] The labor sentence, job gains that “have kept pace with the workforce,” is unchanged, as we expected. The new sentence on the action, “a timelier return,” is the closest the statement comes to explaining itself, and it describes what this increase does, not what the next meeting will do.

PRESS CONFERENCE ANALYSIS

The Chair opened by applying the standard he set at Jackson Hole, and he applied it in words that leave little to interpret. He restated it, “We must be confident that underlying inflation is moving to our objective clearly and at sufficient speed,” and then ruled on it: “Today, the FOMC decided that this standard has not been satisfied.” He put numbers to the judgment: based on the August CPI and PPI, twelve-month PCE inflation “likely was around 3.6 percent in August” and core PCE about 3.2 percent, and “too many categories are still posting increases above 3 percent on both a six- and 12-month basis.” He named what the Committee is trying to prevent: “that relative price changes in some sectors of the economy do not broaden, that inflation compensation in market prices stays low, and that inflation expectations remain well anchored.” Asked whether a quarter point can reopen the Strait of Hormuz, he gave the cleanest statement of the Committee’s reasoning we have heard from him: “We cannot affect any individual price, whether it be oil prices, whether it be foodstuffs at the grocery store. But what we can do and will do is ensure that any change in relative prices don’t broaden out, don’t have second and third order effects on the economy.”[49] That is the broadening test on which we wrote in July our call would turn, now stated as the Committee’s purpose. One number in the opening statement bears directly on our December test. The Chair’s estimate of core PCE at about 3.2 percent in the year to August sits below July’s 3.3 percent and two-tenths below the 3.4 percent Cleveland Fed nowcast we used before the meeting; if the August report on September 30 confirms it, the three-month core PCE rate starts the autumn lower than our carry assumed.[50]

On the stance, the Chair described the move as modest and said so twice. “We removed a dose of accommodation so that financial and credit conditions would be more consistent with our ultimate objectives,” he said, and his colleagues, like him, were “hard-pressed” to describe financial conditions as restrictive; the Committee will “continue to evaluate that prospectively.” Asked where the funds rate sits relative to neutral, he answered, “In a word, no,” and explained that the neutral rate is “useful academically” and “a discussion to help us think about policy” but has no “operational effect on decisions that we make today.”[51] Our pre-meeting outlook grounded its preference for a half point in exactly that benchmark, and we think the Chair is wrong on this. That the neutral rate is estimated imprecisely is a reason to hold any estimate of it loosely, not to set the concept aside. The stars of monetary policy, the natural rates of interest and of unemployment, are hard to measure and indispensable to reason with, because the object

[48] Board of Governors, “Federal Reserve Issues FOMC Statement,” September 16, 2026; Board of Governors of the Federal Reserve System, “Federal Reserve Issues FOMC Statement,” news release, July 29, 2026, https://www.federalreserve.gov/monetarypolicy/files/monetary20260729a1.pdf.
[49] WSJ Pro, “Transcript: Fed Chairman Kevin Warsh’s Postmeeting Press Conference.”
[50] Federal Reserve Bank of Cleveland, “Inflation Nowcasting,” Center for Inflation Research, accessed September 14, 2026, https://www.clevelandfed.org/indicators-and-data/inflation-nowcasting.
[51] WSJ Pro, “Transcript: Fed Chairman Kevin Warsh’s Postmeeting Press Conference.”

of policy is to hold the funds rate above neutral while inflation runs above target and to bring it back toward neutral once inflation is there. In our view there is a tension in his own account. "Accommodation" and "restrictive" are measured against a neutral rate, and he used both in the same half hour, while the Committee he leads publishes its estimate of the longer-run funds rate every quarter and raised it today to 3.2 percent.[52] What he offers in its place is steering by outcomes: confidence that inflation is moving to target "clearly and at sufficient speed," and "credit and financial conditions" that are "consistent over time with our mandate." That can tell a committee whether to move. It cannot tell it where to stop, and where to stop is now the question every market participant is asking. The Committee's median answers the question the Chair declined: 4.125 percent at year-end, the midpoint our half point would have set this week. On the destination, the Committee and we now agree. It intends to arrive by a second action; we forecast that disinflation would carry a single quarter point most of the way there. That difference is the whole of our path call, and we take it up below.

On guidance, the Chair was as firm as in June and July. "This won't surprise you. I'm not in the forward guidance business," he said in answer to the New York Times, and "I'm not going to prejudge any future decisions we make." But he pointed the room to the document that does the prejudging: "You heard from other people in the dots effectively what their forecasts are." Pressed by Bloomberg on how a "timelier return" squares with a median that reaches 2 percent only in 2029, he replied, "those aren't my forecasts," but "the forecasts of my 18 colleagues," and added that "today's action starts to show we're serious about this."[53] We score the marker as met: the Chair declined to call the move either the first of a series or a single adjustment. We note, though, what the arrangement now produces. The projections are participants' individual assessments, not a commitment by the Committee, but with the Chair abstaining they are the only forward-looking signal it publishes. In our view his silence gives them more weight as a market signal than they would otherwise carry, and his own Jackson Hole address cited Board research finding that market expectations anchor to the dot plot and adjust too slowly away from it.[54] We expect markets to read sixteen of eighteen participants anticipating another increase as the guidance the Chair declines to give. The one phrase of the Chair's own that leans is "starts."

The exchange on data dependence clarified how the decision was made. "As you might know, I'm not a data point dependent guy," he said, and later, "Trends matter; data points are noisy. Data point dependence is a dangerous preoccupation." He said he had not been "waiting breathlessly" on the August CPI or on the morning's retail sales, and that his judgment "some weeks ago was the inflation summer trends weren't passing the test. I've seen very little information since that would make me reverse that decision."[55] On his own account, the Chair's vote was settled before the August CPI, which moved futures-implied odds of an increase from about 72 percent to about 86 percent in a day.[56] Our outlook gave the August core CPI a central role through Waller's stated condition, and both readings can be true: the Chair decided on trends, and the patience wing may have needed the print to join him. The distinction the Chair draws, a dependence on medium-term trends rather than on monthly prints, is a legitimate one,

[52] Board of Governors, "Summary of Economic Projections," September 16, 2026.
[53] WSJ Pro, "Transcript: Fed Chairman Kevin Warsh's Postmeeting Press Conference."
[54] Warsh, "In Our Time," note 7.
[55] WSJ Pro, "Transcript: Fed Chairman Kevin Warsh's Postmeeting Press Conference."
[56] CNBC, "Treasury Yields Remain Near Multiyear Highs."

and our own December test is written in the same spirit. But he has not named the trend, the measure, or the horizon, and without them the principle cannot be checked. When he explained today's decision he reached for particular data after all: the August PCE estimates, rising job openings and weekly hours, unemployment claims, and "a pretty wide-ranging set of data, including the labor markets, that the economy has strengthened." Bloomberg's Michael McKee put the difficulty to him directly, describing the Jackson Hole standard as one "without necessarily a measurable threshold."[57] If the Chair's position is dependence on the data over the medium term, it would be clearer stated that way, with the measures named, than as a disavowal of data-point dependence that his own explanations sit uneasily beside. Either way the lesson for December is the one we drew before the meeting, and we are glad to have written our test on a three-month trend in core PCE rather than on a single release.

Two further answers bear on our analysis. Asked what the bond market is saying, the Chair gave three reasons for the rise in long-term yields: economic strength; "competition for capital," with the hyperscalers "out in the market raising funding"; and geopolitics, working through the spread between spot commodity prices and what reaches store shelves.[58] None of the three depends on the path of the policy rate, which is consistent with our expectation that much of the restraint at the long end would survive a pause, though not all of it. And asked whether the Committee now needs to push growth below potential, he said the unemployment rate is "basically running consistent with full employment" and "I don't believe that we need to do harm to the labor markets to achieve our objective," closing on a line he has used before: "inflation is a choice. And today we took a step in delivering it." He added that the task force on artificial intelligence should report by the end of the year.

In our view two other passages reveal more than the Chair may have intended. The first concerns the mandate. In his opening statement he said that "the labor side of the Fed's congressional remit is in good shape" and "so our predominant focus is on the price stability side of our mandate." To ABC he said that "because we are, as I mentioned, largely acting consistent with full employment, we can be focused on stable prices." To NBC he laid the logic out as a sequence: "Ask ourselves, is the country running more or less at full employment? And we've done that. . . . If so, we can then look at the other side of our mandate and let that be our focus."[59] The Chair explained why inflation is the focus today. He did not say how he would weigh the two goals if both deteriorated, and in our view that is the question that matters. His phrasing, employment first and prices second, concerns us. It sits uneasily with his own Jackson Hole principle that achieving both sides of the mandate "is not an either/or proposition," and with the balanced approach of the Committee's framework that Logan cited in her July dissent.[60] The statute names the goals without weighting them; in our view maximum employment and stable prices deserve equal weight in the Committee's reasoning. Today the ordering changes nothing. With unemployment at 4.1 percent against a longer-run median of 4.2, there is no employment gap to weigh, and a balanced approach would also put nearly all the weight on inflation. It would be tested when both sides go wrong at once, in the stagflationary case our Special Note I set out,

[57] WSJ Pro, "Transcript: Fed Chairman Kevin Warsh's Postmeeting Press Conference."
[58] WSJ Pro, "Transcript: Fed Chairman Kevin Warsh's Postmeeting Press Conference."
[59] WSJ Pro, "Transcript: Fed Chairman Kevin Warsh's Postmeeting Press Conference."
[60] Warsh, "In Our Time"; Logan, "Statement from Dallas Fed President Lorie Logan on FOMC Dissent."

with unemployment rising while inflation stays well above target.[61] That is when markets will most need to know which goal the Chair would defend first, and it is the answer he has not given.

The second passage is the narrative. Answering McKee, the Chair recited it whole: in June, a commitment "that we will deliver price stability"; in July, "we want to buy a little bit of time"; at Jackson Hole, "committed to a discipline, not to a decision"; and today, an action that "starts to show we're serious about this."[62] It is a coherent account, and it has carried three meetings; Evercore ISI's Krishna Guha called the performance "coherent, confident and consistently hawkish without coming across as crazily so."[63] In our view its strength is that it runs backward: each decision is recast as a step in a plan whose next step is never stated, so a hold in October would read as discipline and a second increase as seriousness. That is also its weakness, because an account that fits every next step predicts none of them. We think we have already seen one preview of how the Chair adjusts when events leave a narrative behind. Nick Timiraos of the Wall Street Journal asked about his warning last fall that the Fed was about to make its "sixth or seventh big mistake" by judging the economy too strong for lower rates, and the Chair answered, "So I don't remember the full context, but I can tell you, Nick, about the state of growth now."[64] The tests will come when the two goals conflict, or when a 10-year yield near 5 percent meets the hedge-fund leverage and debt-financed AI investment that the staff flagged in July.[65] In either case markets will want the reaction function the Chair has said he will not give, and we expect the dot plot to keep supplying it for him.

MINUTES REVIEW

To be appended when Meeting Minutes are published.

MACRO AND MARKET IMPLICATIONS

The market's verdict was hawkish, and it arrived with the press conference rather than the decision. In the minutes after 2:00 p.m., when the statement and the projections were released together, the increase landed as priced: the 10-year yield dipped as low as 4.94 percent and the Nasdaq rose as much as 0.9 percent.[66] The reversal came during the press conference, half an hour after the projections were public, as the Chair declined to rule anything out. By the close the 2-year yield had risen 7 basis points to 4.74 percent, its highest in more than two years, while the 10-year edged up a basis point to 5.01 percent and the 30-year slipped a basis point to 5.35

[61] *Register-Guard Capital*, Special Note I (March 10, 2026); Board of Governors, "Summary of Economic Projections," September 16, 2026.
[62] WSJ Pro, "Transcript: Fed Chairman Kevin Warsh's Postmeeting Press Conference."
[63] Jeff Cox, "Here Are Five Key Takeaways from Wednesday's Fed Rate Hike," CNBC, September 16, 2026, https://www.cnbc.com/2026/09/16/here-are-five-key-takeaways-from-wednesdays-fed-rate-hike.html.
[64] WSJ Pro, "Transcript: Fed Chairman Kevin Warsh's Postmeeting Press Conference."
[65] Board of Governors, "Minutes of the Federal Open Market Committee, July 28–29, 2026."
[66] Jeanne Sahadi, John Towfighi, and Alicia Wallace, "Fed Raises Interest Rates for the First Time since 2023," CNN Business, live updates, September 16, 2026, https://www.cnn.com/2026/09/16/business/live-news/federal-reserve-interest-rate-september.

percent; the spread between the 2-year and 10-year yields narrowed from 33 to 27 basis points.[67] The dollar index rose more than 0.65 percent, on course for its best day since June. The Dow fell 631 points, or 1.21 percent, to 51,461.90, with Goldman Sachs leading it lower; the S&P 500 fell 0.45 percent to 7,551.81; and the Nasdaq finished flat, all three having traded higher before the Chair spoke.[68] The shape matters more than the size. In July the long end sold off on a hold, and we wrote that the bond market had begun charging interest on the talk. Today the repricing sat at the front end, where expectations for policy live, and the long end held steady on the day the Committee tightened. We read a flatter curve on the day of an increase as a vote of confidence in the Committee on inflation, and a stronger one than the market gave it in July.

The market also moved against our path. As reported late in the day, the CME FedWatch Tool put the probability of a further quarter-point increase on October 28 at 51 percent, and for December 9 it assigned 49.5 percent to one further increase, 38.2 percent to two, and 12.3 percent to no further change.[69] That is roughly 88 percent on at least one more increase this year, against the 35 percent we assigned to a year-end range above 3.75 to 4.00 percent. The Street agrees with the market. Goldman Sachs Asset Management's Kay Haigh said the Committee "does not at this stage envisage an aggressive tightening cycle," that it "will likely skip October's meeting," and that "one more hike this year in December is our base case, although this remains contingent on upcoming CPI reports and the path of energy prices"; Principal Asset Management's Seema Shah called "a one-and-done move highly unlikely."[70] History is on their side: the last clear example of a single increase followed by a long hold came in March 1997.[71] The morning's data added to the case. Retail sales rose 1.2 percent in August against the 0.8 percent the Reuters survey expected, the largest monthly gain since March, with July revised to a 0.5 percent decline, and Capital Economics' Bradley Saunders said the report "reaffirms that the economy is more than capable of handling higher interest rates."[72]

Where does this leave our call that September is the only increase of 2026? Against the market, against the Street, and now against sixteen of eighteen participants, and we hold it by the narrowest margin of any call we have kept this year. Our reasons are the ones we set out before the meeting, not new ones found to defend it. First, the test we wrote for December is a trend in

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[67] U.S. Department of the Treasury, "Daily Treasury Par Yield Curve Rates," accessed September 16, 2026, https://home.treasury.gov/resource-center/data-chart-center/interest-rates/TextView?type=daily_treasury_yield_curve&field_tdr_date_value=2026; Fred Imbert, Sean Conlon, and Chloe Taylor, "10-Year Treasury Yield Climbs Back to 5% after Fed Hikes Rates, Warsh Highlights Inflation Risks," CNBC, September 16, 2026, https://www.cnbc.com/2026/09/16/treasury-yield-bond-market-fed-decision.html.
[68] Sahadi, Towfighi, and Wallace, "Fed Raises Interest Rates"; Tanaya Macheel, "Stock Market Today: Live Updates," CNBC, September 16, 2026, https://www.cnbc.com/2026/09/16/stock-market-today-live-updates.html.
[69] Eric Revell, "September FOMC: Federal Reserve Hikes Interest Rates for First Time since 2023," Fox Business, September 16, 2026, https://www.foxbusiness.com/economy/federal-reserve-interest-rate-decision-september-16-2026; CME Group, "CME FedWatch Tool."
[70] Revell, "September FOMC"; Imbert, Conlon, and Taylor, "10-Year Treasury Yield Climbs Back to 5%."
[71] Jeff Cox and Darla Mercado, "Fed Meeting Today: Live Updates," CNBC, September 16, 2026, https://www.cnbc.com/2026/09/16/fed-meeting-today-live-updates.html.
[72] U.S. Census Bureau, "Advance Monthly Sales for Retail and Food Services, August 2026," release CB26-153, September 16, 2026, https://www.census.gov/retail/marts/www/marts_current.pdf; Cris Tolomia, "U.S. Retail Sales Beat Expectations with 1.2% Gain in August," Quartz, September 16, 2026, https://qz.com/us-retail-sales-august-2026-091626.

prices, three-month core PCE inflation through October at or below 3.05 percent, and the Chair's own estimate of core PCE at about 3.2 percent in the year to August, below July's 3.3 percent, suggests the August report may start that test softer than our carry assumed. The margin is thin: with August at 0.27 percent, September and October together can average no more than about 0.24 percent a month before the test fails. Second, the Chair told us today that he decides on trends and not on prints, and the dot plot is a forecast drawn before the autumn data exist; his own Jackson Hole address cited Board research finding that expectations stay anchored to projections like these for too long. Third, we expect most of the firmness at the long end to survive if a second increase is priced out, because none of the three reasons the Chair gave for higher yields depends on one, though some of it would unwind. Against those reasons stand the projections, the market, a strong retail report, and a statement that dropped its supply-shock explanation for elevated inflation. The most exposed link in our call is not the arithmetic but the Committee's reading of it. The Chair cited breadth on six- and twelve-month bases, and twelve-month core PCE inflation is likely to remain above 3 percent in October even if the three-month test passes. We think the Committee will read a slowing three-month trend as reason enough to wait; if it reads the twelve-month rate instead, the second increase comes. We do not move the frozen probabilities, which will be scored as written. We do say plainly that the evidence today moved against our path call, that October is now our sharpest disagreement with the market, and that the August PCE report on September 30 is the first test of whether we are right to hold it.

On October specifically, we see a hold as more likely than the market does. The October 27–28 meeting will have one further CPI and the August PCE report in hand, a Chair who says "data points are noisy," and a statement that describes today's increase as support for "a timelier return" rather than as the first of several; Goldman Sachs Asset Management expects the Committee to skip it as well. December, with three more months of core PCE in view, is where a second increase would come if it comes. For the economy the consequences are the familiar ones for a tightening the long end had already anticipated. With the 10-year yield at its highest since 2007 before the decision, today's increase adds little to mortgage costs that the bond market had not already charged; the front end, where auto loans, credit cards, and floating-rate business debt reprice, takes the full quarter point and, on today's pricing, more. Bank shares bore the equity losses: the SPDR S&P Bank exchange-traded fund fell 2.6 percent, on track for its worst day since February 27, with Goldman Sachs, Wells Fargo, Bank of America, and Citigroup each down more than 3 percent.[73] We will take each release up in the corresponding Guards and Registers, the August PCE price index on September 30, the September Employment Situation on October 2, and the September CPI on October 14, and we will revisit the path, with the minutes of this meeting appended above, in the Federal Reserve Register Guard for the October 27–28 meeting.

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