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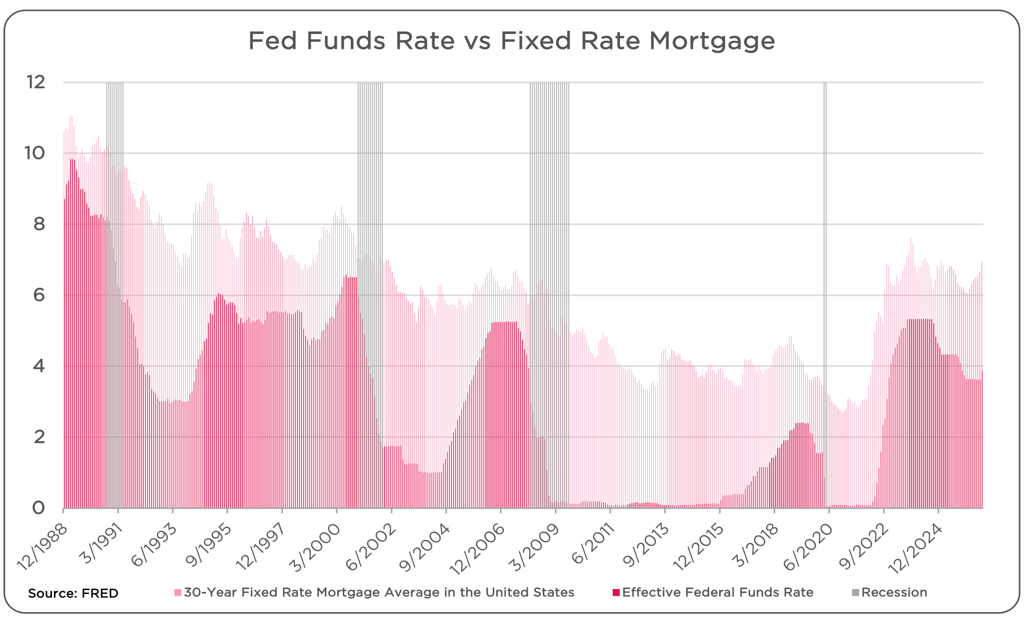
Market update

September 17, 2026

The Federal Reserve raised the federal funds rate 25 basis points yesterday to 3.75%–4.00%, its first rate increase since 2023. The unanimous decision reflects a shift in priorities: with economic activity and consumer spending remaining resilient, the Fed is placing greater emphasis on containing inflation, which remains above its 2% objective.

Importantly, the Fed's updated projections suggest this may not be a one-and-done hike. Sixteen of 18 policymakers anticipate at least one additional increase this year, while the median year-end rate projection rose to 4.1%.

For households, the consequences are more immediate. Higher interest rates generally mean continued pressure on borrowing costs. Elevated borrowing costs can make financing homes, vehicles and other major purchases more expensive and may constrain discretionary spending, even as overall economic activity remains solid. For investors, however, higher interest rates can continue to provide comparatively attractive yields in short-term fixed income.



At his post-meeting press conference, Fed Chair Kevin Warsh stressed that inflation remains too high and underlying price pressures have not improved sufficiently over the summer. The session was notably brief as reporters were allowed only one question with no follow-ups, limiting the opportunity to press the Chair on the Fed's future policy path.

The Fed's latest decision, updated projections and Warsh's comments suggest that interest rates may remain elevated for some time. Persistent inflation and resilient economic growth will continue to shape the path of monetary policy, with important implications for financial markets, borrowing costs and investment opportunities.

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