

US FEDERAL RESERVE · FOMC DECISION, 15–16 SEP 2026

The Fed hikes for the first time since 2023 - and signals more to come

The FOMC raised the federal funds target range by 25bps to **3.75%–4.00%** in a unanimous 12-0 vote - its first increase in over three years. The move itself was widely expected; the surprise was the hawkish message around it. Updated projections point to **“higher for longer,”** with a strong majority of officials pencilling in at least one more hike before year-end.

3.75-4.00%

 NEW TARGET RANGE
 (+25 BPS)

12-0

 UNANIMOUS VOTE
 NO DISSENTS

16 of 18

 OFFICIALS SEE ≥1
 MORE 2026 HIKE

4.1%

 MEDIAN 2026 DOT
 (WAS 3.8% IN JUN)

WHAT HAPPENED & WHY

- **A hawkish hike:** Chair Kevin Warsh framed the move as insurance against inflation that remained elevated (~3.4%), citing hot August retail sales (+6.0% YoY vs 4.7% expected) and firm import prices.
- **Oil is the driver:** The Middle East conflict has kept crude and imported-inflation pressure high - the central reason the Fed pivoted from cutting to hiking.
- **The dots moved up ~0.3pp across the horizon:** The 2026 and 2027 median projections both rose to 4.1%; four officials see two more hikes as possible. The longer-run neutral rate held at 3.0%.
- **In line on the rate, hawkish on the path:** markets had priced ~90% odds of the hike, so the repricing is about the trajectory, not the decision.



Fed funds target (upper bound). Solid = actual; dashed = Dec-26 level implied by the September dot-plot median. *Projection, not a commitment.

IMMEDIATE MARKET REACTION

- **Wall Street fell:** equities and bonds both sold off as “higher-for-longer” returned to the fore.
- **Dollar firmer:** the DXY pushed to ~100.3; US Treasury yields rose.
- **Rupee weaker:** slipping past ₹96/\$; India’s 10-yr GSec stayed elevated near 7.09%.
- **Asia mixed:** Hang Seng -1.3%, Shanghai -0.5%, Nikkei/Kospi flat.

INDIA READ-THROUGH

- **Equities resilient:** Sensex/Nifty opened soft, Nifty IT -0.5%, but recovered intraday on buying in banks & financials.
- **FII pressure building:** FPIs have sold ~₹17,200 cr of equities in September, reversing ~₹49,800 cr of July–August inflows.
- **Watch the triangle:** a wider US-India rate gap + stronger dollar + high oil is the combination that pressures the rupee, imported inflation and the current account.

CLAY’S READ

HOUSE VIEW

The event was **as-expected on the rate but hawkish on the path** - the read-through for India is a firmer dollar and stickier FII outflows rather than a fresh shock. We do not see cause to change strategic allocations.

A wider US-India rate differential narrows the **RBI’s room to cut** at its 7 Oct meeting (repo held at 5.25%, neutral). We lean toward **domestic-facing and rate-sensitive quality** over dollar-earner IT in the near term, and would treat rupee weakness and any FII-driven dips as **rebalancing opportunities, not exit signals**. Oil remains the key swing factor to monitor into October.

Sources: US Federal Reserve (FOMC statement & Summary of Economic Projections, 16 Sep 2026); CNBC; Reuters; Business Today; INDmoney; Advisor Perspectives. Market levels intraday as of 17 Sep 2026, ~11:30 IST.

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