Manulife Investment Management

Market Note

17 Sep 2026

The Federal Reserve raised the federal funds rate by 25 basis points at its September meeting, in line with market expectations. Alex Grassino, Global Chief Economist, shares his latest views on the implications of the rate hike.

Fed hikes rates for first time since 2023 as expected

The Federal Open Market Committee (FOMC) decision and press conference went smoothly—a welcome development, in our judgment, after the mixed signals that emerged from the Fed's July meeting. The rate decision: A 25 basis-point hike, bringing the federal funds rate from 3.75% to 4.00%. We'd highlight a few points:

- The move higher was widely expected by most observers, and the set of economic projections released by the Fed was generally consistent with further modest policy tightening going forward.

- Both the statement and the press conference following the decision were more concise. The statement has become progressively shorter under Fed Chair Kevin Warsh, but it was notable that the vote to raise rates was unanimous.

- Qualitatively, it looks like Warsh is quickly developing his own personal communication style with the media. For example, the question-and-answer period was characterised by shorter responses, no follow-ups, and a trimmed down 30-minute duration (from 45 minutes under prior Fed chairs).

- More broadly, there have been ongoing concerns in the markets around the Fed's independence from the current US administration. We remain of the view that Warsh's hawkish rhetoric has been effective at pushing back against these concerns, and his actions today backed that up. Time will tell if the pattern continues.

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