First to Market

October 28, 2026

FED DAY: THE EYE OF THE STORM



Hardika Singh

ECONOMIC STRATEGIST, MARKET INTELLIGENCE

Chart of the Day



Source: Fundstrat. Bloomberg

For Exclusive Use of Fundstrat Clients Only

fundstrat

Good morning!

Safe to say, this Fed Day might be the most boring one of Chair Kevin Warsh's tenure so far – not that boring is necessarily a bad thing.

The Federal Open Market Committee is widely expected to hold interest rates steady, with odds of a pause at 91% and a hike at 9.4%, according to CME's FedWatch tool. Other than factors in the economy supporting a breather, there's also the midterms right around the corner, reducing the chances of a surprise hike for this meeting.

If that ends up being true, then Warsh's commentary on the economy is only important to watch if it offers insights into the December decision. That's the one where investors will also get a summary of economic projections detailing the potential interest-rate path for 2027.

Odds of a hike at the December meeting are currently at 75% versus 17% for a pause. In September's SEP, Fed officials had penciled in at least one more rate hike for this year, which has partially contributed to increased odds of a December hike. We can always have a good discussion about the pros and cons of waiting six weeks before potentially hiking, but we all know the Fed isn't really known for its quick response time, so I don't really see a point in doing that.

In 2027, the market is expecting nearly two hikes by the Fed.

Here's how the economy has been faring since the September pause:

- Inflation: We got the September consumer-price index report mid-October, and it was hotter than expected. Consumer prices rose 3.7% in September from a year ago, higher than expectations of a 3.6% increase. Core inflation—which excludes the food and energy components—rose 2.6%, also coming in above expectations of a 2.5% increase. No respite on the monthly core CPI front either, which rose 0.3%, above the 0.2% projected increase, further breaking a string of past cooler monthly core CPI releases. Producer-price inflation numbers look more concerning, even if they are more volatile. Wholesale inflation in September rose 6.3% from a year ago and 1.3% from a month ago, suggesting that the incoming personal-consumption expenditures on Thursday could be hot, too. That would

mark a bit of a switch-up from the previous PCE report that came in line, partially thanks to methodology changes.

- Labor Market: The U.S. economy added 29,000 jobs in September, far below expectations of an 84,000 increase. The unemployment rate ticked up to 4.2%, up from 4.1% in the previous month. As AI adoption and efficiency increases, it's becoming more clear that companies are going to be leaner and meaner. Microsoft, for example, recently announced it's offering buyouts (not layoffs) to 60,000 employees across the U.S., U.K., Canada, and India, so there's few signals of any let up in this weakening labor market.
- Fiscal deficit: Though not a mandate, I've argued in the past that fiscal deficit is sort of a mandate-in-all-but-name because there's just no way the Fed can continue ignoring a ballooning budget and trade deficit. It recently crossed the $40 trillion mark. When interest costs surge, the government issues new Treasuries at higher yields to make payments. And when short-term Treasury bonds mature, they end up being refinanced at higher rates, as well.

The 2-year Treasury yield, which is influenced by the near-term interest-rate outlook, has come down from its 2026 highs hit in late September, so has the 10-year Treasury yield, settling below the key 5% mark on Tuesday for the fourth day in a row. The last time that happened was during the four-day stretch ending on Sept. 22. Fundstrat Head of Technical Strategy Mark Newton has said that the worst isn't over yet in yields, so I'm inclined to believe this brief respite is just that.

The stock market's correlation with oil has weakened, while it hasn't changed all that much with yields. For now, that's working to the benefit of stocks given the nascent decrease in yields, but it can also unravel quickly if yields were to rise toward the end of the year.

It's possible that it doesn't matter as much if tech earnings continue to come in strong. Microsoft and Alphabet are due to report earnings after the close today.

Analysts expect profits among companies in the S&P 500 to post a year-over-year increase of 33% in 2026. As earnings are the true driver of stock returns, they support the view that gains in the stock market can continue, even if yields don't cooperate.

Share your thoughts

What would you like to see from the Fed today? Click here to send us your response.

✍Here's what a reader commented ✍

Q: Are you planning to purchase the Anthropic IPO?

A: I am not going to buy the ANT IPO because of the typical mania that accompanies the initial offering. This company has a narrow business model that will need to be expanded soon as technological advances improve compute efficiency, power usage and open source model adoption.

Catch up with Fundstrat

We discuss the 5 reasons the Fed should be ‘less hawkish’ after the Oct FOMC meeting. The Sept FOMC rate decision effectively shut down the bond market after the 25bp hike. There are 4 other reasons.

Technical

Overall, midterm seasonality remains a strong tailwind, and it’s right to be positioned for a sharp rally into November, using any weakness as an opportunity to add exposure.

Crypto

Fundstrat Head of Digital Asset Strategy Sean is out of office this week.

News We're Following

Breaking News

- U.S. Warns Gulf of Possible Short, Intense Renewal of Iran War After Midterms WSJ

Markets and economy

- Fed Expected to Hold Rates With Nod to December: Decision-Day Guide WSJ
- Four reasons to start worrying about inflation — including the end of tariff refunds MW
- See How Anthropic Arrived at Its Mind-Boggling $40 Trillion Market Opportunity WSJ
- Chart: Anthropic's cash pile towers over nearly every U.S. company CNBC

Business

- Google alters its cloud playbook, enlisting partners to sell more AI chips CNBC
- SK Hynix delivered on third-quarter results — but the outlook is what really mattered to Wall Street and the AI trade MW
- From bioweapons to blackmail, here's what's in Anthropic's nearly 100-page list of risks, including 'risks to humanity' CNN

Politics/U.S.

- Susan Collins Tries to Outrun Trump's Shadow in Bid for Sixth Senate Term WSJ
- Trump and Talarico Offer Texas Split Screen With Dueling Rallies Just Miles Apart WSJ
- Heavily Republican South Carolina's Senate Race Is a Tossup, Poll Finds NYT

Overseas

- Flávio Bolsonaro Flees Brazil for the U.S. After Election Defeat NYT
- Italians Protesting High Prices Fear a Listless Future, Too NYT
- Netanyahu Leads Eisenkot With Over Half Israel Votes Counted BBG

Of Interest

- JPMorgan's Skyscraper on Park Avenue Estimated to Cost Around $6 Billion WSJ

Overnight	
S&P Futures	+8 ▲ point(s) (+0.11% ▲)

overnight range:	-6 ▼ to +12 ▲ point(s)

APAC

Nikkei	+1.08% ▲
Topix	-0.14% ▼
China SHCOMP	+0.91% ▲
Hang Seng	+0.23% ▲
Korea	+6.63% ▲
Singapore	+0.02% ▲
Australia	-0.03% ▼
India	-0.18% ▼
Taiwan	+2.04% ▲

Europe

Stoxx 50	-0.23% ▼
Stoxx 600	-0.22% ▼
FTSE 100	-0.34% ▼
DAX	-0.07% ▼
CAC 40	-0.08% ▼
Italy	-0.24% ▼
IBEX	-1.35% ▼

FX

Dollar Index (DXY)	+0.05% ▲ to 102.37
EUR/USD	+0.01% ▲ to 1.1126
GBP/USD	-0.16% ▼ to 1.3285

USD/JPY	+0.06% ▲ to 157.85
USD/CNY	0.00% to 6.6667
USD/CNH	-0.01% ▼ to 6.6651
USD/CHF	-0.16% ▼ to 0.8304
USD/CAD	-0.05% ▼ to 1.4058
AUD/USD	+0.07% ▲ to 0.7030

UST Term Structure

2Y-3M Spread narrowed	-0.6bps ▼ to 59.7bps
10Y-2Y Spread widened	0.2bps to 26.0bps
30Y-10Y Spread narrowed	-0.5bps ▼ to 30.4bps

USD HY OaS

All Sectors	-12.4bps ▼ to 347bps
All Sectors ex-Energy	-13.5bps ▼ 320bps
Cons Disc	-29.2bps ▼ to 636bps
Indu	-6.3bps ▼ to 245bps
Tech	-10.3bps ▼ to 190bps
Comm Srvcs	-14.6bps ▼ to 329bps
Materials	-7.8bps ▼ to 273bps
Energy	-10.7bps ▼ to 258bps
Fin Snr	-11.6bps ▼ to 199bps
Fin Sub	-15.3bps ▼ to 297bps
Cons Staples	-16.9bps ▼ to 444bps
Healthcare	-14.4bps ▼ to 344bps

Utes	-10.0bps ▾ to 213bps *

DATE					TIME	DESCRIPTION	ESTIMATE	LAST
10/28	2:00 PM	Oct 28 FOMC Decision	4	4				
10/29	8:30 AM	Sep PCE m/m	0.5	0.3				
10/29	8:30 AM	Sep Core PCE m/m	0.3	0.25				
10/29	8:30 AM	Sep PCE y/y	3.6	3.4				
10/29	8:30 AM	Sep Core PCE y/y	3.1	3.00759				
10/29	8:30 AM	3Q A GDP QoQ	3.2	2.2				
10/30	8:30 AM	3Q ECI QoQ	0.8	0.9				
11/2	9:45 AM	Oct F S&P Manu PMI	n/a	56				
11/3	10:00 AM	Sep JOLTS	7200	7079				
11/3	10:00 AM	Sep F Durable Gds Orders	n/a	1.8				

Disclosures

This research is for the clients of Fundstrat Global Advisors only. For additional information, please contact your sales representative or Fundstrat Global Advisors at 150 East 52nd Street, New York, NY, 10022 USA.

Conflicts of Interest

This research contains the views, opinions and recommendations of Fundstrat. At the time of publication of this report, Fundstrat does not know of, or have reason to know of any material conflicts of interest.

General Disclosures

Fundstrat Global Advisors is an independent research company and is not a registered investment advisor and is not acting as a broker-dealer under any federal or state securities laws.

Fundstrat Global Advisors is a member of IRC Securities' Research Prime Services Platform. IRC Securities is a FINRA registered broker-dealer that is focused on supporting the independent research industry. Certain personnel of Fundstrat (i.e., Research Analysts) are registered representatives of IRC Securities, a FINRA member firm registered as a broker-dealer with the Securities and Exchange Commission and certain state securities regulators. As registered representatives and independent contractors of IRC Securities, such personnel may receive commissions paid to or shared with IRC Securities for transactions placed by Fundstrat clients directly with IRC Securities or with securities firms that may share commissions with IRC Securities in accordance with applicable SEC and FINRA requirements. IRC Securities does not distribute the research of Fundstrat, which is available to select institutional clients that have engaged Fundstrat.

As registered representatives of IRC Securities, our analysts must follow IRC Securities' Written Supervisory Procedures. Notable compliance policies include (1) prohibition of insider trading or the facilitation thereof, (2) maintaining client confidentiality, (3) archival of electronic communications, and (4) appropriate use of electronic communications, amongst other compliance related policies.

Fundstrat does not have the same conflicts that traditional sell-side research organizations have because Fundstrat (1) does not conduct any investment banking activities, (2) does not manage any investment funds, and (3) our clients are only institutional investors.

This research is for the clients of Fundstrat Global Advisors only. Additional information is available upon request. Information has been obtained from sources believed to be reliable, but Fundstrat Global Advisors does not warrant its completeness or accuracy except with respect to any disclosures relative to Fundstrat and the analyst's involvement (if any) with any of the subject companies of the research. All pricing is as of the market close for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client

circumstances, risk tolerance, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies.

The recipient of this report must make its own independent decision regarding any securities or financial instruments mentioned herein.

Except in circumstances where Fundstrat expressly agrees otherwise in writing, Fundstrat is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice, including within the meaning of Section 15B of the Securities Exchange Act of 1934. All research reports are disseminated and available to all clients simultaneously through electronic publication to our internal client website, fundstrat.com. Not all research content is redistributed to our clients or made available to third-party aggregators or the media. Please contact your sales representative if you would like to receive any of our research publications.

Copyright 2026 Fundstrat Global Advisors LLC. All rights reserved. No part of this material may be reprinted, sold or redistributed without the prior written consent of Fundstrat Global Advisors LLC.