

FOMC Minutes Reinforce Higher-for-Longer Narrative

The minutes from the September 15-16 FOMC meeting confirmed that Fed officials view inflation as the dominant risk, and indicated additional tightening may be necessary if inflation fails to moderate. Committee members expressed confidence in the economy's ability to withstand higher borrowing costs, and while a few Fed officials continued to argue for patience, the overall tone was clearly more hawkish than in prior meetings.

Perhaps the most hawkish line in the minutes was that *most participants judged that another increase in the target range would likely be appropriate by year-end*. This suggests the September move was not viewed by committee members as a one-time adjustment.

The minutes repeatedly emphasized *persistent inflation pressures*. Policymakers cited:

- Rising energy prices
- Elevated underlying inflation
- Strong consumer demand
- Stable long-term inflation expectations, but concerns about near-term price pressure

The committee debated how much additional tightening would be needed. While there was broad consensus on the September increase, there were differing views on the future path. Some participants wanted to see more data before committing to more increases, while others were concerned that inflation could remain elevated without further action.

Market reaction (for both stocks and bonds) has been muted, indicating investors found few surprises in the minutes.

The next potential market-moving data release will be the September Consumer Price Index (CPI), a week from today, while the next FOMC decision will be announced on October 28. As of this afternoon, the futures market is signaling just a 17% probability of an increase later this month. Assuming the committee votes to maintain the current rate target just days before the mid-term elections, the probability of a quarter-point hike at the December meeting is currently at 100%.

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Market Indications as of 3:27 P.M. Central Time

DOW	Down -341 to 51,180 (HIGH: 54,349)
NASDAQ	Down -61 to 27,539 (HIGH: 27,600)
S&P 500	Down -17 to 7,802 (HIGH: 7,819)
1-Yr T-bill	current yield 4.42%; opening yield 4.43%
2-Yr T-note	current yield 4.77%; opening yield 4.80%
3-Yr T-note	current yield 4.92%; opening yield 4.94%
5-Yr T-note	current yield 5.03%; opening yield 5.04%
10-Yr T-note	current yield 5.29%; opening yield 5.29%
30-Yr T-bond	current yield 5.67%; opening yield 5.67%

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