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Federal Reserve holds rates at 3.75%-4%, with two votes for a rise

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On 28 October 2026 the US Federal Reserve kept the federal funds target range at 3.75% to 4%. Two of the twelve voters wanted a further rise of 0.25 percentage point. The ECB also held its rates the next day.

Country reference

- **Country:** United States
- **Authorities:** Federal Reserve, Federal Open Market Committee (FOMC)
- **Topic:** Monetary policy decision
- **Key date:** 28 October 2026 (meeting held 27-28 October)
- **Law:** FOMC statement of 28 October 2026

What was decided

The FOMC kept the target range for the federal funds rate at 3.75% to 4%. This follows the rise to that range in September, which we covered on 9 October. The decision was not unanimous.

The vote and the message

- **Vote:** 10 to 2. Lisa D. Cook and Beth M. Hammack dissented. Both preferred to raise the range by 0.25 percentage point.
- **Inflation:** the statement says inflation "remains elevated". The Committee aims for a timely return to its 2% goal.
- **Growth:** the statement says economic activity "is expanding at a strong pace", with strong productivity growth and robust capital investment.
- **Balance sheet:** the Committee continues to maintain ample reserves in the banking system.

Why it matters outside the United States

- Gulf currencies pegged to the US dollar usually see their central banks follow Fed decisions, so local borrowing costs are likely to stay at current levels for now.
- The European Central Bank also kept its rates unchanged on 29 October 2026, with the deposit facility rate at 2.50%.
- Two dissents for a rise mean a further increase at the December meeting cannot be ruled out.

What to do now

- Keep budget and forecast rate assumptions at current levels, with a scenario for one more rise.

- Review floating-rate debt and hedge cover ahead of the December meeting.
- Check the yield on surplus US dollar cash and deposits against the current range.
- Watch the local central bank announcements in your Gulf markets.

Our take

A pause is not the end of tightening. With inflation still described as elevated and two votes for a rise, finance teams should plan for rates staying high into 2027 rather than falling soon.

Sources

- Federal Reserve: Federal Reserve issues FOMC statement (28 October 2026)
- Federal Reserve: October 27-28, 2026 FOMC Meeting, press conference (28 October 2026)
- European Central Bank: Monetary policy decisions (29 October 2026)

Important. This summary is for general information and is not investment, legal or financial advice. It is based on public Federal Reserve and European Central Bank publications and may be incomplete or out of date. The official publications prevail; check the official source before acting.

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