

What's Behind the Fed's Rate Hike?

Charles Schwab · Liz Ann Sonders, Collin Martin · 2026-09-18 · English original

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Liz Ann Sonders and Collin Martin analyze the Federal Reserve's latest rate hike. They unpack why the Fed acted now, arguing that inflation remains too persistent despite a resilient economy, strong labor market, and robust consumer spending. They discuss the Fed's updated projections, which suggest inflation may not return to its 2% target until 2028 and imply the possibility of additional rate hikes ahead.

The conversation then turns to market implications. Stocks sold off following the announcement as Treasury yields climbed above 5%, reflecting expectations that monetary policy may remain tighter for longer. Liz Ann highlights that while some inflation pressures are supply-driven, there are also demand-side forces at work, including AI-related capital spending and continued economic strength. Collin and Liz Ann emphasize that higher rates today could ultimately help reduce inflation and bring down long-term borrowing costs, even if the path is bumpy for markets in the near term.

Finally, Collin and Liz Ann look ahead to next week's upcoming macroeconomic indicators and key data releases.

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