30 October 2026

# FX Viewpoint

**Currencies**
Global

## Strong USD view intact after FOMC hold

- The FOMC held rates steady, as expected
- A December rate hike remains on the table as US economic activity remains strong while inflation remains elevated
- We maintain our strong USD view but the path may be volatile

At its 27-28 October meeting, the FOMC voted 10 to 2 **to hold the federal funds target range steady** at 3.75-4.00%, in line with expectations. Bloomberg's survey showed that 95% of economists expected no change while market pricing implied a 90% chance of a hold. Firmer September inflation supported the case for further policy normalisation, but not enough to require immediate action.

**The FOMC held rates steady despite firmer inflation**

Ahead of the meeting, Federal Reserve (Fed) officials Williams and Jefferson urged patience, while Chair Warsh **avoided signalling an immediate increase**. The two dissenting votes were fewer than the three hawkish votes in July, while Governor Cook's opposition to a hike was notable given her lack of previous dissents.

**Fed officials urged patience, with two dissenting votes**

The accompanying statement **left the door open for a December hike.** It described economic activity as "strong" and acknowledged that inflation remains elevated, while reiterating that future decisions will depend on incoming data and that the Committee remains committed to returning inflation to its 2% target.

**The statement left the door open for a December hike**

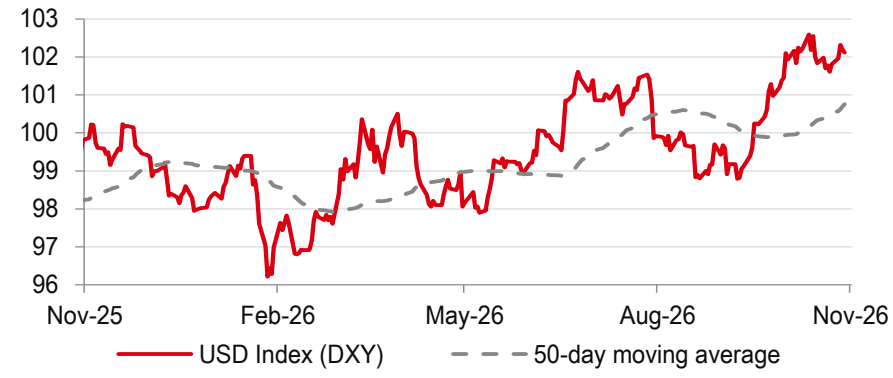
Market attention initially focused on the revelation that one of the eight FOMC meetings in 2027 – and probably two in 2028 – would not include a policy-rate vote, reducing the perceived number of opportunities to raise rates. More broadly, Chair Warsh's effort to frame the decision as a "hawkish hold" without forward guidance may have shaped expectations for December **as a potential "dovish hike"**.

**Expectations may centre on a potential "dovish hike"**

The USD is likely to face a bumpy road into year-end. The key question is whether **incoming US data will continue to justify a December rate increase**. Political developments in the US and elsewhere could also influence the currency through energy prices and broader risk appetite. We have maintained our strong USD view for several months, supported by US economic resilience, a hawkish Fed, and challenges facing other major currencies. **That view remains intact as we head into 2027**, although the path is unlikely to be smooth.

**We retain our strong USD view as we head into 2027**

**The USD Index has been on an upward trend this year**




Source: Bloomberg, HSBC

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