

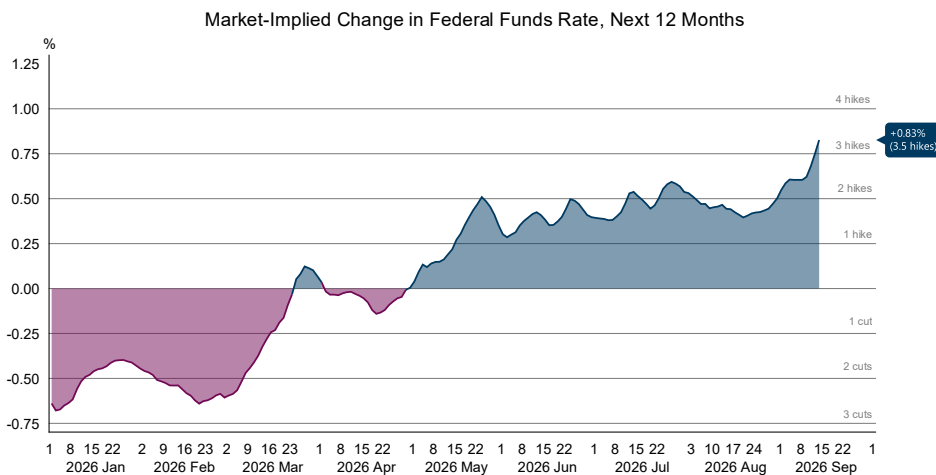
Federal Open Market Committee Meeting | September 16, 2026

Fed commits to price stability

The Federal Reserve announced a 0.25% increase in its overnight federal funds rate to 3.75-4.00%, the first rate hike since 2023 and cementing the market's view since May that hotter inflation and a stronger economy necessitate higher interest rates. The move today was widely expected, and new projections from the Fed matched market pricing consistent with additional rate hikes in the pipeline.

This year has seen a major reversal in Fed expectations. At the start of the year, markets saw 0.75% of rate *cuts* as the likely outcome in the coming year. What we've seen is a 1.50% turnaround, with markets before today's meeting expecting nearly the same change in the next year, but in the form of rate *hikes*.

Exhibit 1: Markets expected 0.75% of cuts but now see more than that amount in hikes



Source: Bloomberg, First Citizens Bank
Data as of: 9/16/2026 before the September FOMC announcement.

The Federal Reserve has experienced considerable tension this decade in managing its so-called “dual mandate” of maximum employment and stable prices. Stubbornly high inflation appears to have superseded unemployment risk as the main problem to address. Unemployment stands at a low 4.1%, but inflation has run higher than the Fed’s 2% target for five straight years. Such a long period of sustained price gains has now clearly delivered what many households have complained about for years: high price levels. Under a steady 2% inflation regime, prices would have been 14% higher today compared to 2020. But the price of the basket of goods and services that makes up the Consumer Price Index has risen by more than twice that amount, and prices for select household expenses like utilities and vehicle services are up by 40-50% or more.

CONTACT

Blake Taylor | VP, Market and Economic Research Analyst

blake.taylor@firstcitizens.com
919-716-7964

Phillip Neuhart | SVP, Head of Market and Economic Research

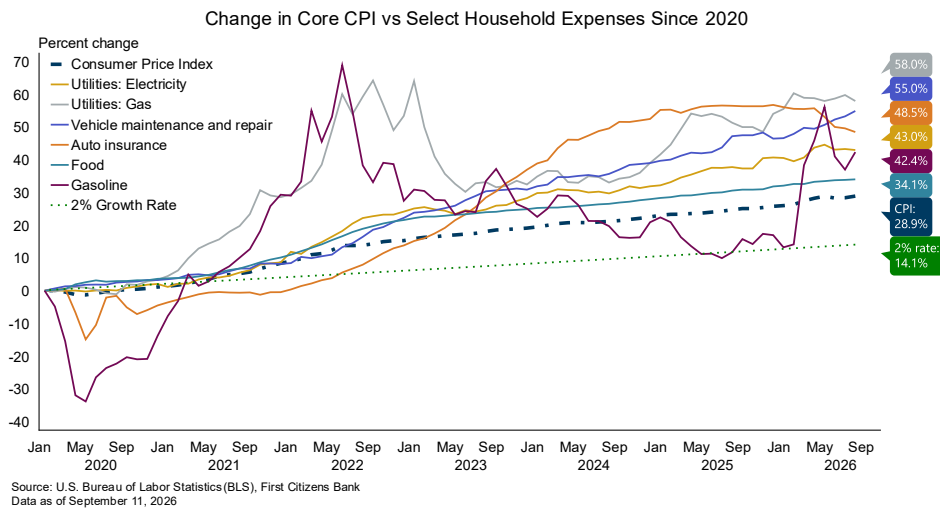
phillip.neuhart@firstcitizens.com
919-716-2403

Brent Ciliano, CFA | SVP, Chief Investment Officer

brent.ciliano@firstcitizens.com
919-716-2650



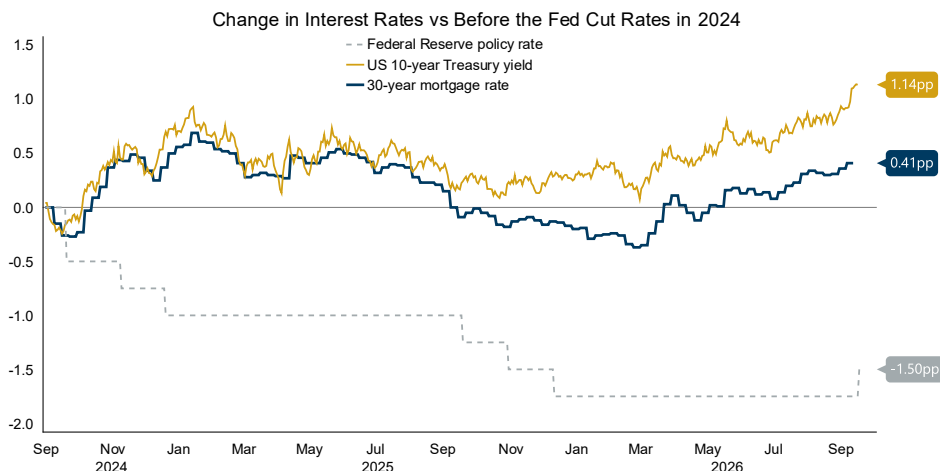
Exhibit 2: Five years of elevated inflation has delivered much higher price levels



Since the Fed cut rates in 2024 and 2025 two trends have played out differently than expected. First, economic growth scares didn't materialize into reality. Economists forecasted 30-50% probabilities of recession ahead of those rate cuts, and indeed, the 1.75% of lower rates likely helped mitigate that outcome. Additionally, although job growth has been weak for years, layoffs have remained localized in a few sectors as firms have appeared more reluctant to shed workers than feared. The second surprise has been that the corporate sector has outperformed expectations in a stunning show of resilience, owing largely to the trillions of dollars large US tech firms are spending to build data centers and AI infrastructure. Corporate earnings and profit margins are booming.

Investors often make the mistake of conflating the outlook for the Fed's policy rate with moves in longer-term interest rates like mortgages and the 10-year Treasury. In fact, after the Fed cut short-term rates by 1.75% in 2024 and 2025, yields on these securities moved higher, not lower.

Exhibit 3: Treasury yields and mortgage rates moved higher in the 2 years since the Fed started cutting rates in 2024



Similarly, the Fed is only one reason fixed income yields are higher across the curve today compared to a few months ago. More importantly, the US Treasury is issuing more and more debt to finance \$2 trillion budget deficits, and buyers may not line up at the door like they did in the 2010s. Additionally, large technology companies are poised to issue a growing share of total investment grade debt, signaling a continuation of AI investment demand. Along with higher inflation and elevated global uncertainty, evidence is mounting that today's 4-5% interest rates are not the exception; rather, the period of near-zero rates from 2009-2021 was likely the historical exception.



[Sign up](#) to receive regular market & economic updates straight to your inbox.

FIRSTCITIZENS.COM/WEALTH

The views expressed are those of the author(s) at the time of writing and are subject to change without notice. First Citizens does not assume any liability for losses that may result from the information in this piece.

This material is for informational purposes only and is not intended to be an offer, specific investment strategy, recommendation, or solicitation to purchase or sell any security or insurance product, and should not be construed as legal, tax or accounting advice. Please consult with your legal or tax advisor regarding the particular facts and circumstances of your situation prior to making any financial decision. While we believe that the information presented is from reliable sources, we do not represent, warrant, or guarantee that it is accurate or complete.

Your investments in securities and insurance products and services are not insured by the FDIC or any other federal government agency and may lose value. They are not deposits or other obligations of, or guaranteed by any bank or bank affiliate and are subject to investment risks, including possible loss of the principal amounts invested.

About the Entities, Brands, Products and Services Offered

First Citizens Wealth® (FCW) is a registered trademark of First Citizens BancShares, Inc., a bank holding company. The following affiliates of First Citizens BancShares Inc. are the entities through which FCW products and services are offered. Brokerage products and services are offered through First Citizens Investor Services, Inc. (FCIS), a registered broker-dealer, Member FINRA and SIPC. Advisory services are offered through FCIS, First Citizens Asset Management, Inc. (FCAM), and SVB Wealth LLC (SVBW), all SEC registered investment advisers. Certain brokerage and advisory products and services may not be available from all investment professionals, in all jurisdictions, or to all investors. Insurance products are offered through FCIS, a licensed insurance agency. Banking, lending, trust products and services, and certain insurance products are offered by First-Citizens Bank & Trust Company, Member FDIC, and an Equal Housing Lender, and First Citizens Delaware Trust Company.

For more information about FCIS, FCAM or SVBW and its Investment Professionals click here:

<https://www.firstcitizens.com/wealth/disclosures>

©2026 First-Citizens Bank & Trust Company. All rights reserved. Silicon Valley Bank, a division of First-Citizens Bank & Trust Company. Member FDIC., First Citizens Wealth is a trademark of First Citizens BancShares, Inc.