INSIGHTS • SEPTEMBER 2026

This is a marketing communication.

September Fed Meeting: From Signals to Action

The latest FOMC policy decision provides important clues about whether the rate hike represents a one-time adjustment or the beginning of a higher path for interest rates.

Leah Traub, Ph.D.
Partner and Portfolio Manager

KEY TAKEAWAYS

- The Federal Open Market Committee (FOMC), the policy-setting arm of the U.S. Federal Reserve (Fed), raised the federal funds rate by 25 basis points at the September 16, 2026, meeting. That changes the target range to 3.75%–4.00%. Uncertainty about the future rate path remains.
- The statement and post-meeting press conference by Chairman Kevin Warsh were hawkish, focused solely on inflation. This hike reinforces Fed credibility and its commitment to price stability.
- The economy continues to expand at a solid pace, with resilient consumer spending, strong productivity, and a low unemployment rate.
- While Chairman Warsh refuses to participate in the Summary of Economic Projections, the rest of the Committee contributed. They forecast higher growth and inflation at the end of 2026 compared with the June projections. The median dot indicated one more hike in 2026, followed by no changes in 2027.
- For investors, a more credible and orthodox Fed should be supportive for longer-end yields and risk assets overall. A higher-for-longer rate path could increase dispersion across fixed income, reinforcing the potential advantage of active, multi-sector portfolios.

The Federal Reserve raised the target range for the federal funds rate by 25 basis points at its September meeting, marking the first increase since July 2023. But with markets increasingly anticipating the hike heading into the meeting, the decision itself may be less important than what policymakers signal about what comes next.

Is September the start of a hiking cycle or a one-time adjustment?

We do not view this as the start of an extended hiking cycle. The Fed characterized the move as supporting a "timelier" return to its 2% inflation goal, suggesting that the path from here will depend largely on the evolution of underlying inflation.

While Chair Warsh provided little explicit forward guidance, the updated projections offer some insight into how other FOMC participants see the path ahead. The median projection points to one additional 25-basis-point hike by year-end, followed by no further increase in 2027, although there remains meaningful dispersion among individual participants.

Markets are pricing a more aggressive path. Fed funds futures currently imply roughly three additional 25-basis-point hikes over the next year, according to Bloomberg—considerably more tightening than suggested by the median FOMC projection. That gap between market pricing and policymakers' projections will be important to watch as incoming inflation data shape expectations for the path of rates.

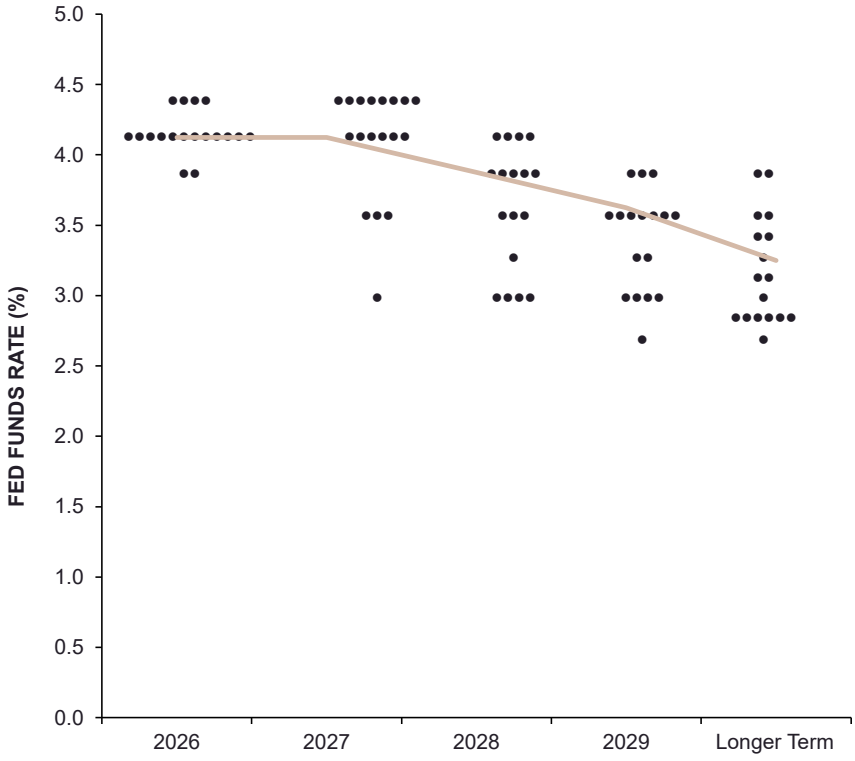
What does the new dot plot tell us about the dispersion of views within the FOMC?

The September dot plot includes projections from 18 participants, as Chair Warsh continues to refrain from submitting his own forecast. While the median projection points to one additional 25-basis-point hike this year, four participants see two additional hikes as appropriate.

The range of views widens considerably beginning in 2027, with participants divided between rate cuts, holding policy steady, and further tightening. That dispersion highlights the uncertainty around the path of policy beyond the next several meetings. Also notable, the median longer-run federal funds rate edged higher to 3.25%, from 3.1% in June.

We believe, however, that the dot plot may carry less signaling power under a Warsh-led Fed. Given Chair Warsh's skepticism about the usefulness of individual rate projections—and his decision not to submit one—the dots may be better viewed as a measure of the range of views within the FOMC than as explicit guidance about the future path of rates.

Figure 1. Fed Dot Plot Suggests a Range of Views and Potential Outcomes



Source: U.S. Federal Reserve. Data as of September 16, 2026. The Fed's dot plot shows where each Fed official expects interest rates to be in the future. Each dot represents one official's projection. For illustrative purposes only and does not represent any specific portfolio managed by Lord Abbett or any particular investment.

How is the Fed assessing the economic outlook?

The September projections point to stronger growth, lower unemployment, and slightly higher inflation than the Fed projected in June. That is broadly consistent with the resilience we have seen in the labor market and consumer spending in recent months.

The projections suggest an economy that remains strong enough to absorb some additional policy tightening, while inflation continues to warrant the Fed's attention. At the same time, the outlook does not appear to point to the need for a prolonged hiking cycle, particularly if underlying inflation begins to moderate.

Figure 2. A View of the Fed's Summary of Economic Projections

MEDIAN PROJECTION	2026	2027	2028	2029	LONGER RUN
Change in Real GDP	**2.3**	**2.4**	**2.2**	**2.1**	**2.0**
June Projection	**2.2**	**2.3**	**2.2**	**-**	**2.0**
Unemployment Rate	**4.1**	**4.1**	**4.1**	**4.1**	**4.2**
June Projection	**4.3**	**4.3**	**4.2**	**-**	**4.2**
PCE Inflation	**3.7**	**2.3**	**2.1**	**2.0**	**2.0**
June Projection	**3.6**	**2.3**	**2.0**	**-**	**2.0**
Core PCE Inflation	**3.4**	**2.5**	**2.2**	**2.0**	**-**
June Projection	**3.3**	**2.5**	**2.1**	**-**	**-**
Federal Funds Rate	**4.1**	**4.1**	**3.9**	**3.6**	**3.2**
June Projection	**3.8**	**3.6**	**3.4**	**-**	**3.1**

Source: U.S. Federal Reserve. Data as of September 16, 2026. The Summary of Economic Projections (SEP) is a report published by the Federal Reserve that provides FOMC participants' forecasts for key economic variables over the next several years and the longer run. For illustrative purposes only and does not represent any specific portfolio managed by Lord Abbett or any particular investment.

What did we learn about inflation?

Warsh's comments in the press conference were very consistent with the message he delivered in his speech in Jackson Hole on August 28. The underlying trend in inflation has not shown sufficient improvement yet. He acknowledged that the geopolitical events that are causing energy prices to increase have not been helpful. However, by removing the reference to supply shocks in the statement, the Committee signaled that they will not use energy prices as an excuse not to raise rates. Inflation remains elevated – period.

Is Fed communication actually changing?

The shift in Fed communication under Chair Warsh is becoming more apparent. The policy statement remained brief and focused on the key information, while the press conference was among the shortest in recent years—roughly 15 minutes shorter than average. The overall approach was direct and succinct, consistent with Warsh's preference for a quieter Fed.

Warsh also continues to step away from some of the tools traditionally used to guide market expectations. He did not contribute a projection to the Fed's Summary of Economic Projections (SEP) and reiterated that he will not provide explicit forward guidance. Instead, he said policy continues to be guided by the key principles he outlined at Jackson Hole, although he did not elaborate on them at the press conference.

What does it mean for fixed income investors?

Treasury yields have already moved higher to reflect the expectation that the Fed was going to hike rates. The market is currently pricing in more hikes than are expected by Fed officials, so it is likely that yields are currently at the top end of the range. Furthermore, by hiking rates now, the Fed is signaling its commitment to price stability and conducting an orthodox monetary policy. This should be supportive for longer-maturity Treasuries and for risk assets overall. Higher rate volatility due to less forward guidance and increased geopolitical uncertainty means more dispersion in returns across fixed income sectors and industries. We continue to believe this environment favors diversified, actively managed multi-sector portfolios.

Glossary & Index Definitions

Basis point (bp) is one one-hundredth of a percentage point (0.01%). Changes in interest rates and bond yields are commonly expressed in basis points.

Credit spread is the additional yield investors receive above a comparable benchmark security, such as a U.S. Treasury, as compensation for assuming credit risk.

Dispersion refers to differences in returns, valuations, yields, or other characteristics across securities, sectors, industries, or markets.

Dot plot is a chart published as part of the Federal Reserve's Summary of Economic Projections that shows individual FOMC participants' projections for the appropriate level of the federal funds rate at the end of specified years and over the longer run.

Federal funds rate is the interest rate at which depository institutions lend reserve balances to other depository institutions overnight. The Federal Reserve sets a target range for the federal funds rate as part of its monetary policy.

Federal funds futures are futures contracts based on the federal funds rate. Market pricing of these contracts can provide an indication of investors' expectations for future Federal Reserve policy.

Federal Open Market Committee (FOMC) is the monetary policymaking body of the Federal Reserve System responsible for decisions regarding interest rates and other aspects of U.S. monetary policy.

Federal Reserve (Fed) is the central bank of the United States. Its monetary policy objectives include maximum employment and price stability.

Forward guidance refers to communication by a central bank about the potential future path of monetary policy, including interest rates, intended to help shape market expectations.

Hawkish describes a monetary policy stance that places greater emphasis on controlling inflation, typically through higher interest rates or maintaining restrictive policy. A dovish stance generally places greater emphasis on supporting economic growth and employment, typically through lower interest rates or more accommodative monetary policy.

Inflation is a sustained increase in the general level of prices for goods and services over time, which reduces the purchasing power of money.

Monetary policy refers to actions taken by a central bank to influence interest rates, financial conditions, inflation, and economic activity.

Personal consumption expenditures (PCE) inflation measures changes in the prices of goods and services purchased by U.S. consumers. The Federal Reserve uses the PCE price index in assessing progress toward its 2% inflation goal.

Risk assets generally refer to investments whose returns are more sensitive to economic, market, and credit conditions and that typically carry greater risk than high-quality government securities.

Summary of Economic Projections (SEP) is a Federal Reserve report that provides FOMC participants' projections for economic growth, unemployment, inflation, and the federal funds rate over the next several years and the longer run.

Supply shock is an unexpected change in the availability or cost of goods or services that can affect economic output and inflation.

Tightening refers to monetary policy actions intended to restrain economic activity or inflation, typically through increases in interest rates or other measures that make financial conditions less accommodative.

U.S. Treasury securities are debt obligations issued by the U.S. Department of the Treasury and generally considered to have minimal credit risk. They are commonly used as benchmark securities in fixed-income markets.

Yield is the income generated by an investment, generally expressed as a percentage of its price or value.

Yield curve is a line that plots the yields of bonds of similar credit quality across different maturities. The U.S. Treasury yield curve is commonly used to assess differences between short- and long-term interest rates.

Important Information

The information contained herein is provided by Lord, Abbett & Co. LLC ("Lord Abbett"). Lord Abbett is a registered investment adviser under the U.S. Investment Advisers Act of 1940 (the "Advisers Act"), as amended, and is subject to the Advisers Act rules and regulations adopted by the U.S. Securities and Exchange Commission ('SEC"). Registration with the SEC does not imply a particular ability or training. Lord Abbett is a global asset manager with headquarters in Jersey City, New Jersey.

Certain information provided in the material has been obtained from third party sources and such information has not been independently verified by Lord Abbett. No representation, warranty, or undertaking, expressed or implied, is given to the accuracy or completeness of such information by Lord Abbett or any other person. While such sources are believed to be reliable, Lord Abbett does not assume any responsibility for the accuracy or completeness of such information. Lord Abbett does not undertake any obligation to update the information contained herein as of any future date.

Certain information contained in the material constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," "continue," or "believe," or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events, results or actual performance may differ materially from those reflected or contemplated in such forward-looking statements. Nothing contained in the material may be relied upon as a guarantee, promise, assurance or a representation as to the future.

Market forecasts and projections are based on current market conditions and are subject to change without notice. Projections should not be considered a guarantee.

Past performance is not a reliable indicator or guarantee of future results. All investments involve risk, including the loss of capital.

The views and opinions expressed are those of the Lord Abbett author as of the date of the material, and do not necessarily represent the views of the firm as a whole. Any such views are subject to change at any time based upon market or other conditions and Lord Abbett disclaims any responsibility to update such views. References to specific asset classes and financial markets are for illustrative purposes only. This material is not intended to be relied upon as a forecast, research or investment advice. Neither Lord Abbett nor the Lord Abbett author can be responsible for any direct or incidental loss incurred by applying any of the information offered.

The information in this material does not constitute a distribution, an offer, an invitation, a personal or general recommendation or solicitation in any jurisdiction. This material has not been reviewed or approved by any regulatory authority in any jurisdiction.

None of the information provided should be regarded as a suggestion to engage in or refrain from any investment-related course of action as neither Lord Abbett nor its affiliates are undertaking to provide impartial investment advice, act as an impartial adviser, or give advice in a fiduciary capacity.

Mentions of specific companies are for reference purposes only and are not meant to describe the investment merits of, or potential or actual portfolio changes related to, securities of those companies.

Unless otherwise noted, all discussions are based on U.S. markets and U.S. monetary and fiscal policies.

This material may not be reproduced in whole or in part or any form without the permission of Lord Abbett.

Important Information for non-U.S. Investors

Note to Switzerland Investors: In Switzerland, the Representative is ACOLIN Fund Services AG, Leutschenbachstrasse 50, CH-8050 Zurich, whilst the Paying Agent is Bank Vontobel Ltd., Gotthardstrasse 43, CH- 8022 Zurich. The prospectus, the key information documents or the key investor information documents, the instrument of incorporation, as well as the annual and semi-annual reports may be obtained free of charge from the representative. In respect of the units offered in Switzerland, the place of performance is at the registered office of the representative. The place of jurisdiction shall be at the registered office of the representative or at the registered office or domicile of the investor.

Note to European Investors: This communication is issued in the United Kingdom and distributed throughout the European Union by Lord Abbett (Ireland) Limited, UK Branch and throughout the United Kingdom by Lord Abbett (UK) Ltd. Both Lord Abbett (Ireland) Limited, UK Branch and Lord Abbett (UK) Ltd are authorized and regulated by the Financial Conduct Authority.

A decision may be taken at any time to terminate the arrangements made for the marketing of the Fund in any EEA Member State in which it is currently marketed. In such circumstances, Shareholders in the affected EEA Member State will be notified of this decision and will be provided with the opportunity to redeem their shareholding in the Fund free of any charges or deductions for at least 30 working days from the date of such notification.

Lord Abbett (Middle East) Limited is authorised and regulated by the Dubai Financial Services Authority ("DFSA"). The entire content of this document is subject to copyright with all rights reserved. This research and the information contained herein may not be reproduced, distributed or transmitted in any jurisdiction or to any other person or incorporated in any way into another document or other material without our prior written consent. This document is directed at Professional Clients and not Retail Clients. Any other persons in receipt of this document must not rely upon or otherwise act upon it. This document is provided for informational purposes only. Nothing in this document should be construed as a solicitation or offer, or recommendation, to acquire or dispose of any investment or to engage in any other transaction. Nothing contained in this document constitutes an investment, an offer to invest, legal, tax or other advice or guidance and should be disregarded when considering or making investment decisions.

Note to Singapore Investors: Lord Abbett Global Funds I plc (the "Company") and the offer of shares of each sub-fund of the Company do not relate to a collective investment scheme which is authorized under Section 286 of the Securities and Futures Act, Ch. 289 of Singapore ("SFA") or recognized under Section 287 of the SFA, and shares in each sub-fund of the Company are not allowed to be offered to the retail public. Pursuant to Section 305 of the SFA, read in conjunction with Regulation 32 of and the Sixth Schedule to the Securities and Futures (Offers of Investments) (Collective Investment Schemes) Regulations 2005 (the "Regulations"), the Lord Abbett Global Multi-Sector Bond Fund, the Lord Abbett High Yield Fund, the Lord Abbett Short Duration Income Fund, the Lord Abbett Ultra Short Bond Fund, the Lord Abbett Climate Focused Bond Fund, the Lord Abbett Emerging Markets Corporate Debt Fund and the Lord Abbett Multi Sector Income Fund have been entered into the list of restricted schemes maintained by the Monetary Authority of Singapore for the purposes of the offer of shares in such sub-funds made or intended to be made to relevant persons (as defined in section 305(5) of the SFA), or, the offer of shares in such sub-funds made or intended to be made in accordance with the conditions of section 305(2) of the SFA. These materials do not constitute an offer or solicitation by anyone in Singapore or any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

Note to Hong Kong Investors: The contents of this material have not been reviewed nor endorsed by any regulatory authority in Hong Kong. An investment in the Fund may not be suitable for everyone. If you are in any doubt about the contents of this material, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser for independent professional advice. The Fund is not authorised by the Securities and Futures Commission ("SFC") in Hong Kong pursuant to Section 104 of the Securities and Futures Ordinance (Cap 571, Laws of Hong Kong) ("SFO"). This material has not been approved by the SFC in Hong Kong, nor has a copy of it been registered with the Registrar of Companies in Hong Kong and, must not, therefore, be issued, or possessed for the purpose of issue, to persons in Hong Kong other than (1) professional investors within the meaning of the SFO (including professional investors as defined by the Securities and Futures (Professional Investors) Rules); or (2) in circumstances which do not constitute an offer to the public for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap 32, Laws of Hong Kong) or the SFO. This material is distributed on a confidential basis and may not be reproduced in any form or transmitted to any person other than the person to whom it is addressed.

Copyright © 2026 by Lord, Abbett & Co. LLC. All rights reserved.

Lord, Abbett & Co. LLC | 30 Hudson Street, Jersey City, NJ 07302-4804 | T 1.888.522.2388 | LordAbbett.com
Copyright © 2026 by Lord, Abbett & Co. LLC/Lord Abbett Distributor LLC. All rights reserved.

ME-SEPTFED
09-26