

(UBS)

Is the Federal Reserve becoming more hawkish?

16 November 2026, 14:33 UTC16 November 2026, 2:33 pm CET, written by UBS Editorial Team

US inflation came in stronger than expected in October, reinforcing the case for Federal Reserve tightening. Headline consumer prices rose 0.4% month over month, while core prices increased 0.3%.

Three-month annualized core inflation accelerated to 3.75%, having been below 2% in August. The report increased the risk that the Fed could shift from quarterly moves to consecutive 25-basis-point rate rises. Several Fed officials also struck a more hawkish tone last week. Dallas Fed President Lorie Logan suggested the pace of tightening might need to accelerate, while Governor Christopher Waller raised the possibility of a 50-basis-point rate increase in December.

Investors will examine the Fed's October meeting minutes and upcoming speeches for signs that support for faster policy tightening is broadening. The minutes should offer more detail on how policymakers balanced persistent inflation against tighter financial and credit conditions when they left rates unchanged. Investors will also watch the latest speeches to assess whether officials continue to favor quarter-point adjustments or indicate that a quicker sequence of moves may be needed. The next UK inflation report will provide a test of whether persistent price pressures remain a broader developed market challenge. Strong readings could lift government bond yields and reinforce expectations for Bank of England tightening. Softer data would support the view that the tightening cycle could remain relatively shallow as restrictive financing conditions weigh on demand.

We continue to expect 25-basis-point Fed rate increases in December and March, although the risk of consecutive moves has grown. We do not think investors should extrapolate this into an extended hiking cycle, since higher yields and tighter financing conditions are already restraining economic activity. The repricing in bond markets over the course of this year has improved the return potential of high-quality fixed income. We favor quality short- and medium-

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maturity bonds, where elevated starting yields offer attractive income and some protection against the risk of renewed yield increases. We remain cautious on the longest maturities given wide fiscal deficits and high government bond issuance.

Original report – **Weekly Global: What to watch in the week ahead, 16 November 2026.**

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