

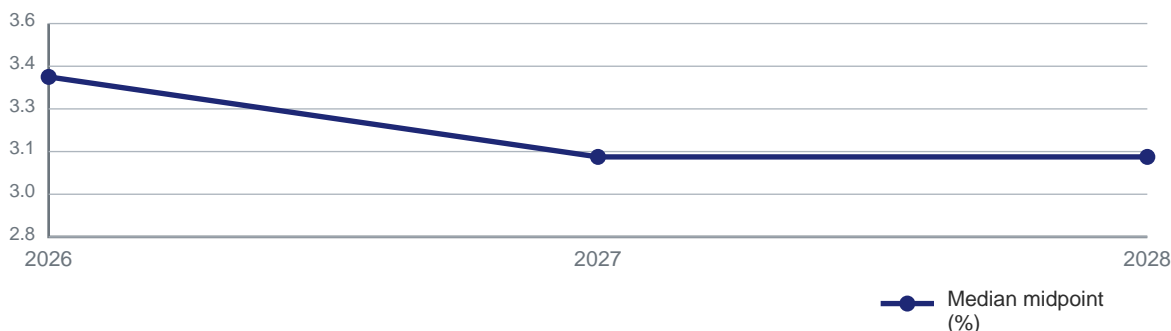
Post to March FOMC: Hold, SEP, and Portfolio Positioning

Research Team

March 28, 2026

On March 18, 2026, the Federal Open Market Committee maintained the target range for the federal funds rate at 3.5% to 3.75%, extending a pause after three quarter-point cuts in late 2025. The decision was not unanimous: Governor Stephen I. Miran dissented, preferring a 25 basis point reduction at this meeting. Alongside the statement, the Committee published an updated Summary of Economic Projections (SEP) that nudged growth and inflation forecasts higher for 2026 while leaving the median projected policy rate path broadly intact. For investors, the key question is not only what the Fed did, but how the new forecasts interact with Middle East uncertainty, labor-market softness, and market-implied rate paths through year-end.

SEP Median Federal Funds Rate (March 2026)



Source: Federal Reserve Board, Summary of Economic Projections (March 18, 2026)

Executive Summary

The March statement described economic activity as expanding at a solid pace, with job gains low and the unemployment rate little changed, and inflation still somewhat elevated. It highlighted elevated uncertainty about the outlook and noted that implications of developments in the Middle East for the U.S. economy are uncertain, while reaffirming data-dependent forward guidance. The SEP shows median real GDP growth of 2.4% in 2026 (versus 2.3% in December), median PCE inflation of 2.7% in 2026 (up from 2.4% in December), and unemployment steady at 4.4%. The median projected federal funds rate remains at 3.4% at the end of 2026, 3.1% at the end of 2027, and 3.1% over the longer run, unchanged from December for those horizons. The longer-run median federal funds rate ticked up to 3.1% from 3.0% in December. **Net-net:** policy is on hold with a dovish dissent (one member preferred an immediate cut), slightly higher inflation projections, and a committee that still envisages modest easing over the projection horizon but is in no hurry.

Key Takeaways:

- The FOMC held the federal funds target range at 3.5 to 3.75%; Governor Miran dissented in favor of a 25 bp cut, underscoring internal disagreement on the appropriate stance.
- The SEP median for the year-end 2026 policy rate remains 3.4% (midpoint), with 2027 and 2028 medians at 3.1%, consistent with gradual normalization rather than a rapid cutting cycle.
- 2026 median PCE and core PCE inflation projections rose to 2.7%, reflecting energy and uncertainty channels; median GDP growth for 2026 edged up to 2.4% from 2.3% in December.
- Forward guidance emphasizes careful assessment of incoming data, the evolving outlook, and the balance of risks, appropriate for a world where oil, geopolitics, and labor data can diverge sharply month to month.
- **Portfolio takeaway:** a hold with higher inflation forecasts tends to support shorter duration and quality in equities, keeps real-asset hedges (gold, selective commodities) relevant, and leaves room for volatility around the next inflation and employment prints.

What the Committee Said

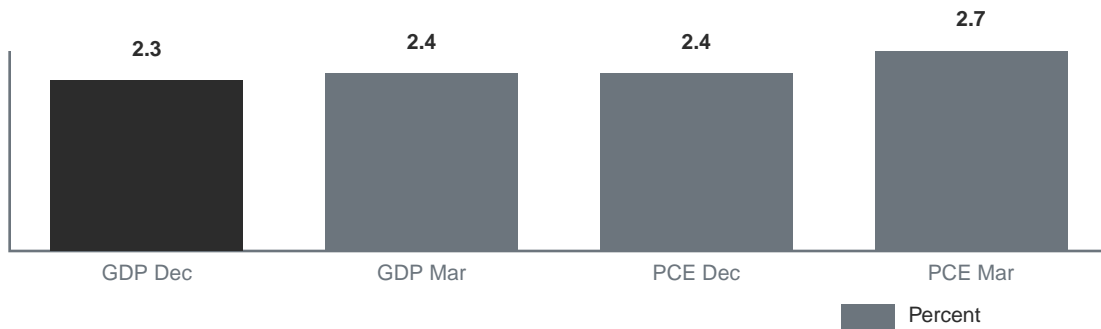
The March 18 policy statement (Federal Reserve Board, March 18, 2026) maintained the target range at 3.5% to 3.75% and repeated that, in considering additional adjustments, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. It noted that uncertainty about the economic outlook remains elevated and that the implications of developments in the Middle East for the U.S. economy are uncertain. The Committee remains attentive to risks to both sides of its dual mandate. That framing matters for markets: it validates neither pure hawkishness nor a preset cutting path; it is explicitly conditional on data and shocks.

Summary of Economic Projections: Growth, Inflation, and the Policy Path

The March 2026 SEP (Federal Reserve Board, Summary of Economic Projections, March 18, 2026) shows median year-over-year real GDP growth of 2.4% for 2026, up slightly from the December median of 2.3%. The median unemployment rate is 4.4% in 2026, the same as in December, with a gradual decline to 4.3% in 2027 and 4.2% in 2028 in the median projection. Median PCE inflation for 2026 is 2.7%, up from 2.4% in December; core PCE inflation for 2026 is also 2.7% at the median, up from 2.5% in December. These moves are consistent with a scenario in which energy and geopolitical channels add near-term price pressure even as growth remains resilient.

The median projected appropriate level of the federal funds rate is 3.4% at the end of 2026, 3.1% at the end of 2027, and 3.1% at the end of 2028, with a longer-run median of 3.1% (December longer-run median was 3.0%). The stability of the near-term median policy path alongside higher inflation projections can be read as the Committee expecting inflation to ease over time without aggressive additional cuts in the base case, though individual participants' assessments span a wide range, as reflected in the central tendency and range for the federal funds rate.

2026 Median Forecasts: March 2026 vs December 2025



Source: Federal Reserve Board, SEP (March 18, 2026)

Dissent and Debate Inside the Committee

The 11 to 1 vote, with Miran favoring an immediate 25 bp cut, signals that at least one policymaker sees sufficient labor-market cooling or financial conditions tightening to warrant easing now. Markets often focus on dissents as a leading indicator of future shifts in the median. Investors should not over-read a single dissent, but should pair it with speeches and minutes (released roughly three weeks after the meeting) to gauge whether concern about employment is broadening.

Bonds and Duration

A hold with upward revision to 2026 inflation forecasts typically supports the front end and belly over extreme long duration unless growth materially weakens. The median SEP path still implies some easing from current midpoints over time, which can limit bear steepening in the base case. Investors may prefer a barbell: short-to-intermediate Treasuries and credit for carry, with selective long duration only if data surprise dovish or risk sentiment deteriorates. TIPS may warrant attention if realized inflation prints validate the higher 2026 median.

Equities: Quality, Margins, and Rate Sensitivity

Equity markets face a mixed message: solid growth in the SEP supports earnings, but stickier inflation and a patient Fed raise the hurdle for multiple expansion in the most rate-sensitive segments. Consistent with our prior work on late-cycle quality, balance-sheet strength and pricing power remain attractive when policy is data-dependent and energy costs are uncertain. Growth equities are not uniformly impaired, but dispersion should stay high; index-level moves may understate sector rotation.

Gold, Oil, and Cross-Asset Hedging

The statement's explicit reference to Middle East uncertainty aligns with our separate analysis on oil and gold: supply and risk-premium channels can move inflation expectations independently of domestic demand. Gold can remain supported as a hedge against policy mistake and geopolitical tail risk even when nominal rates are on hold. Energy equities and inflation-sensitive sectors may outperform in brief windows when oil spikes; sustained risk-off can still favor quality and liquidity.

What to Watch Next

Key releases include monthly employment and inflation data, regional Fed surveys, and any fiscal or trade headlines that affect growth or price pressures. FOMC minutes will add color on the inflation forecast revision and the debate behind the dissent. Market pricing of the path of policy through year-end should be compared explicitly to the SEP median and range, not only to the next meeting outcome.

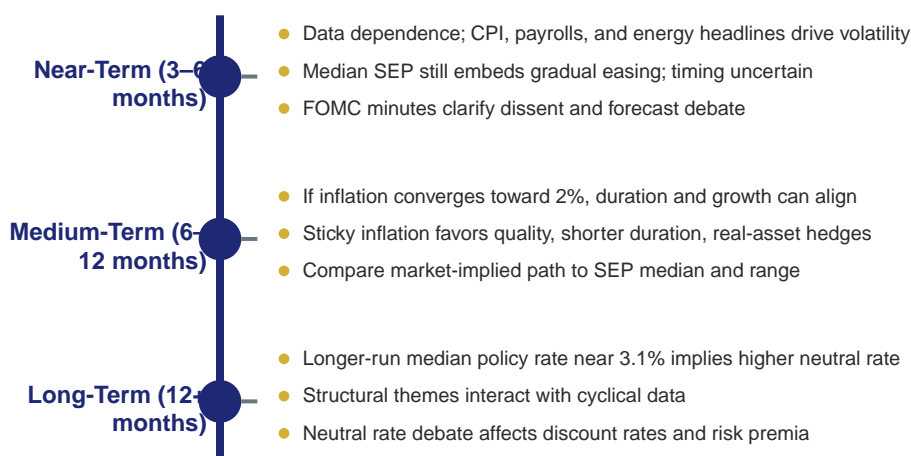
Timeline and Outlook

Near-Term Outlook (3 to 6 months): Data dependence dominates. Hold or single-cut scenarios remain plausible; volatility in rates and equities should stay elevated around CPI, payrolls, and energy headlines. The median SEP still embeds gradual easing over 2026 to 2028, but timing is uncertain.

Medium-Term Outlook (6 to 12 months): If inflation converges toward 2% on the path implied by 2027 to 2028 SEP medians, duration and growth can work together again. If inflation remains nearer 2026 projections, the Fed may slow or delay cuts, favoring quality, shorter duration, and real-asset hedges.

Long-Term Outlook (12+ months): The longer-run median policy rate near 3.1% suggests a higher neutral rate than in the pre-pandemic decade, with implications for discount rates and equity risk premia. Structural themes (fiscal stance, demographics, productivity) will interact with cyclical data.

Timeline Overview



Source: AVANTAS Research Analysis

Risk Factors

Inflation Persistence Risk: Higher 2026 inflation medians may prove accurate if energy and services remain firm, reducing the scope for cuts and pressuring long-duration assets.

Labor Market Shock Risk: A sharp deterioration in employment could shift the committee toward easing faster than the median path, steepening the curve and supporting cyclicals.

Geopolitical Risk: Escalation or de-escalation in the Middle East can move oil and risk sentiment abruptly, overwhelming domestic data for short windows.

Communication Risk: Misalignment between market-implied cuts and SEP medians can trigger sharp repricing around meetings or Chair commentary.


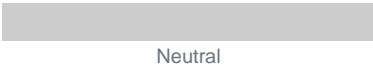

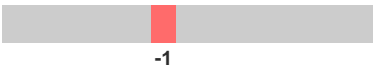
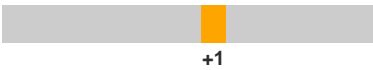
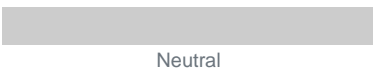

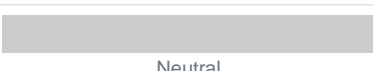
Conclusion

The March 2026 FOMC delivered a hold with a dovish dissent, higher inflation projections, and an unchanged median policy-rate path for year-end 2026. That combination argues for nimble, data-driven positioning: respect the Fed's patience, maintain quality in equities, keep duration deliberate rather than maximal, and retain hedges where oil and geopolitics can move inflation expectations independently of the labor market. The next several prints will matter more than the March decision alone.

Asset Class Impact

Rates: Neutral to modestly short duration bias; barbell rather than all-in long bonds until inflation data confirm deceleration. **Credit:** Favor IG quality; HY remains sensitive to growth and spreads. **Equities:** Quality and earnings durability preferred; rate-sensitive growth selectively on dips. **Real assets:** Gold and selective commodities remain relevant hedges. **FX:** Dollar path will hinge on relative growth and rate differentials; data surprises dominate near term.

Asset Class Impact

Asset	View	Commentary
Short / Intermediate Treasuries	 <p>+1</p>	Overweight. Barbell for carry; limit extreme duration until inflation confirms.
TIPS	 <p>Neutral</p>	Neutral. Add if realized inflation tracks the higher 2026 SEP median.
IG Credit	 <p>+1</p>	Overweight quality. Prefers stable spreads in late-cycle data dependence.
HY Credit	 <p>-1</p>	Underweight. Sensitive if growth or risk sentiment deteriorates.
Quality Equities	 <p>+1</p>	Overweight. Pricing power and balance sheets favored.
Rate-Sensitive Growth	 <p>Neutral</p>	Neutral. Selective; patient Fed caps multiple expansion for the most duration-like names.
Gold / Real Assets	 <p>+1</p>	Overweight as geopolitical and policy-uncertainty hedges.
USD	 <p>Neutral</p>	Neutral. Relative growth and rate differentials dominate.

Source: AVANTAS Research Analysis