

NEWS | CEO BRIEFING

US inflation hits 3.7%, putting a pre-election Fed hike in play

September consumer prices rose faster than expected, driven by gasoline. Traders sharply raised the odds that the Fed will hike again on 28 Oct, just six days before the US midterm elections.

By **Manasee Kurlekar** | October 15, 2026



The Iran war is now showing up in US inflation, and the Fed may have to respond before Americans vote.

US consumer prices rose 0.6% in September and 3.7% from a year earlier, the Bureau of Labor Statistics said on Wednesday. That was up from 3.4% in August and above the 3.6% economists expected.

Gasoline was the main cause. Pump prices jumped 9.1% in the month and made up more than half of the overall rise. Core inflation, which excludes food and energy, also came in hot at 2.6% against 2.5% forecast, rising 0.3% for the month.

The election complication

The report raises the stakes for the Fed's 27–28 October meeting. In September, the Fed under Chair Kevin Warsh raised rates by a quarter-point to 3.75–4.00%, its first hike since 2023, and pointed to one more this year. After Wednesday's data, CME FedWatch odds of an October move briefly jumped from about 22% to roughly 50%, then settled near a third by the evening. A December hike is now priced at about 90%.

An October hike would land six days before the 3 November midterms. Since 1990 the Fed has raised rates that close to an election only once, in November 2022. UBS's Simon Penn calls an October move “politically untenable” and expects December. Capital Economics sees October as a live option and forecasts two more increases. The Fed says it does not take the election calendar into account.

Why the world felt it

Wall Street had its worst day since July. The Nasdaq fell 1.9%, and the shock spread quickly to the most rate-sensitive part of the market, AI infrastructure. CoreWeave's bond yields neared 15%, and by Thursday Korea's KOSPI had fallen 7.6%. Higher US rates make the trillions being borrowed for data centres more expensive, and push up the dollar against emerging-market currencies.

The WBW take

The Fed is caught in a squeeze it can't fully control. Gasoline prices depend on events in the Strait of Hormuz, not on Fed policy, but core inflation is moving up too. Whether it hikes in October or December, cheap money is not coming back for AI's borrowers or anyone else soon.

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