NEWSQUAWK PRIMER: June FOMC Minutes due Wednesday, July 5th at 19:00BST/14:00EDT

MINUTES: The minutes are likely to exhibit some of the growing splits within the committee which have already been reflected in public official commentary. Given the Dot Plot, which pencils in two more hikes by year-end, it's likely a majority are leaning towards a July hike (as money markets are pricing at an 80%+ probability), although how much this is telegraphed in the minutes remains to be seen with policymakers publicly saying their decisions are data-dependent, and those looking for any guidance for September and beyond will likely be disappointed with Powell keeping all options on the table in his more recent commentary. Of course, we will be looking for any preferences expressed for the rate path, albeit Powell has been reluctant to accept publicly that they are now in an "every other meeting", suggesting that they could hike at consecutive meetings again if needed, so it appears unlikely the minutes will box policymakers into a specific strategy. The minutes will likely show at least a few participants calling for caution in further hikes with the Dot Plot showing two members who have pencilled in no more hikes at all - we know one of those is (non-voter) Bostic. We could also see some reluctance expressed to not hike at the June meeting itself, with the Dot Plot seen at the time as an appeasement for the Hawks, albeit several officials have given weight to two further hikes as a modal outcome: San Francisco Fed's Daly (typically dovish) said later in June that two more hikes this year is a very reasonable projection. However, money markets themselves are reluctant to fully bake in two more hikes with the terminal rate currently priced at 5.40% in November - note we get the key June NFP report this coming Friday and June CPI next Wednesday.

FOMC & SEP REVIEW: The Fed left rates unchanged at 5-5.25% on June 14th as expected, but crucially, ramped up its 2023 rate dot forecast by 50bps to 5.6% from 5.1% (the range of dots plotted for this year were lifted to 5.1-6.1% from 4.9-5.9%), with many expecting just a 25bps increase, firmly keeping the "skip" narrative on the table. The 2024 median dot was raised to 4.6% from 4.3%, 2025 to 3.4% from 3.1%, but the longer term 'neutral' rate was left at 2.5% (albeit the central tendency of the estimates increased to 2.5-2.8% from 2.4-2.6% amid speculation around a higher equilibrium rate regime). Driving those increases included a material increase in the real GDP 2023 forecast to 1% from 0.4% in March, with Core PCE forecast rising to 3.9% from 3.6% and the 2023 unemployment projection tumbling to 4.1% from 4.5%. In his prepared remarks, Chair Powell said the Fed had covered a lot of ground and the full effects of tightening are yet to be felt. But he caveated that by saying "nearly" all participations see further hikes as appropriate. Looking to July, Powell stressed officials would be considering all the data since they last hiked in May, which implicitly increases the likelihood of a hike given the resilient data since then and ahead of the June inflation and NFP numbers. Powell said in his Q&A that the question of speed on rate hikes is separate from the level of rates, saying the Fed is not so far away from the destination, which makes it reasonable to go slower, but noted that a 5.6% terminal rate is pretty consistent with where it was trading before the banking turmoil in March. *For a full review of the June FOMC please read our central bank weekly research piece from June 16th here.*