NEWSQUAWK PREVIEW: September FOMC Minutes due Wednesday 11th October at 19:00BST/14:00EDT

At its September meeting, the Fed voted unanimously to keep interest rates steady at 5.25- 5.50%, in line with expectations. The "dots" were revised hawkishly, and the central bank still sees a further rate hike this year, whilst for next year, it now only sees the prospect of 50bps rate cuts (vs 100bps in its previous SEP). The central bank upgraded its language about the economy, stating it's growing at a "solid" pace instead of "moderate". It also recognised that job gains have slowed recently, but are still strong. Policymakers continue to believe that inflation is high and the unemployment rate is low. In its updated economic forecasts, it raised expectations for real GDP growth in 2023 and 2024 and lowered its unemployment rate projections. Core PCE inflation is projected at 3.7% in 2023, 2.6% in 2024, and 2.3% in 2025.

During his press conference, Fed Chair Powell emphasised the central bank's cautious approach, though he noted strong economic growth and tight labour markets as risks. Powell mentioned that inflation remains above the 2% target, but has eased slightly. He said that most policymakers believe another rate hike is likely, even though markets are sceptical. Powell declined to discuss when rate cuts might happen and suggested the neutral rate may have risen in the short term, contributing to the economy's resilience.

Since the September FOMC, we have seen a large move higher in government bond yields amid surging oil prices and broader supply/demand imbalance concerns for the Treasury market, which a few Fed speakers have alluded to lately as having potential to substitute the need for additional rate hikes. Thus, debate around additional hikes in the minutes is unlikely to factor in the latest tightening of financial conditions. On the data since the FOMC, we've had several weeks of stubbornly low initial jobless claims prints, while August JOLTS job openings spiked higher, all before the September NFP headline print came in very strong (336k jobs added), all indicative of a solid jobs market with some signs of a retightening which will raise the eyebrows of policymakers. At the same time, August PCE and the average hourly earnings figures for September both came in on the soft side of expectations, providing some relief on any wage/price spiral effects (so far) in the face of resilient US growth. We get the September US CPI report the day after the release of the minutes, which will no doubt shape the policy outlook.