



Preview: FOMC Minutes due Wednesday, July 9th at 19:00BST/14:00 EDT

SUMMARY: The Minutes will be eyed to see the varied views on the economy and policy outlook that were deliberated at the June 17-18 meeting, where policy was left unchanged in a unanimous decision. There were a few language changes within the statement, so it is likely the Minutes will touch on why these changes were made. There will be particular attention on the outlook given uncertainties and a wide-ranging view of dot plots. The dot plot median was unchanged for 2025, but the composition of dots was hawkish, seeing seven members pencil in no cut this year, vs four in the March meeting, two pencilled in one cut (down from four) and eight pencilled in two cuts (down from 9), while two pencilled in three cuts (unchanged). Recent Fed Speak has primarily taken a wait-and-see approach, but the arguments for cutting by Bowman and Waller will be eyed to see if any others on the FOMC agree with them.

PRIOR MEETING: At its June meeting, the FOMC kept rates at 4.25-4.50%, as expected, with its 2025 median rate projection left unchanged at 3.9%, signalling 50bps of cuts this year. The 2026 and 2027 dots rose to 3.6% and 3.4% (from 3.4% and 3.1%). Seven members now expect no cuts this year (up from four), two see 25bps of cuts (down from four), eight foresee 50bps (down from nine), and two expect 75bps (unchanged). GDP forecasts were lowered to 1.4% for 2025 (prev. 1.7%) and 1.6% for 2026 (prev. 1.8%), while unemployment forecasts rose, except for the long run. Headline and core PCE inflation forecasts increased, with 2025-end headline inflation at 3.0% (prev. 2.7%) and 2.4% for 2026 (prev. 2.2%). The Committee said uncertainty has "diminished further but remains elevated," removing prior warnings about stagflation risks, though higher inflation and lower growth keep those risks present. At his post-meeting press conference, Fed Chair Powell largely repeated familiar remarks, saying a patient, wait-and-see approach remains appropriate. He emphasised that projections are uncertain and not a fixed plan, recommending a focus on near-term forecasts. Powell said the time will come for more confidence, but cannot specify when. Given the current labour market and falling inflation, holding rates was the right course, he said, and he expects to learn more over the summer and make better decisions after a "couple of months." Powell noted favourable inflation over the past three months but warned of upcoming tariff impacts and higher consumer costs, underscoring the need for patience. He said rates must stay high to bring inflation down fully and described policy as "modestly restrictive," similar to his May comments that policy is "modestly or moderately restrictive."

COMMENTARY: Since then, speakers have generally toed that line; however, the influential Fed Governors Waller and Bowman both suggested that July may be the time to consider adjusting the policy rate, if inflation pressures remain contained. Others, however, continue to favour a wait-and-see approach due to uncertainty ahead about the economic impact of President Trump's tariffs. Fed Chair Powell has since said that he expects tariff impact to start showing up in inflation data between June and August, which implies that if inflation comes in hot, the Fed will look to keep policy on hold until they have more clarity on whether or not that tariffs will result in a one-time price increase. A couple of the Fed suggest this will be the case, along with Trump's administration, but others are sceptical and suggest it will lead to permanent price pressures. The Fed has also indicated it can act if the labour market unexpectedly weakens, but the latest jobs report was solid.

DATA: Note, the FOMC Minutes are an account of the June 17-18 meeting, and only reflect data and information that was available to them at the time of that meeting. Nonetheless, since the FOMC meeting, May's core PCE data rose slightly above expectations, but still indicated muted inflation (the monthly rate printed +0.2% M/M vs an expected +0.1%), and while the real consumer spending fell by 0.3% (steepest decline this year), suggesting weakening demand, analysts said the data supports the view that the Fed can remain patient, with limited pressure to tighten policy further amid subdued price pressures. Additionally, stronger-than-expected jobs data for June saw markets scale back their expectations of Fed rate cuts ahead, reinforcing expectations of a prolonged hold. At the time of writing, money markets have virtually priced out any prospects of a July rate reduction, and through to the end of the year, pared pricing back to a little over two rate cuts, aligning with the Fed's median view.

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