

Preview: Federal Reserve Rate decision due Wednesday 30th July at 19:00BST/14:00EDT

SUMMARY: The FOMC is widely expected to leave rates on hold, but there may be some dissent from either Governor Waller or Governor Bowman, or both, given their recent commentary; other Fed policymakers have largely toed a patient, wait-and-see approach due to the uncertainties of the tariff impact and delayed imposition of tariffs, with new tariff rates not set to come into force until August 1st. Tariffs on China are set to come into effect on August 12th, but talks early this week are looking to extend that deadline to avoid tariffs of 145% on the US side and 125% on the Chinese side. Attention at the press conference will be on Chair Powell, to see if he offers any guidance for rates ahead, or if it may soon be time to lower rates, depending on the data, albeit the Fed has been reluctant to commit to future moves in the past, given the ongoing uncertainties around trade policies. During the Press Conference, Powell will also likely be quizzed about his future given President Trump's continuing criticisms of the Fed Chair. Powell tends to avoid these sorts of questions, usually stating that he is focused on the Fed's mandate. Note, the press conference may also see Powell quizzed on the accuracy of recent data, with an increasing number of economists worried about the accuracy and whether it could distort Fed policy.

EXPECTATIONS: The Federal Reserve is widely expected to keep rates on hold in July, with the latest Reuters Poll finding all 105 economists surveyed looking for this outcome. Money markets are also largely pricing in a hold, with just a 3% probability of a 25bps rate cut. With a hold largely expected, and hinted at in recent commentary, attention will turn to any potential dissent, given that both Governors Waller and Bowman have previously argued for a rate cut as soon as the July meeting. Looking ahead, economists are more split, with 56 of 105 economists surveyed expecting a rate cut in September (at the time of writing, money markets price in approximately 17bps of easing, which implies a 68% probability of a 25bps rate cut). The Fed has been reluctant to commit to future moves, but it would be key if they gave some guidance for the September confab, or if Powell alluded to such a move; still, Morgan Stanley highlights that he will likely state it is a long time until September, with plenty of data due between now and September 17th.

RECENT DATA: Inflation data has recently been benign with little evidence of inflation skyrocketing higher in the face of tariffs, albeit the June data did show the start of the impact, with goods inflation rising 0.7%. There is still uncertainty ahead regarding the impact of tariffs on inflation, with some fearing it will have a permanent impact, but the doves argue that it will be a one-time increase. However, Trump's scattered tariff approach only pushes back the time until the Fed will have a clearer understanding of the inflation impacts from trade policies – Goolsbee, for instance, has said it could delay rate cuts. The labour market has been "solid," with no signs of a sharp deterioration, though the latest Beige Book noted that reports of layoffs were more common among manufacturers, but limited in other sectors (more below). Something to be aware of in the Q&A is that Powell may be quizzed about the accuracy of US data. A recent Reuters poll found that 89 out of 100 economists polled by Reuters were concerned about the quality of official US economic data, with 41 saying they are very concerned. Meanwhile, 71 of the 87 surveyed believe the US authorities are not treating challenges of economic data accuracy with sufficient urgency, with 66 stating that they are worried about the impact of US statistics quality on Federal Reserve policy-making.

RECENT COMMENTARY: The majority of the Fed continues to favour a wait-and-see approach, but a minority (Waller and Bowman) have suggested they are open to a rate cut in July. Looking ahead, some have indicated they would be more prepared to cut in September, providing inflation remains benign. Some have also indicated that it can cut and then hold to see how the impacts of tariffs play out. Goolsbee has made the argument that Trump's latest tariff threats could delay the Fed's resumption of rate reductions as the Fed still will not have a clear picture until August, and then tariffs would need to work their way through the economy. A July rate cut seems unlikely based on recent commentary, and although Waller has not committed to such a move, as he will debate views with others at the meeting, he said he does not think he could be clearer on his rate position, and exclaimed that when dissenting, it is best not to be a serial dissenter. There has been a range of views on the expected tariff impact; the doves like Waller expect a one-time price increase, but others suggest there could be a more permanent impact. Note, the majority of the Fed continues to echo that they will wait for the data and if inflation pressures pick up, they can hold for longer as long as the labour market remains robust. They also note they can cut quicker if needed if inflation falls faster than expected, or if there is an unexpected weakening in the labour market.

BEIGE BOOK: The Fed Beige Book, based on information collected on or before July 7, 2025, saw economic activity increase slightly from late May through early July. Five Districts reported slight or modest gains, five had flat activity, and the remaining two Districts noted modest declines in activity, an improvement from the prior report. Employment increased very slightly overall, with one District noting modest increases, six reporting slight increases, three no change, and two noting slight declines. Although reports of layoffs were limited in all industries, they were somewhat more common among manufacturers. Looking ahead, many contacts expected to postpone major hiring and layoff decisions until the uncertainty diminished. Prices increased across Districts, with seven characterising price growth as moderate and five characterising it as modest, mostly similar to the previous report. In all twelve Districts, businesses reported experiencing modest to pronounced input cost pressures related to tariffs, especially for raw materials used in manufacturing and construction. It also reported that many firms passed on at least a portion of cost increases to consumers through price hikes or surcharges, although some held off raising prices because of customers' growing price sensitivity, resulting in compressed profit margins. Contacts in a wide range of industries expect cost pressures to remain elevated in the coming months, increasing the likelihood that consumer prices will start to rise more rapidly by late summer. [For a full summary and more commentary, please click here.](#)

POWELL V TRUMP: Some of the Q&A will likely focus on US President Trump's criticism of Powell, and his lack of willingness to lower rates, although after a meeting last week, Trump said he had the impression that Powell may be ready to lower rates. Given many on the Fed, including Powell, have signalled a wait-and-see approach, and a dedication to central bank independence, a July

cut remains unlikely. Powell's term as Chair is set to expire at the end of May 2026, but his term as a Fed Governor does not expire until February 2028, opening up the possibility of him remaining on. Some have argued it would be good for Fed independence if Powell were to remain on as a Governor, despite Fed Chairs traditionally stepping down once their term as Chair is up. Note, whenever Powell is questioned about the future of his role, he avoids the question and states he is focusing on the current job at hand. Leading candidates to replace Powell are said to include former Fed Governor Kevin Warsh (who recently heavily criticised the Fed, and argued that rates should be lower), Governor Waller, as well as White House Advisor Hasset and Treasury Secretary Bessent.

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