MNI Fed Preview: July 2025

MNI's separate preview of sell-side analyst summaries to follow on Monday Jul 28

Meeting Dates: Tue-Wed, Jul 29-30
Decision/Statement: Wed Jul 30 at 1400ET / 1900UK
Press Conference/Q&A: Wed Jul 30 at 1430ET / 1930UK
Minutes: Wed Aug 20

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- Dot Plot/Econ Projections
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- MNI Instant Answers / Central Bank Data Watch
- Key FOMC Communications
- MNI Policy Team Insights

Links (likely URLs based on previous meetings):

Statement: https://www.federalreserve.gov/newsevents/pressreleases/monetary20250730a.htm
Implement. note: https://www.federalreserve.gov/newsevents/pressreleases/monetary20250730a1.htm
Press Conference: https://www.federalreserve.gov/monetarypolicy/fomcpresconf20250730.htm
MNI Review of Previous FOMC (June - link)

MNI POV (Point Of View): Dividing Lines

By Tim Cooper
Jul 25, 2025

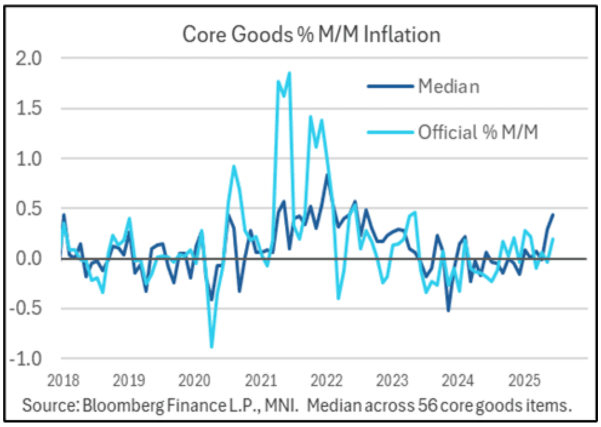
- With the Fed almost certain to hold the funds rate at 4.25-4.50% again at the July 29-30 meeting, focus will be on the degree to which the Committee signals openness to rate cuts resuming in the fall.
- The policy statement is unlikely to see meaningful changes, though Governor Waller and Vice Chair Bowman are widely expected to dissent in favor of a rate cut.
- The message from July is likely to look similar to that of June: a fairly divided Committee retains its overall easing bias but individual participants need varying degrees of certainty before supporting a resumption of the easing cycle.
- Chair Powell is likely to repeat many of his messages from the prior meeting, noting that the Committee's median expectation is for two cuts by year-end albeit dependent on the data in the interim.
- He is likely to point out that the Committee will see two inflation and employment reports by the next meeting in September, with more clarity on the impact of tariffs on consumer prices and activity, and potentially less uncertainty over the policy outlook.
- In other words, the patient approach remains, but the September meeting will the most "live" so far this year.
- Apart from the current thinking on a September cut, areas of interest for the press conference include whether the Committee's view on neutral rates has shifted, and whether Fed balance sheet management was discussed.

The July 2025 FOMC meeting decision is largely a foregone conclusion (97% futures-implied probability of a hold), but the lack of unanimity will be a key theme as the Committee digests the data and developments over the preceding 6 weeks.

- **First and foremost, this meeting is likely to be remembered for a historic dissent:** Gov Waller and Vice Chair Bowman are expected to be the first pair of Board members to dissent to a rate decision since 1993. More broadly, while the median Committee member saw two 2025 cuts as of the June meeting, this is a fairly divided committee (7 of 19 members saw no cuts this year, through to 2 members eyeing three cuts in last month's projections).

- **Such differences of opinion are perhaps to be expected given significant policy uncertainty.** To be sure, participants unanimously see the next move in rates as being lower. But the majority of the Committee remains concerned about the upward impact of tariffs on inflation and the downward impact on employment. The divide comes down to individuals' interpretations of the signal from incoming data, and expectations for the tariff impact yet to come.

- Later in this report we analyze the key FedSpeak since the June meeting (see **Key FOMC Communications**), including our educated guesses as to which participants see the most easing through end-2026. Fed communications since the June FOMC meeting have been largely cautious on the inflation outlook, with little enthusiasm to resume easing until at least September if not beyond given prevailing uncertainty.



Source: Bloomberg Finance L.P., MNI. Median across 56 core goods items.

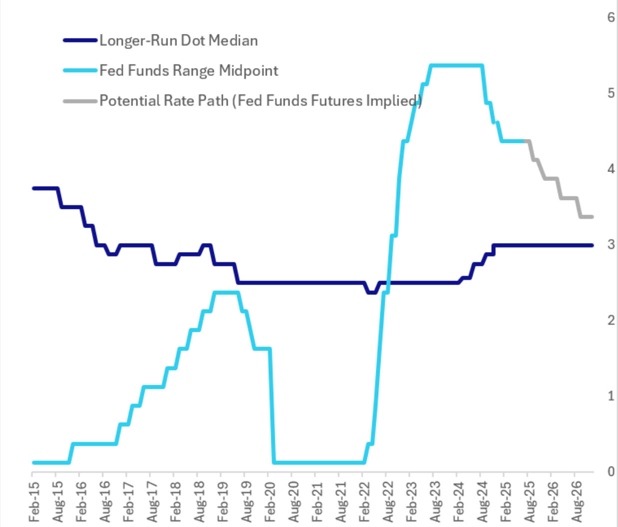
- This has reinforced what we saw in the June meeting minutes, in which "a few" participants thought tariffs would have a one-off impact on inflation, but this was very much a minority view: "most participants noted the risk that tariffs could have more persistent effects on inflation, and some highlighted the fact that such persistence could also affect inflation expectations." The Dot Plot and the minutes from the June meeting captured the narrative that we expect to be repeated in July: a fairly divided Committee retains its overall easing bias but individual participants need varying degrees of certainty before supporting a resumption of the easing cycle.

- **Making such determinations will first and foremost come down to the data, and on this front, evidence has not been conclusive so far** (see **Macro Developments Since Previous FOMC Meeting**). There has only been one round of nonfarm payrolls and CPI/PPI reports since the last meeting, with a surprisingly resilient payrolls report before a mixed but net hawkish set of inflation data. We read the June inflation data as showing fairly clear evidence that tariffs are starting to be passed through, though we've read some arguments that incoming data is relatively benign, including that services inflation is contained. And of course, the key argument for easing in this environment is that the labor market, as Gov Waller put it, is "on the edge", and that the rising prices will prove to be a one-off.

- **Against this backdrop, Chair Powell's press conference will be the most closely-watched element of the meeting.** Powell is likely to repeat many of his messages from the prior meeting, noting that the Committee's median expectation is for two cuts by year-end albeit dependent on the data in the interim.

- **We think Powell has remained relatively open-minded on the rate path**, saying of a July cut "I really can't say - it's going to depend on the data. And we are going meeting by meeting. I mentioned, you know, how I'm thinking about that, but I wouldn't take any meeting off the table or put it directly on the table, it's going to depend on how the data evolve."

- **He will remind that there will be two payrolls and inflation reports for the Fed to analyze ahead of its refreshed SEP with the September FOMC meeting.** Additionally, with incoming jobs data solid enough, Committee members will have the benefit of time to see whether inflation fears materialize. The July Beige Book appeared to reinforce the idea that upward tariff-driven inflationary pressures were only likely to mount in the summer: "Contacts in a wide range of industries expected cost pressures to remain elevated in the coming months, increasing the likelihood that consumer prices will start to rise more rapidly by late summer."



Source: Federal Reserve, MNI. Longer-run median extrapolated for effect

- **That said, we think that data that is reasonably in-line with what we have seen so far in the tariff episode would be enough to bring the Committee to ease in September.** Powell himself said that "we went on hold when we saw the size of the tariffs and essentially all inflation forecasts for the United States went up materially as a consequence of the tariffs," suggesting that rates would already have been cut absent tariffs, and the door is open to a cut barring a material tariff impact. Importantly, a majority of participants appear open-minded to the argument that tariff inflation will prove transitory, even if they require more certainty in the data and broader developments before supporting a cut.

- For example, San Francisco Fed President Daly confirmed at an MNI event that she sees two cuts by year-end, sounding increasingly unconcerned about the tariff impact on inflation and saying that she doesn't want to get "behind" in adjusting the policy rate (a concern that Waller raised in his essay arguing for a July cut).

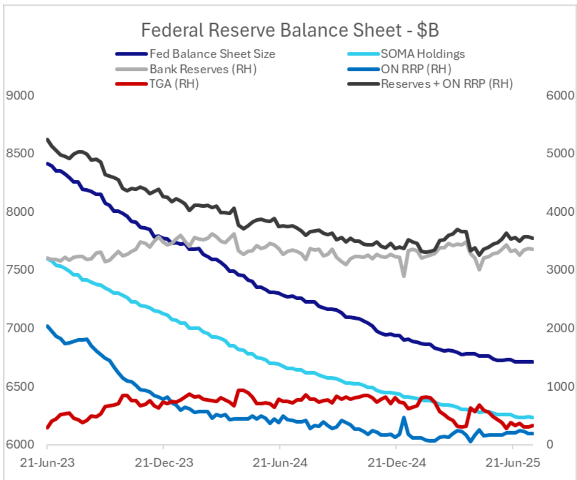
- **We expect Powell to be asked about what the threshold for a September rate cut is**, and in particular whether he extends his timeline for tariff passthrough evidence from his previous comment "we should start to see this over the summer, in the June numbers, and in the July numbers. And if we don't... it may turn out that the pass through is less or more than we think." So far, the "effective" tariff rate has only risen slowly through June toward its final level (perhaps 9-10% vs 17-18% or higher), potentially meaning the impact can only be assessed later in the year.

- **Additionally, we hope to hear about whether the latest tariff wrangling affects the outlook,** including the imminent raising of sectoral tariffs and / or the conclusion of multiple trade "deals" by August 1. For example, Chicago's Goolsbee said that the latest round of tariff announcements (including 50% on copper imports) could push back further the Fed's resumption of easing.

- **We probably will hear Powell push back a little bit against Waller's characterization of the labor market as being at increasing risk,** as well as Waller's concerns that the Fed risks falling behind the curve on easing. Powell said in June "it's a good economy and a solid economy with decent growth", while in the labor market "conditions have remained solid", and it would be surprise if he didn't repeat similar this time.

- Two additional areas that could be interesting to hear from Powell about also involve Waller's inter-meeting commentary. First is on neutral rates. Waller argued that policy rates 125-150bp above the 3.0% longer-run median mean policy is not only "modestly" restrictive, but we took note that the latest Fed minutes cited "several participants commented that the current target range for the federal funds rate may not be far above its neutral level" – that compares to January's minutes when only "a few" said the same thing. This shift in language could suggest that participants may be eyeing a slightly higher end-point than they had previously.

- The second is on balance sheet policy, which Waller gave a speech on in July. Powell could be asked whether the FOMC discussed contingencies on how to deal with a rundown of reserves in the coming months now that the federal debt limit has been raised allowing the Treasury to rapidly rebuild its cash pile (at the expense of reserves).



Source: Federal Reserve, MNI

- And while we expect multiple questions on the topic of political interference with Fed policy – we don't expect Powell to deliver anything but a terse response similar to those we've heard before about politics not entering the FOMC's thinking on policymaking.

Market Pricing: Market-implied rate cut expectations have gotten a little more subdued since the June meeting. Chances of a July cut have gone from slim (16%) to none (<3%), while fewer than two rate cuts are now implied (45bp vs 52bp).

Meeting	Current FF Implieds (%), LH	Cumulative Change From Current Rate (bp)	Incremental Chg (bp)	Post-June FOMC (Jun 18)	Chg Since Then (bp)
Jul 30 2025	4.32	-0.7	-0.7	4.29	3.5
Sep 17 2025	4.16	-16.7	-16.0	4.13	3.8
Oct 29 2025	4.05	-28.2	-11.5	3.99	6.0
Dec 10 2025	3.89	-44.5	-16.3	3.82	7.0
Jan 28 2026	3.80	-52.7	-8.2	3.73	7.8
Mar 18 2026	3.68	-65.4	-12.7	3.61	6.8
Apr 29 2026	3.60	-72.8	-7.4	3.54	6.4
Jun 17 2026	3.47	-86.5	-13.7	3.42	4.5

Statement: Dissents In Focus

(Link to June FOMC statement)

Going paragraph by paragraph through the previous (June) statement in italics:

Although swings in net exports have affected the data, recent indicators suggest that economic activity has continued to expand at a solid pace. The unemployment rate remains low, and labor market conditions remain solid. Inflation remains somewhat elevated.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. Uncertainty about the economic outlook has diminished but remains elevated. The Committee is attentive to the risks to both sides of its dual mandate.

- The opening paragraph of the Statement is often changed to reflect incoming data since the prior meeting, and July's could clean up the language slightly.
- The clarification re swings in net exports could be removed. We get the first reading of Q2 GDP the morning of the Fed decision so the Committee might simply prefer to keep it in to signal that it doesn't regard the likely bounce in Q/Q GDP growth vs Q1 as noteworthy – instead keeping the focus on domestic final demand and the broader suite of indicators.
- In this regard the economy has continued to expand at a "solid" pace, though we wouldn't be surprised if this were modified somewhat to reflect slightly softer monthly activity in areas such as housing and consumption.
- The Statement is very likely to keep the description of labor market conditions as "solid", and inflation as "somewhat elevated", though a change to either would probably be a dovish tilt.
- The second paragraph will likely remove the reference to how uncertainty about the outlook "has diminished" but the rest of the language should remain intact, given how frequently Committee members used the term "uncertainty" in describing the current state of play.
- The language around risks to both sides of the dual mandate should remain absent clearer evidence to the contrary in the data.

In support of its goals, the Committee decided to maintain the target range for the federal funds rate at 4-1/4 to 4-1/2 percent. In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.

- Along with the expected rate hold, there's no need to change forward rate guidance ("in considering the extent and timing of additional adjustments…").

In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.

- This meeting is likely to have at least one and possibly two dissents: Vice Chair Bowman and Gov Waller have each expressed support for cuts to resume at this meeting.
- It could be taken as a hawkish surprise if there are no dissents, and perhaps even if there is just one dissent (Bowman the more likely to vote with the majority in our view). Likewise a third dissent in favor of a cut would be a major dovish surprise.
- MNI's Instant Answers questions for the meeting center on how many dissents emerge.
- **In the Implementation Note,** no changes to the administered rates are expected.

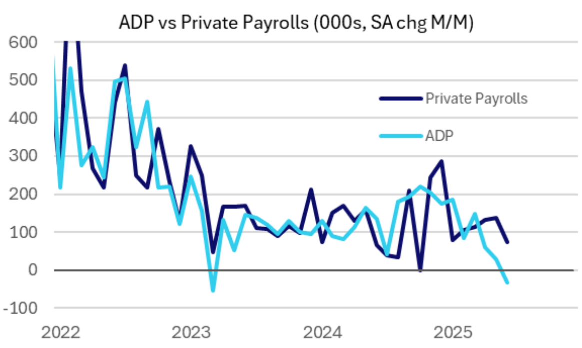
Macro Developments Since The June 17-18 FOMC Decision

By Chris Harrison

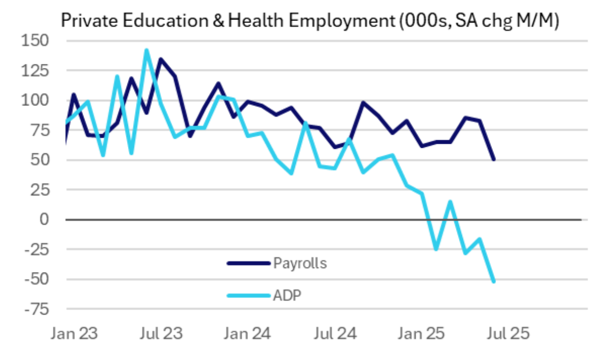
There has only been one round of nonfarm payrolls and CPI/PPI reports since the last meeting, with a surprisingly resilient payrolls report for June before a mixed but net hawkish set of inflation data for June. Q2 GDP growth tracking has shifted from 3-4% annualized at the time of the last meeting to 2.4% heading into next week's advance release on the day of the FOMC decision. With the next payrolls report landing just two days after the upcoming FOMC decision, there will be two payrolls and inflation reports for the Fed to analyze ahead of its refreshed SEP with the September FOMC meeting.

A Solid Payrolls Report Albeit With Private Sector Sluggishness, Surprisingly Low U/E Rate

The payrolls report for June beat expectations for a second month running and was further boosted by small upward revisions after a string of large downward revisions. The 147k seasonally adjusted increase in June may be modest by standards of recent years but it was an impressive reading against a backdrop of heavily reduced immigration flows – long-run breakeven estimates are around the 100k mark. It was far from an unanimously strong report though as private payrolls growth underwhelmed at 74k along with a small downward revision. The gap between the two came as government job creation surprisingly surged by its most since March 2024 led by state & local education roles. We suspect this is a seasonal adjustment quirk but won't have confirmation until next month. Private sector payrolls growth meanwhile remains heavily reliant on the large, and cyclically insensitive, health & social assistance category, adding 59k of the 74k in June. Looking on a more granular basis, roughly as many of the 250 private industries saw an increase in payrolls in June as those that saw decreases – it was last materially weaker early in the pandemic or 2008-10. It's also worth noting that alternate private sector measures of employment such as the ADP report are tracking weaker, with a rare outright decline in June. There remains a hard-to-explain wedge between education & health employment metrics within the BLS nonfarm payrolls and ADP surveys.



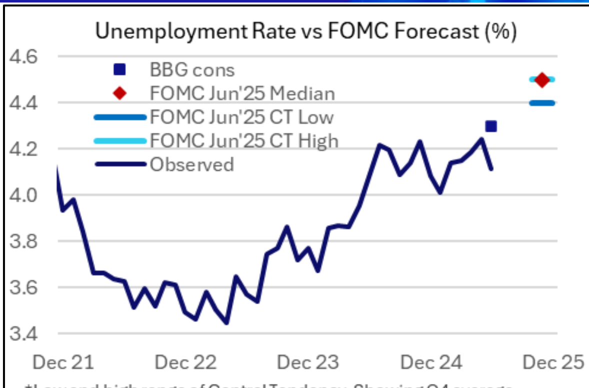
Source: ADP, BLS, MNI.



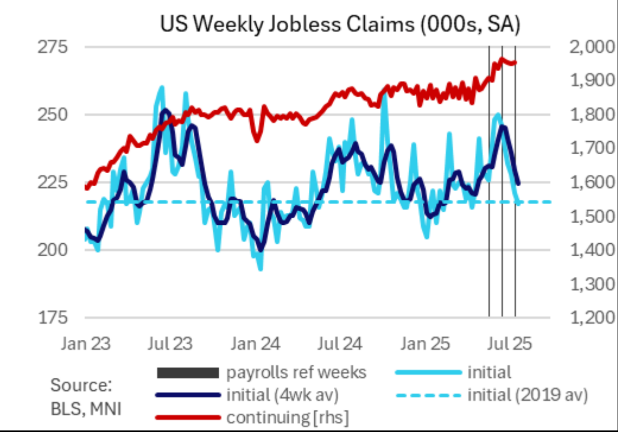
Source: ADP, BLS, MNI.

The household survey was healthier than expected on most fronts, with the key exception being a continued decline in the size of the labor force and participation suggesting diminishing labor supply. Most notably, the unemployment rate surprised lower at 4.12% (cons 4.3) in June after 4.24% in May and four consecutive increases. In doing so, it continued what has largely been a stabilization in the unemployment rate within a 4.0-4.25% range since July 2024 after what had been a quick increase in 1H24. It suggests a faster-than-expected deterioration will be required for the final 6 months of the year to reach the FOMC's June Q4 median projection of 4.5%, projection that was marked a tenth higher. The participation rate fell to a 31-month low of 62.28% whilst the employment-to-population ratio fell to a 41-month low of 59.71%. However, downard pressure on the labor force is coming from retirements and 16-24 year olds, with prime age participation increasing.

As for higher frequency labor indicators, weekly jobless claims data have also improved recently and taken the string out of what had started to be a more worrying increase in May and June. In particular, the four-week average of initial claims has eased back to 225k from a recent high of 246k whilst the latest single week is back at its 2019 average. Continuing claims meanwhile haven't seen a recovery but at least have consolidated rather than extended a recent increase to fresh highs since late 2021. The combination of these claims data continue to point to a 'low firing, low hiring" labor market although we think further close attention on continuing claims is warranted.



*Low and high range of Central Tendency. Showing Q4 average
Source: BLS, Federal Reserve, MNI



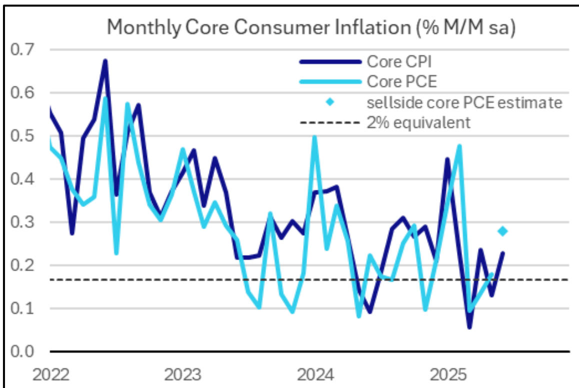
Source: BLS, MNI

Tariffs Starting To Show In Consumer Prices Although Producer Prices Surprisingly Soft

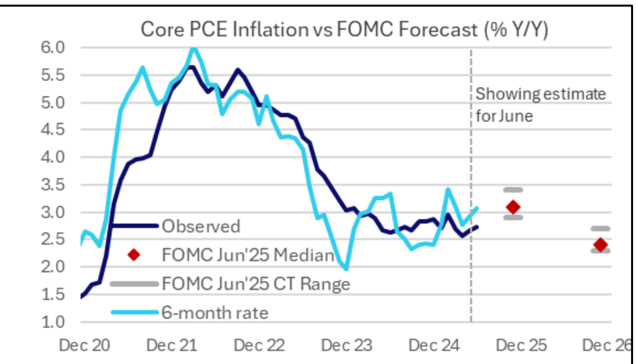
The June CPI report was mixed but ultimately showed signs of tariffs starting to have a larger impact on underlying details. Core CPI was marginally softer than expected at 0.23% M/M (the median of unrounded estimates we'd seen ahead of the release was 0.24) whilst headline CPI was stronger at 0.29% M/M (median 0.25). Core goods inflation was about as expected at 0.20% M/M (vs 0.19% MNI median) as it accelerated after a weak -0.04% M/M in May whilst core services was slightly on the light side (0.25% M/M vs 0.27% MNI median). Core goods items have been receiving greater than usual focus as markets assess the speed and magnitude of tariff passthrough to consumer prices. On this front, we found it notable that our calculation of the median of 56 core goods items accelerated further to 0.44% M/M in June after 0.29% in May for its fastest since Aug 2022. For context, this median averaged 0.32% in 2021 and 0.39% in 2022 and peaked at 0.84% in Jan 2022, so there has been a marked acceleration in underlying core goods prices. Going against this on the month were some sizeable declines in heavily-weighted components such as used cars (-0.67% M/M) and new cars (-0.3% M/M). Looking more broadly, Regional Fed banks' estimates of sticky/median Y/Y CPI rates appear to have bottomed in the spring, at least for now, at levels above pre-pandemic averages.

The June PPI report followed a day later and was roundly softer than expected - and certainly than feared given the context of rising tariffs - despite some upward revisions to prior. While core goods prices did indeed advance, and there continued to be problematic readings in categories such as durable goods, the rise was consistent with the increases seen over the last 6 months rather than a sudden surge. As for specific readthrough to core PCE, our rough proxy of key components pointed to a roughly neutral contribution, or very slightly more positive than in May if you squint along with a mild upward revision to May.

Putting these together, tracking of average analysts estimate for core PCE shifted from roughly 0.25% M/M ahead of CPI to 0.31% M/M after CPI, 0.29% M/M after PPI and perhaps 0.28% M/M after import prices judging by limited estimates. That tracking was borne out in the market reaction across the releases, with a modestly net hawkish change in the Fed rate path. A 0.28% M/M increase in June after 0.18% M/M in May (not showing a possible 1-2bp upward revision here) would see a second monthly increase to 2.74% Y/Y whilst the six-month rate would firm to 3.1% annualized for a six consecutive month above the Y/Y. As the chart below shows, core PCE inflation has stabilized around the 2.6-2.8% Y/Y rate for over year now, including a recent low of 2.58% in April, as it has struggled to fully return to the 2% inflation target. The expected six-month run rate for June happens to match the 3.1% Y/Y that the median FOMC member now forecasts for 4Q25, having revised higher from 2.8% in the March round.



Source: BEA, BLS, MNI. Average of unrounded sellside estimates

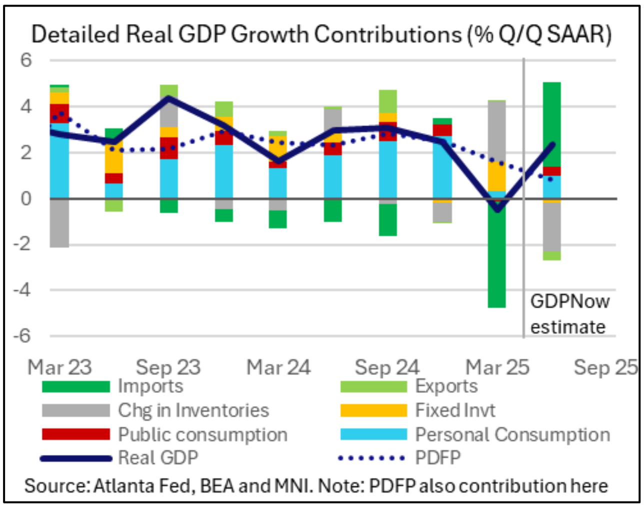


*Low and high range of Central Tendency, showing Q4 Y/Y.
Source: BEA, Federal Reserve, MNI

To help contextualise the potential extent of tariff-driven price increases, Treasury deposits from customs and certain excise duties have increased by an equivalent of 1.2% of total (not core) personal consumption expenditure. Alternatively, that's worth 10% of imports whereas the effective tariff rate could increase to 16-17% with more penal tariffs slated for Aug 1, implying at least half as much again could be in the pipeline. Of course, actual passthrough into consumer prices depends on the burden sharing between consumers, businesses and importers.

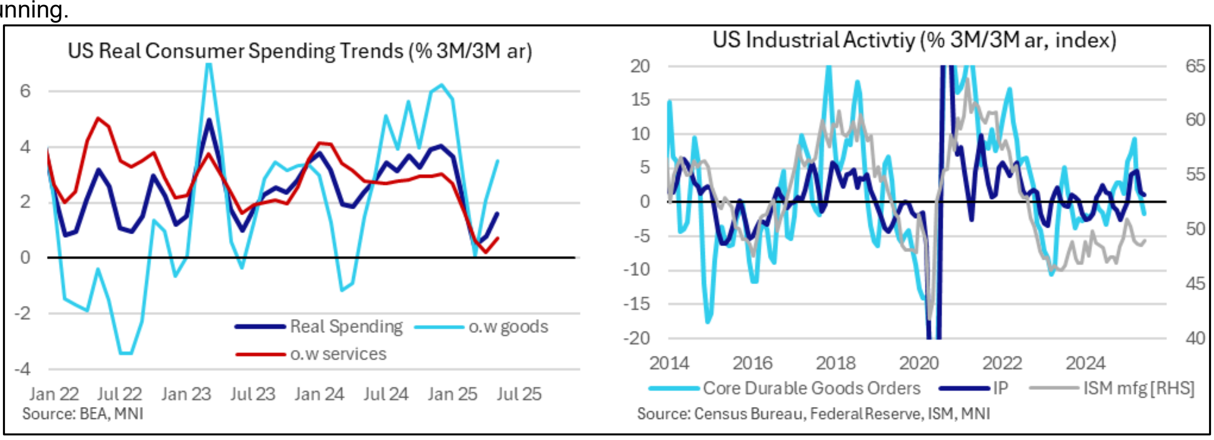
Q2 GDP Bounce Looks Increasingly Less Impressive

Q1 national account revisions saw another trimming in consumer spending, going further against the narrative that the Fed expected to play out. Rather than being revised higher as Powell suggested in the May FOMC press conference, personal consumption has been cut from 1.8% in the advance release to 1.2% in the second (avaiable with the June FOMC) and 0.5% in the final release in late June. It was partly offset by a less heavily negative net trade contribution (a still massive -4.6pp) but real GDP growth was revised lower to -0.5% annualized. That abrupt slowdown in GDP growth from 2.4% in Q4 was expected to be followed by a bounce in Q2, with real GDP tracking solidly in the 3-4% range in the lead up to the June FOMC meeting although this has faded to 2.4% in the latest Atlanta Fed GDPNow estimate. That's ahead of the official advance release for Q2 on Jul 30.



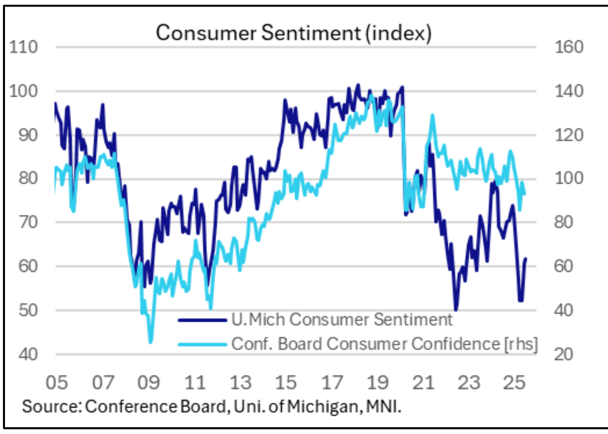
Net exports remain a key driver in Q2 tracking, seen adding 3.3pp after that -4.6pp in Q1, whilst on the flip side changes in inventories are expected to drag -2.1pp after +2.6pp. Private consumption is looking weak, tracking at 1.0pp after 0.3pp in Q1. The latter stems from some tepid monthly consumer data, with May's report much weaker than expected. While underlying personal income growth remains solid, services spending remains worryingly weak and the pre-tariff pulling forward of goods demand showed its inevitable reversal in May. In particular, real consumer spending fell -0.3% M/M in May (0.0% expected, 0.1% prior). The household savings rate fell from 4.9% to 4.5% although has been above 4% for four consecutive months. This higher level could reflect a lack of consumer confidence amid policy uncertainty, suggesting that consumers have some resources with which to make purchases if confidence returns, though we always take this volatile and often heavily-revised data series with some skepticism. The subsequent retail sales report for June did however surprise stronger, rising a nominal 0.6% (consensus 0.1) in a partial recovery after the -0.9% M/M in May. The control group meanwhile accelerated to a nominal 0.5% M/M after a downward revised 0.2% M/M, with large divergence between in recent months stemming from swings in auto sales.

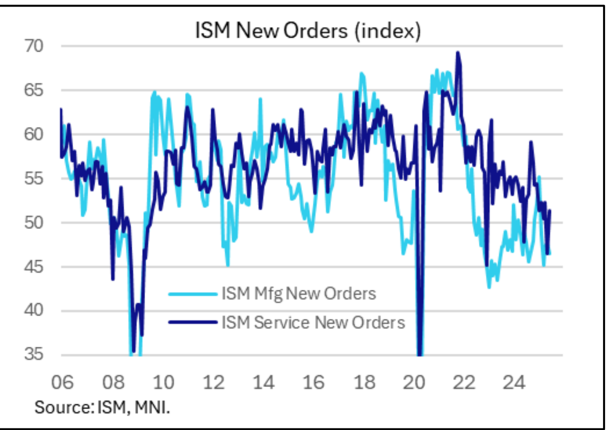
On the business side, industrial production accelerated in June with a 0.3% M/M increase after 0.0% although it was boosted by the volatile utilities sector whilst manufacturing production only increased 0.1% M/M after 0.3%. The 3M/3M trend rate has slowed to 1.1% annualized or 2.1% for manufacturing, the slowest since February in a clear sign that tariff front-running effects have dissipated. Core durable goods orders have also eased to -1.7% annualized in Q2 after a booming 9.2% in Q1 on tariff front-running.



Housing is worth a mention, an area where activity continues to struggle and is being used by President Trump to repeatedly criticize Fed Chair Powell and increasingly the broader Fed Board. Construction data have been soft whilst existing home sales fell more than expected in June to a nine-month low, a level that's about 25% below the level of sales pre-pandemic (2019) and 40% below that seen at the height of the pandemic frenzy in 2020-21. The lack of activity hasn't dampened selling prices though: median prices rose 2.0% Y/Y. It saw an all-time (nominal) high of $435.3k in non-seasonally adjusted terms - while June tends to bring the highest prices of the year, the Y/Y change reflects continued price resilience. That said, relative supply increased further – 4.7 months of supply was the highest since 2016 – and there are similar findings in new home inventories. Amid continued affordability issues with mortgage rates high, it's likely that downside pressures on prices will increase. Against this backdrop, residential investment is likely to remain moribund through the rest of 2025.

In some of the key soft indicators, consumer confidence holds a rebounded off post-tariff announcement lows but remains depressed historically. On the business side, the ISM Manufacturing survey improved a little more than expected in June, rising to 49.0 (48.8 expected, 48.5 prior) for the first increase in 4 months albeit still in contractionary territory amid heightened trade policy uncertainty. A rebuilding of inventories as well as stronger production led the increase. The ISM Services report for June was mixed at 50.8 (50.5 expected, 49.9 prior). Prices, activity and new orders stabilized after a worrying May, but employment and order backlogs were notably soft as inventories continued to grow. Tariffs continued to cast a shadow over the survey, with anecdotes appearing more wary of the demand outlook than suggested by the improvement in the major aggregates. With signs of labor market weakness still keenly watched for, the biggest point of weakness was in employment: the index fell 3.5 points to 47.2, more than the expected 1.2 point deterioration and the third month in four in contractionary territory. Flash July PMIs meanwhile were mixed, with manufacturing surprising with its lowest since December and back in contractionary territory whilst services surprisingly increased to the highest since December. Tariffs were reported as being “increasingly passed through to consumers” resulting in prices charged inflation for goods & services among the largest seen over the past three years.





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All Signal, No Noise

MARKET ANALYSIS

MNI Instant Answers:

The questions that we have selected for this meeting are:

- Federal Funds Rate Range Maximum
- Number of dissenters
- Number of dissenters preferring a rate cut
- Number of dissenters preferring a 50bp cut

The markets team has selected a subsection of questions we think could be most market moving and will publish the answer to all of these questions within a few seconds of the Fed statement being released.

mni Central Bank Watch - FED

MNI FED Data Watch List

Inflation		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
CPI	% y/y	2.7	2.4	↑	2.9	↓					-0.66
PCE Deflator	% y/y	2.3	2.7	↓	2.5	↓					-0.74
UoM 1-Yr Inflation Exp	% y/y	4.4	6.5	↓	3.3	↑					-0.25
Inflation Swap 5y/5y	%	2.54	2.43	↑	2.48	↑					0.45
Economic Activity		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
ISM	Index	49.0	49.0	→	49.2	↓					0.62
Industrial Production	% m/m	0.33	-0.26	↑	1.07	↓					0.21
Factory Orders	% m/m	8.2	0.5	↑	-0.3	↑					2.04
Housing Starts	K	1321	1355	↓	1514	↓					-0.60
Monetary Analysis		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Corporate Spreads BBB/Baa	bps	1.03	1.22	↓	1.03	→					-1.04
Chicago Fed Financial Con	Index	-0.55	-0.41	↓	-0.49	↓					-1.00
Consumer Credit Net Chg	$bn	5.1	-1.3	↑	-6.8	↑					-0.33
New Home Sales	K	627	660	↓	718	↓					-1.08
Consumer / Labour Market		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Retail Sales	% m/m	0.6	1.5	↓	0.8	↓					0.56
Consumer Confidence	Index	93.0	93.9	↓	109.5	↓					-0.75
Nonfarm Payrolls Net Chg	K	147	120	↑	323	↓					-0.30
Average Hourly Earnings	% y/y	3.7	3.9	↓	4.0	↓					-1.32
Markets		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Equity Market	Index	6378	5612	↑	5882	↑					1.47
US 10-Year Yield	%	4.41	4.21	↑	4.57	↓					-0.49
US Yield Curve (2s-10s)	bps	48.9	32.2	↑	32.7	↑					0.89
USD TWI	Index	120.77	126.49	↓	127.81	↓					-1.70

Source: MNI, Bloomberg

(***Updated Jul 25, 2025***)

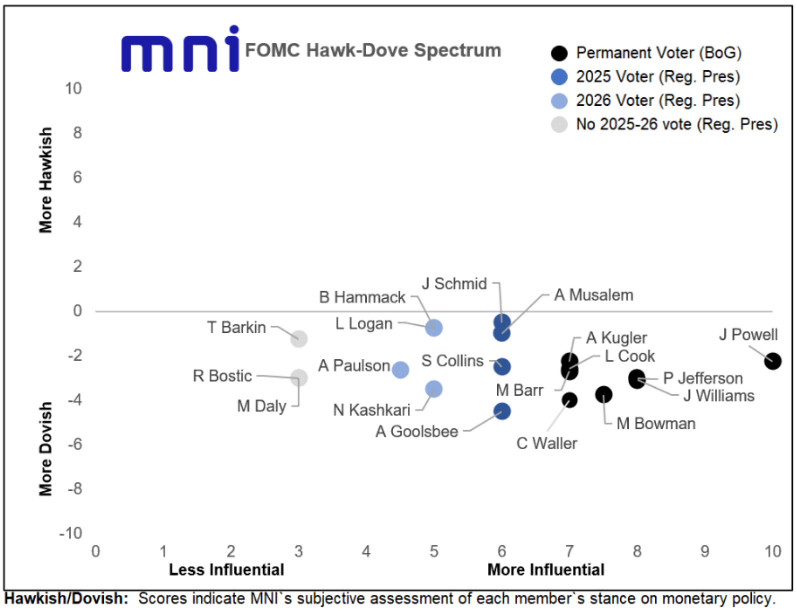
Key Inter-Meeting Fed Speak – Jul 2025

By Tim Cooper
July 23, 2025

Fed communications since the June FOMC meeting have been largely cautious on the inflation outlook, with little enthusiasm to resume easing until at least September if not beyond given prevailing uncertainty.

- While this sentiment was reflective of the June meeting's Dot Plot showing a split between participants eyeing either zero or two cuts by year-end, the limited incoming data since then doesn't seem to have swayed views.
- The most notable development has been a newly-vocal minority of two on the 12-member FOMC who appear ready to argue for cuts to resume in July.

- **Meeting By Meeting:** Powell largely took a July cut off the table from the outset, saying at the June FOMC meeting "it takes some time" for tariffs to be seen in prices he said then; "we feel like we're going to learn a great deal more over the summer on tariffs". He caused a minor stir on July 1 when he didn't refute the possibility of a rate cut at the July meeting: "Yeah,I really can't say - it's going to depend on the data. And we are going meeting by meeting. I mentioned, you know, how I'm thinking about that, but I wouldn't take any meeting off the table or put it directly on the table, it's going to depend on how the data evolve."
- To be sure, there are likely dissenters to a hold in July. Only two FOMC members have said that they would/could support a July rate cut, but both are permanent voters on the Board: Vice Chair Bowman ("I would support lowering the policy rate as soon as our next meeting ") Gov Waller (who delivered a July 17 speech titled "The Case for Cutting Now").
- We could easily see two dissents to a likely July rate hold, and Bowman and Waller are likely the 3-2025 cut Dots in the June SEP.
- **Uncertainty Prevails:** While a majority of participants appear open-minded to the argument that tariff inflation will prove transitory and that the labor market is "on the edge" (in Waller's words), almost all participants require more certainty in the data and broader developments before supporting a cut. "Uncertainty" was cited by many as a key reason to maintain a patient stance. For example, SF's Daly is concerned that the Fed could fall behind the easing curve but still only eyes two cuts this year, and not before the fall.



Hawkish/Dovish: Scores indicate MNI`s subjective assessment of each member`s stance on monetary policy. **-10** implies member believes aggressive easing warranted; **+10** is most hawkish, implies member believes aggressive tightening warranted. Scores around -2 to +2 considered relatively neutral.
Influence: The x-axis runs from **0** ('least influential') to **10** ('most influential'). Voters in the current year receive a minimum score of 6; the Chair receives a 10 and Board of Governors members receive at least 7. Those who are not voters in the current year are limited to a score of 5; among them, those due to vote next year receive higher influence scores (rising towards end of current year), and vice-versa. **Updated Jul 22, 2025**

- The most hawkish Board member – Gov Kugler (who is very likely to be replaced in January at the end of her term) – saw the June inflation reports pointing to tariff pressures beginning to show up in prices. Another 2025 voter, St Louis's Musalem, saw the possibility it could be several months if not quarters before tariffs' full impact would be felt.
- We haven't heard any other FOMC participants say they were seriously considering supporting a cut at the next meeting, with various members that see two cuts this year eyeing a later restart to easing (Daly / Kashkari specifically mentioned the fall/September respectively).
- In other communications, the latest Beige Book suggested that regional business contacts saw the biggest price increases from inflation are yet to come. The June meeting minutes noted "several participants commented that the current target range for the federal funds rate may not be far above its neutral level", pointing to an increasing number of participants that suspect the terminal rate may be higher than previously expected.

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All Signal, No Noise

MARKET ANALYSIS

MNI Hawk-Dove Spectrum Eyes End-2026 Rate Views

The MNI Markets Team's educated "guess" as to the June SEP submissions for the 2025 end-year dot is adjacent. Recall that the median for end-2025 is 3.9% (2 cuts).

- Kashkari and Bostic have publicly revealed their "dots" for 2025 and 2026, while Daly and Collins have implied theirs for 2025.
- Most of the Board are in the 2-cut median camp. Governors Cook and Jefferson haven't commented on monetary policy since the June FOMC meeting.
- At a guess, Gov Kugler is only board member who doesn't eye cuts this year, though that could also be Gov Barr, or Gov Cook who said pre-June FOMC that all possibilities, including hikes, were possible.
- Two of the more hawkish members, Musalem (2025 voter) and Dallas's Logan (2026 voter) have maintained largely hawkish stances in their post-June FOMC commentary. We assume they are "no-cutters" for this year. Logan said "monetary policy needs to hold tight for a while longer", while Musalem said re tariff-induced inflation that "I may be able to form a picture by October, November, December."
- We also haven't heard from new Philadelphia Fed President Anna Paulson (2026 voter) yet, though her predecessor Patrick Harker could easily have been any of 1, 2, or 3 cuts for 2025. We have him here as a rate-cut skeptic (in his last public appearance he suggested that the direction of the next move rates itself was a question).

FOMC Member	Eyeing July Cut?	MNI Guess Of 2025 Rate Dot In June SEP
M Bowman (Perm. Voter)	Yes	3.6
C Waller (Perm. Voter)	Yes	3.6
J Powell (Perm. Voter)	No	3.9
J Williams (Perm. Voter)	No	3.9
M Barr (Perm. Voter)	No	3.9
M Daly	No	3.9
A Goolsbee (2025 Voter)	No	3.9
L Cook (Perm. Voter)	NA	3.9
P Jefferson (Perm. Voter)	NA	3.9
N Kashkari	No	3.9
S Collins (2025 Voter)	No	4.1
R Bostic	No	4.1
B Hammack	No	4.4
T Barkin	No	4.4
J Schmid (2025 Voter)	No	4.4
L Logan	NA	4.4
A Musalem (2025 Voter)	NA	4.4
A Kugler (Perm. Voter)	NA	4.4
P Harker	NA (Retired Jun 30)	4.4

Source: MNI Markets Team

Our FOMC Hawk-Dove Spectrum has shifted since pre-June FOMC to reflect some of the latest commentary on future easing. This is based in part on where we think (or in the case of Bostic and Kashkari, we know) they penciled in end-2026 rates in the June SEP (recall the median was 3.6%).

- We had to pick a "1 cut through end-2026" candidate and that is probably Logan, Hammack or Schmid - we guess the latter.
- Likewise despite Goolsbee not being the biggest dove for 2025, we think he probably continues to have the most dovish rate profile overall, with Bowman and Waller conversely front-loading their cuts.
- The Board is likely split largely between 3.4% and 3.6% end-2026, implying that most are eyeing 1-2 cuts in 2026 on top of 2 cuts by end-2025.

MNI Guess Of 2026 Rate Dot In June SEP

4.1	Schmid				
3.9	Logan	Musalem	Hammack	Barkin	Harker
3.6	Kugler	Barr	Collins	Powell	
3.4	Bostic	Williams	Jefferson	Daly	Cook
3.1	Bowman	Kashkari			
2.9	Waller				
2.6	Goolsbee				

Source: MNI Markets Team

July Beige Book: Economic Activity Improved, But Pessimism Persists

July's Beige Book notes that "economic activity increased slightly from late May through early July." Most Fed Districts reported flat growth: 7 were in that category (Boston, Cleveland, Atlanta, St Louis, Minneapolis, Kansas City, San Francisco), with 3 reporting slight/modest growth (Richmond, Chicago, Dallas) and 2 seeing modest declines (New York, Philadelphia). See table for summary of current conditions.

- This is a notable improvement from June when 3 reported flat growth, 3 slight/mild growth, and 6 slight/modest/moderate slowdowns/declines (NY and Philly remain in the latter category).
- That said, there wasn't much positivity on a sector-by-sector basis amid "ongoing caution by businesses", with consumer spending declining in "most Districts" and flat/slowing activity in most other sectors. Additionally, only 2 districts saw an expected improvement in activity going forward.

- **Per the Beige Book: "**Uncertainty remained elevated, contributing to ongoing caution by businesses. Non auto consumer spending declined in most Districts, softening slightly overall. Auto sales receded modestly on average, after consumers had rushed to buy vehicles earlier this year to avoid tariffs. Tourism activity was mixed, manufacturing activity edged lower, and nonfinancial services activity was little changed on average but varied across Districts. Loan volume increased slightly in most Districts. Construction activity slowed somewhat, constrained by rising costs in some Districts. Home sales were flat or little changed in most Districts, and nonresidential real estate activity was also mostly steady. Activity in the agriculture sector remained weak. Energy sector activity declined slightly, and transportation activity was mixed. The outlook was neutral to slightly pessimistic, as only two Districts expected activity to increase, and others foresaw flat or slightly weaker activity."

District-By-District Descriptions of Current Conditions - July 2025 Beige Book

	Econ Act	Employment	Inflation (Selling Prices)
Boston	Roughly flat	Expanded slightly	Increased modestly
NY	Decline modestly	Up slightly	Moderate
Phil	Decline modestly	Declined slightly	Increased modestly
Cle	Flat	Increased slightly	Increased modestly
Richmond	Grew modestly	Increased slightly	Moderate
Atl	Little changed	Relatively unchanged	Rose moderately
Chicago	Increased slightly	Increased modestly	Rose moderately
Stl	Unchanged	Unchanged	Increased moderately
Minn	Flat	Grew slightly	Eased (modest overall)
KC	Mostly unchanged	Grew slightly	Rose moderately
Dallas	Up slightly	Unchanged	Rose moderately
San Fran	Stable	Slightly lower	Increased modestly

Source: Federal Reserve, MNI. MNI's characterization is derived from the individual Fed reports, not the overall summary

Beige Book: Inflation Seen Rising More Rapidly By Late Summer

The July Beige Book's description of inflation suggested relatively steady price pressures compared with the June report, though it seems that what were previously "plans" to pass through tariff-related costs to customers have begun to materialize.

- In probably the most important finding for the FOMC, the biggest price increases are yet to come: "Contacts in a wide range of industries expected cost pressures to remain elevated in the coming months, increasing the likelihood that consumer prices will start to rise more rapidly by late summer."
- District-by-district, 4 Feds reported selling prices increased "modestly" (Boston, Philadelphia, Cleveland, San Francisco), 7 "moderately" (New York, Richmond, Atlanta, Chicago, St Louis, Kansas City), one "eased" (Minneapolis) and one "steady" (Dallas).
- The table below summarizes the recent evolution of the Beige Book's inflation characterization. (Our characterization is derived from the individual Fed reports, not the overall summary.)
- From the July report: "Prices increased across Districts, with seven characterizing price growth as moderate and five characterizing 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. Rising insurance costs represented another widespread source of pricing pressure. 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 expected cost pressures to remain elevated in the coming months, increasing the likelihood that consumer prices will start to rise more rapidly by late summer."

Beige Book: Hiring Looking Solid Despite Lingering Uncertainty

The July Beige Book characterizes the labor market in fairly mixed fashion, though generally stable to slightly-positive across most Fed Districts compared with the June beige book. Arguably this is the most solid Beige Book on the employment front since the start of the year, though businesses continued to report holding off on hiring plans "until uncertainty diminished" . Wages were seen as flat-to-moderate.

- The biggest shift is that 7 of 12 Districts are now reporting employment increases (Boston, NY, Cleveland, Richmond, Chicago, Minneapolis, Kansas City), vs 3 in June's report; the number reporting flat/unchanged fell to 3 (Atlanta, St Louis, Dallas) from 7; the number seeing decreases remained at 2 (Philadelphia, San Francisco).
- Labor market conditions were overall seen mixed-to-looser in some respects, with tighter immigration policy and skilled worker shortages reducing supply, but on the other hand availability improving "for many employers" amid reduced worker turnover.
- Per the report: "Hiring remained generally cautious, which many contacts attributed to ongoing economic and policy uncertainty. Labor availability improved for many employers, with further reductions in turnover rates and increased job

applications. A growing number of Districts cited labor shortages in the skilled trades. Several Districts also mentioned reduced availability of foreign-born workers, attributed to changes in immigration policy. Employers in a few Districts ramped up investments in automation and AI aimed at reducing the need for additional hiring. Wages increased modestly overall, extending recent trends, with reports that ranged from flat wages to moderate growth. 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 uncertainty diminished."

Fed Minutes Clearly Signal A July Hold, While Keeping Future Options Open

The June meeting minutes captured a Committee that was leaning in a slightly more hawkish direction than earlier in the year, though probably no moreso than should have been expected. The Dot Plot released at the meeting already captured most of the story: a divided Committee retains its overall easing bias but needs varying degrees of certainty before supporting a resumption of the easing cycle.

- The main headline from the minutes was on the Committee's split on the rate outlook, which was encapsulated in the Dot Plot mostly split between two and zero cuts for the year.
- "Participants generally agreed that, with economic growth and the labor market still solid and current monetary policy moderately or modestly restrictive, the Committee was well positioned to wait for more clarity on the outlook for inflation and economic activity." "Most participants" thought a cut later this year would "likely be appropriate" with "some" seeing the "most likely appropriate path" being a hold through year-end, neither of which is a surprise given the Dot Plot.
- The primary area of interest within the rate outlook was whether anyone else on the Committee would join Waller and Bowman in supporting a July cut, and it turns out not: "A couple of participants noted that, if the data evolve in line with their expectations, they would be open to considering a reduction in the target range for the policy rate as soon as at the next meeting." With the Minutes taking no effort to massage this message, we take it as a clear signal that the Committee has no intention of cutting rates in July.
- With tariff policy crystallizing a little more clearly and uncertainty diminishing slightly, opinions were mixed as to the implications for the dual mandate targets. A minority clearly was concerned about labor market weakness, while it was interesting that "some" saw inflationary risks as gaining in importance vs employment since the May meeting. "Some participants commented that they saw the risk of elevated inflation as remaining more prominent, or as having diminished by less, than risks to employment. A few participants saw risks to the labor market as having become predominant."
- Overall the discussion of various risk scenarios to inflation and to the labor market/activity remained open-ended, providing optionality to act or not act according to incoming data and developments.

There was not much that was really new on the inflation outlook in the June minutes vs what we have heard from FOMC participants in the last 3 weeks. Overall, "participants noted that the progress in returning inflation to target had continued even though that progress had been uneven" (and in a nod to the hawks and perhaps a little surprising given decent inflation readings, "a few participants noted that there had been limited progress recently in reducing core inflation.").

- The viewpoints on tariffs' impact on inflation were not particularly novel. The overall - seemingly unanimous - message was that tariffs are "likely to put upward pressure on prices", but there is "considerable uncertainty, however, about the timing, size, and duration of these effects."
- The main language on tariffs being "transitory" is as follows - notice that "a few" thought tariffs would have a one-off impact (slightly more than the "couple" who could support a July cut) - but this was very much portrayed as a minority view: "While a few participants noted that tariffs would lead to a one-time increase in prices and would not affect longer-term inflation expectations, most participants noted the risk that tariffs could have more persistent effects on inflation, and some highlighted the fact that such persistence could also affect inflation expectations."
- On the cautious side of the table, "many" thought it would take "some time" for the rise in tariffs to be reflected in goods inflation, and "several" commented that inflation could be worse if "tariffs disrupted supply chains or acted as a drag on productivity." And additionally, "several" thought firms whose products aren't directly subject to tariffs could raise prices.
- On the more dovish side though, "many" thought the inflation impact could be more limited from the supply side - "if trade deals are reached soon, if firms are able to quickly adjust their supply chains, or if firms can use other margins of adjustment to reduce their exposure to the effects of tariffs".
- And on the demand side, "several participants observed that the pass-through of tariffs might be limited if households and businesses exhibit a low tolerance for price hikes or if firms seek to increase their market share as others raise their prices", with "a few" noting that smaller/tighter-margin businesses may have to pass costs through to a greater degree.
- Taking a more hawkish bent was the discussion of inflation expectations: it appeared consensus on the Committee that "longer-term inflation expectations continued to be well anchored and that it was important they remain so", but it's slightly surprising that so many ("several") were concerned about higher short-term expectations spilling over into near-term inflationary pressures: ("shorter-term inflation expectations had been elevated and that this development had the potential to spill over into longer-term expectations or to affect price and wage setting in the near term").

- In a line of thinking expressed publicly by a few FOMC members, "some" said "that because inflation has been elevated for some time, there was a heightened risk of longer-term inflation expectations becoming unanchored if there is a long-lasting rise in inflation."

One hawkish note to the a largely unsurprising set of Fed minutes - we took note that "several participants commented that the current target range for the federal funds rate may not be far above its neutral level".

- The last time participants' comments on the neutral level was noted in the minutes was in January's edition, when only "a few" said the same thing - and the Fed funds rate hasn't changed since then.
- While the estimated range of the neutral range is notoriously wide, this shift in language could suggest that participants may be eyeing a slightly higher end-point than they had previously.
- It also adds to this comment from Chair Powell at his congressional testimony last month in which he suggested that the "neutral" level of rates could start in just "a couple" of cuts from here: "If you just look in the rearview mirror and look at the existing data that we've seen, you could make a good argument that it would call for us to be at a neutral level, which would be a couple of cuts or maybe more."

Member	Role	Voter		Monetary Policy Commentary Since June FOMC
		'25	'26	
J Powell	BOG, Chair	**X**	**X**	- **On the rate outlook:** "I think many paths are possible here… We could see inflation come in not as strong as we expect. And if that were the case, that would tend to suggest cutting sooner. We could see the labor market weakening, and that would also suggest cutting sooner. On the other hand, if we see inflation coming in higher or if the labor market were to, to remain strong, then we would probably be moving later." - "If you just look in the rear view mirror and look at the existing data that we've seen, you can make a good argument that that would call for us to be at a neutral level, which would be, you know, a couple of cuts, or maybe more, kind of thing. The reason we're not is the forecast by all Professional Forecasters that I know of on the outside and the Fed, do expect a meaningful increase in inflation over the course of this year." **- Jun 24** - **On a July rate cut:** "Yeah, I really can't say - it's going to depend on the data. And we are going meeting by meeting. I mentioned, you know, how I'm thinking about that, but I wouldn't take any meeting off the table or put it directly on the table, it's going to depend on how the data evolve." **– Jul 1** - **On inflation:** ""The things that are being sold at retail now, they might have been put into into inventory before the tariffs in February or March. So we think we should start to see this over the summer, in the June numbers, and in the July numbers. And if we don't... it may turn out that the pass through is less or more than we think. And I think we're going to be learning...we'll get an inflation number for June, we'll learn something, then we'll get it for July, as we go through the summer, we should start seeing this and if we don't, I think we're perfectly open to the idea that the passthrough will be less than we think, and if so, that'll matter for our policy." **-Jun 24** - "We haven't seen effects much yet from tariffs and we didn't expect to by now. We've always said that the timing, amount and persistence of the inflation would be highly uncertain, and it's certainly proved that. So we're watching. We expect to see over the summer some readings, higher readings, but we're prepared to learn that it can be higher or lower or later, or sooner than we'd expected. We expect to see over the summer some higher readings, but we're prepared to learn that it can be higher or lower or later, or sooner than we'd expected... We're simply taking some time, as long as the US economy is in solid shape, we think the prudent thing to do is to wait and learn more and see what those effects might be." **-Jul 1**
J Williams	NY Fed, VChair	**X**	**X**	- **On the rate outlook:** "Although we are only seeing relatively modest effects of tariffs in the hard aggregate data so far, I expect those effects to increase in coming months… Maintaining this modestly restrictive stance of monetary policy is entirely appropriate." **– Jul 16** - "Maintaining this modestly restrictive stance of monetary policy is entirely appropriate to achieve our maximum employment and price stability goals. It allows for time to closely analyze incoming data, assess the evolving outlook, and evaluate the balance of risks to achieving our dual mandate goals". **-Jun 24** - **On tariffs and inflation:** "We are seeing initial effects of tariff increases on core goods prices." **– Jul 16**
P Jefferson	BOG, VChair	**X**	**X**	- **No commentary on current monetary policy since last FOMC meeting**
M Bowman	BOG, VChair	**X**	**X**	- **On the rate outlook:** "With inflation on a sustained trajectory toward 2 percent, softness in aggregate demand, and signs of fragility in the labor market, I think that we should put more weight on downside risks to our employment mandate going forward…If inflation remains near its current level or continues to move closer to our target, or if the data show signs of weakening in labor market conditions, it would be appropriate to consider lowering the policy rate, moving it closer to a neutral setting." **– Jun 23** - **On a July rate cut:** "Before our next meeting in July, we will have received one additional month of employment and inflation data. If upcoming data show inflation continuing to evolve favorably, with upward pressures remaining limited to goods prices, or if we see signs that softer spending is spilling over into weaker labor market conditions, such developments should be addressed in our policy discussions and reflected in our deliberations. Should inflation pressures remain contained, I would support lowering the policy rate as soon as our next meeting in order to bring it closer to its neutral setting and to sustain a

Member	Role	Voter '25	Voter '26	Monetary Policy Commentary Since June FOMC
				healthy labor market. In the meantime, I will continue to carefully monitor economic conditions as the Administration's policies, the economy, and financial markets continue to evolve." **– Jun 23** - **On inflation:** "the data have not shown clear signs of material impacts from tariffs and other policies. I think it is likely that the impact of tariffs on inflation may take longer, be more delayed, and have a smaller effect than initially expected...we should recognize that inflation appears to be on a sustained path toward 2 percent and that there will likely be only minimal impacts on overall core PCE inflation from changes to trade policy." **– Jun 23**
L Cook	BOG	**X**	**X**	**No commentary on current monetary policy since last FOMC meeting**
A Kugler	BOG	**X**	**X**	**On the rate outlook**: "Inflation.. remains above the FOMC's 2 percent goal and is facing upward pressure from implemented tariffs. Moreover, I judge that inflation is likely to increase further as tariff effects build up during the rest of the year...Given the stability in the employment side of our mandate, with the unemployment rate still at historically low levels, elevated short-run inflation expectations, and goods inflation rising due to the upward pressure from tariffs, I find it appropriate to hold our policy rate at the current level for some time. This still-restrictive policy stance is important to keep longer-run inflation expectations anchored. " **-Jul 17** **On inflation:** "I see firmer core goods inflation as already partially reflecting the pass-through of increased tariffs, which has been shown by research done at the Fed.18 In addition, CPI and PPI reports released in the past two days show that increases in core goods prices were more broad-based in the month of June." **-Jul 17** **On tariffs and inflation:** "While many forecasters may have been expecting a sooner and sharper increase in overall inflation, there are many reasons to think that larger effects of tariffs are still coming. First, businesses built up inventories ahead of anticipated tariff increases, giving them leeway to still sell goods at pre-tariffed prices. Second, given the many changes in implemented tariff policies, businesses may not yet be passing the higher tariffs to their selling prices because they are waiting for greater clarity. Third, businesses, especially larger ones, may also be waiting to capture market share from others that hike prices sooner. Fourth, the current environment of still-elevated short-run inflation expectations makes it easier for workers to seek higher wages and business to charge higher prices, which could increase the persistence of price hikes going forward. Fifth, tariff rates could increase further, as seen in newly proposed reciprocal tariffs for several countries and the new tariffs on copper introduced last week, putting further upward pressure on prices." **– Jul 17**
C Waller	BOG	**X**	**X**	- **On the rate outlook:** "The risks to the economy are weighted toward cutting sooner rather than later. If the slowing of economic and employment growth were to accelerate and warrant moving toward a more neutral setting more quickly, then waiting until September or even later in the year would risk us falling behind the curve of appropriate policy." If headline inflation data report modest, temporary increases from tariffs that are not unanchoring inflation expectations and the economy continues to grow slowly, he would support "further 25 basis point cuts to move monetary policy toward neutral" later this year. **– Jul 17** - **On a July cut:** ""I never want to commit to an action before the meeting. If everybody committed before, you do not need to have the meeting to have a discussion. The goal is to go to the meeting, sit down, listen to all sides. People try to convince me of their views and I try to convince them of my views and make a decision on what you think is the right outcome, how the data is coming in. I don't think I can be any more clear as to what my position is and why I think we need to do this. It is how I read the data and how I think about going forward." - **On a July dissent:** "It is often the case that you dissent if you think it very clear at this moment in time this is the important thing to do. If you are going to go "I am going to dissent at every meeting no matter what happens" then you do not have to show up, everybody knows what you're going to do. It is important to make sure if you dissent you do it carefully and you have the right reasons and it is not going to turn into a serial dissenting case. That is how I take my job seriously. I would only think about doing this; I dissented on the balance sheet slow down earlier this year. That is the situation we are in now." **– Jul 18** - **On restrictive rates:** "The data imply the policy rate should be around neutral, which the median of FOMC participants estimates is 3%, and not where we are - 1.25 to 1.50 percentage points above 3%. While I sometimes hear the view that policy is only modestly restrictive, this is not my definition of 'modestly.'" **– Jul 17** - **On tariffs and inflation:** "If there is a constant sequence of higher and higher tariffs that will get this rolling impact on prices, that is true. If it is just a question of delaying it, that does not change my argument. Whether you see the spike in July or in June or August or September, when it happens is irrelevant for the economics. That is a nonstarter. Firms could also just spread it out in smaller increments over several months. The total effect ends up being the same. They just get there later and it will be smaller amounts. The bigger thing is if we continually get another wave of tariffs and other waves of tariffs, that is when things become more problematic thinking about what will happen with inflation." **– Jul 18** - **On the balance sheet:** He says reserves are currently abundant, and says his estimate of the "ample" level is around $2.7T (vs around $3.3T now). So "I believe we can likely continue to let a share of maturing and prepaying securities roll off our balance sheet for some time, reducing reserve balances." * He says that "the duration of our asset portfolio is far too long for the liabilities we need to hold for an ample-reserves system", including over $2T in MBS. - He says that "if the Fed moved forward with a maturity-matching strategy as I suggest, it would hold about half of its Treasury securities in shorter-dated bills." However "moving our portfolio toward shorter-duration securities will be a slow process unless we were to take the dramatic step of selling existing securities to replace them with Treasury bills. When reserves hit their desired ample level and we need to increase securities holdings in line with growth in autonomous factors, like currency and the TGA, we can actively

Member	Role	Voter		Monetary Policy Commentary Since June FOMC
		'25	'26	
				accumulate bills, if we do not take other actions sooner." **– Jul 10**
M Barr	BOG	**X**	**X**	- **On the rate outlook:** ""The economy is currently on a sound footing, with low and steady unemployment, and disinflation having continued at a gradual, albeit uneven, pace toward our 2 percent target. Looking forward, however, I expect inflation to rise due to tariffs. Higher short-term inflation expectations, supply chain adjustments, and second-round effects may cause some inflation persistence. At the same time, tariffs may cause the economy to slow and unemployment to rise. There is still considerable uncertainty about tariff policies and their effects. Monetary policy is well positioned to allow us to wait and see how economic conditions unfold." **– Jun 24**
A Goolsbee	Chic. Fed	**X**		- **On inflation:** "The surprise has been that, so far at least, we've had three months of inflation data where there hasn't been much inflation…What we're trying to figure out is: Is this all there is, or is there about to be something showing up in the inflation data?...if we do not see inflation resulting from these tariff increases, then, in my mind, we never left what I was calling the golden path…of the dirt is out of the air, then I think we should proceed" [with cuts]. **– Jun 23** - **On recent tariff announcements:** ""I'm hopeful that when we go back and talk to [businesses] now, they don't say, 'Oh, this is putting us back to where we were on April 3... But I don't know, because this has just happened...The more we keep adding things to the mix that make it hard to figure out, 'Are prices going to be rising or not?' The more it's just throwing more dirt back in the air." **– Jul 11**
S Collins	Bos. Fed	**X**		- **On a July rate cut:** "We're only going to have really one more month of data before the July meeting... I expect to want to see more information than that." She says "that could mean one rate cut, it's possible it means more than that, but I think the data will really need to tell us...I am not seeing an urgency." **-Jun 26** - **On the rate outlook:** "Calibrating appropriate policy in this context is challenging. However, continued overall solid economic conditions enable the Fed to take the time to carefully assess the wide range of incoming data. Thus, in my view, an "actively patient" approach to monetary policy remains appropriate at this time." **– Jul 15** "calibrating appropriate policy is challenging in contexts when projections of inflation call for a tighter policy stance while forecasts of real activity call for a looser one. The overall solid current conditions enable the Fed to take the time to carefully assess the incoming data and their implications for the economic outlook and the balance of risks to inflation and economic activity. Indeed, the recent back-and-forth in tariff policy, and the potential for more changes to come, validate the careful approach I call "active patience" that the Fed has taken since the beginning of the year." **– Jun 25** - "While I continue to expect it will be appropriate to resume gradual policy normalization later this year, my outlook could change significantly as events unfold, and the economic impact of changes in various government policies comes into sharper focus. Much will depend on whether the "price shock" from tariffs dissipates quickly, without derailing inflation expectations, and on whether the associated slowdown in real activity is limited. For now, however, I see the current monetary policy stance as modestly restrictive, and well positioned to address a range of possible outcomes." **– Jun 25** - "In my view, the economy continues to be in a good place overall, close to the Congressionally mandated objectives of price stability and full employment. However, going forward, I expect to see some upward pressures on inflation, as well as some downward pressures on employment and economic growth." **- Jul 15** - **On tariffs and inflation:** "Services inflation has continued to moderate, especially on a 12-month basis, despite continued unevenness. This moderation reflects a more balanced labor market". But core goods inflation "has picked up some, recently, and is currently running above the rates that prevailed before the pandemic. Some of these recent movements in goods inflation are likely tariff-related". She notes that "most" firms "plan to pass along some - even if not necessarily all - of the tariff costs" (pointing to ISM data) while the "typical household has the resources to at least partly offset a tariff-induced loss in purchasing power… it seems likely that core PCE inflation will be in the vicinity of 3 percent by year's end, before resuming its decline. Concerning the labor market side of our mandate, tariffs should slow demand and hiring, though not necessarily by a large amount." **-Jul 15** - "it seems likely that the economy will move away, at least temporarily, from the favorable conditions I have just described. Tariff policy is the main driver, with higher broad-based tariffs than last year likely leading to a rise in inflation, higher unemployment, and slower GDP growth." **-Jul 15** - **On labor market-induced inflation:** "when adjusted for productivity, the pace of [Employment Cost Index] growth has been running around 2 percent recently, which is consistent with the Fed's 2 percent inflation target. Therefore, even though some indicators show wages still rising somewhat faster than before the pandemic, given recent productivity developments, I do not see wage growth as placing additional pressure on inflation." **-Jul 15**
J Schmid	K.C. Fed	**X**		- **On inflation:** "Certainly, with the inflation of the past couple of years still in people's minds, I will be carefully watching the monthly price data for signs of broad-based price increases that might further challenge an already fragile price-setting psychology." **-Jun 24**
A Musalem	St. Louis Fed	**X**		- **On the rate outlook:** "The economy is a good place. The labor market is at or around full employment. It has some downside risks, but it's looking stable and good. Inflation is running slightly above or somewhat above our target. There are some upside risks to inflation. Looking ahead, monetary policy is modestly restrictive and financial conditions are supportive of growth." **– Jul 10** - On a 3-month basis there have been "very positive inflation trends in core and headline [PCE] in goods and in services, and those are very welcome developments". **– Jul 10** - **On inflation:** "inflation to increase going forward, mostly owing to tariffs". On whether tariffs will be temporary or more persistent, "it's too soon to tell which way it's going to go…it's going to take time for the tariffs to settle what people are actually paying and therefore how they're passing through", in part because businesses are waiting months to pass through any higher costs. Additionally he is mindful of "second round

Member	Role	Voter '25	Voter '26	Monetary Policy Commentary Since June FOMC
				effects and the dollar has depreciated and that could contribute to inflation going forward and "to make sure that short term inflation expectations ... don't seep into longer term inflation expectations." **– Jul 10** - He suggests that it could be a while before he has enough "certainty" over the inflation impact from tariffs: "There's a scenario where we could be in Q4 of this year or Q1 or Q2 of next year, and tariffs are still working themselves through the economy... I think as we progress through the year, I'm going to get more comfortable in understanding what the total impact of tariffs may be. I expect that to begin to show up in data with June, July, August, September data. I don't expect it to be the end of it, but it's possible. I may be able to form a picture by October, November, December. It's possible. I may not form a picture. Again, I'm not looking for a complete certainty, but I'm looking for sufficient confidence in one direction or another." **– Jul 10** - **On the labor market:** "We're in a low hiring, low firing environment. When I go around and I talk to companies and I talk to a lot of companies, I'm not hearing about layoffs."
B Hammack	Clev. Fed		**X**	- **On the rate outlook:** "When clarity is hard to come by, waiting for additional data will help inform the path ahead. It may well be the case that policy remains on hold for quite some time before the Committee initiates very modest cuts to return policy to a neutral setting...Given the resilience of the economy thus far, the risks from maintaining the current policy setting appear low, and I don't see a weakening in the economy that would merit imminent rate cuts, though I remain attentive to that possibility." "Looking ahead, if both sides of our mandate come under pressure, then holding the policy rate steady for some time may be the best choice to balance the risks coming from further elevated inflation and a slowing labor market." She says again, "I would rather be slow and move in the right direction than move quickly in the wrong one." **– Jun 24** - "I do believe that we are still modestly restrictive, and only very modestly restrictive." "You know, there are a wide range of estimates for the neutral rate in the US that would range from 2% to 4.6% and so that's a pretty wide bucket." [She said in prepared remarks that she saw estimated only "very modest cuts" required to get back to neutral] **– Jun 24** - "I do think we're pretty close to where the neutral rate is and so I see an economy that's resilient. I see one that's working really well, and I don't see a need to really reduce [interest rates] unless we see material weakening on the labor side...The modestly restrictive stance that we have right now is important because inflation is still running above our target…"I think wait and see is the best place for us to be because I think we don't know exactly what [tariff] impacts are going to be...I think it's important that we wait and see how all of the new policies that have been put forward are going to impact inflation" because "we're not there yet on the inflation side of the mandate." **– Jul 14**
A Paulson	Phil Fed		**X**	- **Became President after Patrick Harker retired end-June**
N Kashkari	Minn. Fed		**X**	- **On the rate outlook:** "Since March, we have seen much larger than expected tariffs announced and then modestly pulled back, suggesting that an inflation boost is likely coming. At the same time actual inflation data indicate renewed progress toward our inflation target. These opposing signals have led me to maintain my outlook for two cuts over the remainder of 2025, implying a possible first cut in September, barring some surprising development before then. If we were to cut in September and then the effects of tariffs showed up this fall, I believe we should not be on a preset easing course. If the data called for it, we could hold the policy rate at the new level until we gained greater confidence that inflation was headed back to our target." **- Jun 27** - He also sees a further 3 cuts in 2026 (to 3.1%) and another in 2027 (to 2.9%) with his longer-run rate at 2.9%. **- Jun 27**
L Logan	Dall. Fed		**X**	- **On the rate outlook:** "All this adds up, for me, to a base case in which monetary policy needs to hold tight for a while longer to bring inflation sustainably back to target—and in this base case, we can sustain maximum employment even with modestly restrictive policy." **-Jul 15** - "But even though that's my base case, other possibilities are quite plausible. Inflation could turn out to be less persistent and less responsive to tariffs…In setting monetary policy, we have to balance a wide range of risks, including the risk that we misjudge which scenario the economy is in. If we cut rates too soon, inflation could get stuck above our target, and households and businesses might come to expect further price increases. History teaches that when higher inflation expectations become entrenched, the road back to price stability is longer, the labor market is weaker, and the economic scars are deeper. Yet if we don't cut rates soon enough, the labor market could weaken more. Those job losses, too, would be painful. But we'd have the option of cutting rates further to get employment back on track. For now, I believe monetary policy is well positioned to achieve the FOMC's goals of maximum employment and price stability and to respond appropriately as the outlook changes." **– Jul 15**
T Barkin	Rich. Fed			- **On the rate outlook:** "At our last meeting, the FOMC held the federal funds rate steady. The fog is dense for us too, and there is little upside in heading too quickly in any one direction. Given the strength in today's economy, we have time to track developments patiently and allow the visibility to improve. When it does, we are well positioned to address whatever the economy will require." **- Jun 28** - "I do believe we will see pressure on prices....To date, these increases have had only modest effects on measured inflation, but I anticipate more pressure is coming… A large retailer told me that the lack of much increase in his May prices reflected the lack of much increase in his input costs when he purchased those products in February, under the then prevailing lower tariff levels. It takes months for his goods to move through inventory to his customers. To see the impact of the big tariff increases inApril and May, he suggested we wait and see July and August prices." **-Jun 26**
R Bostic	Atl. Fed			**On the rate outlook:** Bostic says that in addition to his latest Dot Plot submission for 1 cut in 2025, he has 3 cuts for 2026. **-Jun 30 MNI Connect event**

Member	Role	Voter '25	Voter '26	Monetary Policy Commentary Since June FOMC
				- "I would say I like to move in a direction when I know which direction to move in, and that would, for me, require more information than we have today...I want to make sure that I have some confidence that I know for sure which direction the economy is going in and our mandates, before really feeling comfortable that we should move now...I think we actually have some luxury to be patient." **-Jun 30 MNI Connect event** - "It'll take a while for all these businesses to figure out exactly where their endpoint is. And you know, by some estimates, this could stretch into 2026 before businesses do all the things they're going to do, and that assumes that the tariff situation is not extended even further moving forward... I think the further implication of this is that what we will see with prices is such a more continuous evolution over time, as opposed to the textbook story of tariffs, which is a one time step up, right?... This doesn't look like it's going to be like a step like that, it would be much more incremental over time, and we'll have to see sort of what that means for overarching inflation dynamics." **-Jun 30 MNI Connect event**
M Daly	S.F. Fed			- **On the rate outlook:** "My modal outlook has been for some time that we would begin to be able to adjust the rates in in the fall and I haven't really changed that view... It's both sides of our mandate that have really come into frame since we brought inflation down from the the really high levels to something that's closer to our target. Ultimately, we have to watch both sides and that's what I'm doing, and then the fall looks promising for a rate cut." This implies that she maintains her previously stated view (from both the December and March SEPs) of 50bp of cuts by end-2025 **-Jun 26** - "I really am of a view that it's time to think about formalizing or adjusting, perhaps not normalizing just yet, but at least adjusting the interest rate... I see two cuts as a likely outcome, but you know, again, those uncertainty bands around everyone's projections. Doesn't matter if you're a zero or two or a three, there's just a large amount of uncertainty there." **– Jul 10 MNI Connect event** - **"**One of the ways you can make a policy mistake is to wait for something to materialize that doesn't. And so it's useful now to sort of recognize that waiting for inflation to rise or become persistent could leave us behind in terms of adjusting the policy rate, and I don't want to be doing that. I don't want to be behind on that, because ultimately, the commitment we continue to talk about, I must have said this hundreds of times in all my outreach across the country and in my district, is we want to restore price stability, but do it without harming growth in the labor market." **– Jul 10 MNI Connect event** - Daly repeated her view that the U.S. economy is "in a good place" and the FOMC's median projection for two rate cuts for this year is "a reasonable outlook to have." "I wouldn't want to see more weakness in the labor market, I really wouldn't want to see that. Which is why you can't wait for ever, thinking that inflation is just around the corner so you have to wait until you know. Clarity in central bank is overrated. We want some clarity, but we can't wait for clarity" otherwise will be backwards looking and by then it's too late." **– Jul 17** - **On a September cut:** "what I'm looking for is the continuation of what we've been seeing... inflation in recent months has come down....incoming information that does suggest that we're on a sustainable path down to 2% so I think that's good news. I'd like to see the labor market continuing to stay in the balance that I see it in....with those two factors, then I think just the normal fundamentals of the economy would suggest that we can move to a less restrictive point of interest rates. And so that would mean a cut." **– Jul 10 MNI Connect event** - **On tariff passthrough impacts on inflation:** "It's not my modal, but it's increasingly possible, is that this just doesn't amount to as much as the models and history would tell us, because businesses find ways to absorb the cost, and they split it out in the production chain, and ultimately consumers pay less." **-Jun 26** - "She doesn't see much tariff impact in CPI (" just less of an impact than we've been seeing"); says she hasn't seen evidence that non-direct importers are raising prices: "The sectors that haven't had any impact of tariffs just are coming down as we would expect." **– Jul 10 MNI Connect event** - "one scenario for tariff inflation is "You get an impact... even if it's delayed and it's persistent. I don't see that as most likely. I don't see the evidence rolling in thinking this is going to be a very persistent impact". Another is for a "delayed impact, but it is going to be a one off, which we can ultimately look through". And she sees as increasingly possible "it just doesn't materialize [into] a large increase in price inflation for consumers, because the businesses find ways to adjust.'**– Jul 10 MNI Connect event**

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MNI INTERVIEW: FOMC To Go Own Way If Chair Lacks Credibility

By Jean Yung (Jul 18, 2025)

WASHINGTON - The heavy mantle of responsibility on the next Fed leader will guide him to set monetary policy independent of President Trump's influence, and should the chair fail to make a convincing case for a desired course of policy, the 11 other members of the rate-setting FOMC would vote according to their own judgement, former Cleveland Fed President Loretta Mester told MNI.

"We don't have a Fed chair who can just make a decision. The chair has to drive the consensus of the committee, and if the person in the seat can't make a credible case for whatever policy he or she wants to advocate for, then I expect people would dissent," Mester told MNI's Fedspeak podcast.

"And I don't believe anybody coming into that job will just do something that he or she is told. The burden of being in charge of an institution that has such power and responsibility will wear on that person in a way that hopefully is a guardrail against doing things that aren't appropriate in terms of setting policy."

Her comments come as Trump has intensified calls on the Fed to slash interest rates and threatened to oust Chair Jerome Powell, or appoint a "shadow chair" before his term is up in May. (See: MNI INTERVIEW: Powell Firing Would Set Off Legal Battle-Menand)

MARKET REACTION

"Trump is not the first president of the United States to comment on monetary policy, but the level and the persistence, and then the talk about firing him before his term ends, has a level that we haven't seen in quite a long time," Mester said. "Fed independence is at risk, and that's unfortunate, because independent monetary policy making is really one of the foundational tenants of effective policy making."

Financial markets know well the detriment to the U.S. economy and the dollar of a tainted central bank, Mester said, noting longer term bond yields rose and stocks fell in response to Trump's attacks on Powell.

"Markets take some of this with a grain of salt, because we've seen these kinds of comments before," she said.

But if the situation were to escalate, Mester said she expects bond investors to demand higher yields to compensate for potentially higher inflation and also "the risk that perhaps the U.S. fundamentals, including the fundamental of central bank independence, are not going to be sustained over time, and so it'll be more risky to take on U.S. debt."

LONG-TERM RATES

The fundamentally different timelines on which the president and the central bank operate is the key reason to insulate the latter from political influence, she said. Political leaders have a bias to lower the cost of government debt, but by pursuing low rates, they risk getting higher inflation in the future, moving further away from the central bank's price stability mandate.

Trump himself has said he wants lower longer-term interest rates, but setting short-term rates too low won't necessarily lead to that desired outcome, Mester said.

"Expected inflation, inflation expectations and inflation risk premia – if you think inflation is higher and more variable under a new regime – goes into those long-term bond rates. So it isn't even clear to me that inappropriately setting rates too low will actually help that. And in fact anything that's a threat to the independence of the Fed could actually lead to higher long-term bond rates, not lower," she said.

MNI INTERVIEW2: Tariffs Inflation Impact Slow To Come -Mester

By Jean Yung (Jul 18, 2025)

WASHINGTON - Former Cleveland Fed President Loretta Mester told MNI the passthrough of trade tariffs to consumer inflation will take longer than expected, lengthening the Federal Reserve's evaluation of whether the price effects will be persistent.

"We started to see a little bit of that in some of the categories in the CPI and PPI, but frankly, it's less than I think people thought. And I think it's taking a longer time, and it'll be more drawn out than people expected," she told MNI's Fedspeak podcast.

"The U.S. economy is a very resilient economy. Businesses and consumers are still holding up. But again, we can't necessarily conclude that we won't see effects in the second half of the year, and I think that's what the Fed is evaluating."

Firms have indicated they anticipate hiking prices as their input costs rise, but as prices stabilize, the Fed wants to know if inflation will come back down or continue to stay high, Mester said. The on-again-off-again nature of tariff announcements could contribute to persistent price pressures, as can elevated consumer inflation expectations, she added.

Since April 2, when President Trump first launched high tariffs aimed at most U.S. trading partners, "the most dire cases have come a little bit in," Mester said. And what the Fed has learned since then is firms "did what they had to do" to build up inventory and that they readjust supply chains to limit the impact, she said.

Lost in the focus on tariffs' short-term impacts are ways that barriers to free trade will hurt the economy in the long run, making firms less innovative, competitive and efficient, Mester said. (See: MNI INTERVIEW: Fed To Cut Twice In 2025 On Weak Growth-Haslag)

MNI INTERVIEW: Fiscal Dominance To Fan US Inflation-Leeper

By Pedro Nicolaci da Costa (Jul 17, 2025)

LONDON - The U.S. economy has slipped into a period of fiscal dominance that will leave the Federal Reserve with the uncomfortable choice of accepting more elevated inflation or risking market upheaval, former Fed economist and University of Virginia professor Eric Leeper told MNI.

Fed Chair Jerome Powell has “got to have in his mind that we’re likely to have more inflation generated by what fiscal policy is doing,” said Leeper, who spent eight years in the Fed system and is currently on the advisory council of the Atlanta Fed’s Center For Quantitative Economic Research, in the latest episode of The FedSpeak Podcast.

“We’re constantly putting more nominal liabilities into the world economy, and we’re not seeing any increase in the primary surplus that would provide more backing for those liabilities – so inevitably the price level is going to have to keep going up.”

President Donald Trump’s relentless pressure on Powell and his FOMC colleagues to lower interest rates for the explicit reason of lowering the government’s interest costs exemplifies the extent of the U.S. economy’s current fiscally-dominant state, Leeper indicated.

“This is actually unprecedented. Presidents have always wanted lower interest rates and browbeaten Fed chairs in various ways, usually in private. This, as far as I can tell, is the first time it was linked explicitly to interest payments,” he said.

Chatter over Trump’s possible firing of Powell reached fever pitch this week after reports, later denied by Trump, that he had told Republican lawmakers the White House was getting ready to take that unprecedented step. (See MNI INTERVIEW: Powell Firing Would Set Off Legal Battle-Menand)

“Trump’s strategy with the Fed, if he has one, is to try to return to the pre-Treasury accord days, when essentially the job that the Fed performed was to keep bond prices high and allow the government to finance its debt inexpensively. I think that if he can get them back to that point, he will be very happy – but that will almost inevitably mean more inflation.”

FISCAL FOCUS

Leeper worries the U.S. central bank will continue to misread the trajectory of inflation if it ignores its fiscal inputs, as it did during the Covid pandemic.

“The Fed's view that inflation was going to be transitory was entirely driven by thinking about relative prices changing without taking into account the USD5 trillion of fiscal stimulus that got fed into the economy,” he says.

Rather than focus on tariffs as the top potential source of higher inflation, which Leeper agrees with Fed Gov. Chris Waller is unlikely, Fed officials should instead focus on how to navigate the tradeoffs of a fiscally-dominant world.

“The Fed really needs to be thinking about how should it function in an environment where fiscal policy is dominant and you cannot count on the kinds of fiscal adjustments that we have seen historically,” he said.

“The Fed is in a box. It has a mandate to control inflation and achieve maximum output, but at the same time it is also supposed to maintain stable financial markets. And if financial markets are getting jerked around because the Treasury is issuing so much new debt that they just can’t absorb it, what’s the Fed supposed to do, let the Treasury market crash? That would be disastrous.”

MNI INTERVIEW: Powell Firing Would Set Off Legal Battle-Menand

By Pedro Nicolaci da Costa (Jul 16, 2025)

WASHINGTON - Federal Reserve Chair Jerome Powell could fight a potential firing by President Donald Trump in court by arguing that he is being pushed out unfairly, setting off a tough and public legal battle that would quickly make its way to the Supreme Court, Columbia University's Lev Menand told MNI.

“We’d be in pretty uncharted territory but I think it’s quite possible that’s where we’re headed at this point,” said Menand, a former New York Fed staffer and current Columbia University Law School professor who is an expert on legal issues around central banking.

“If it were for-cause removal, Jay Powell should be provided notice and an opportunity to be heard before being removed from office. Powell could go to court and challenge either the process as being inadequate or the findings as they're lacking substantial evidence to support the removal.”

He added: “It’s possible the courts will prevent this from happening.”

UPHILL BATTLE

In the interim, Fed Vice Chair Phillip Jefferson would be come the acting board chair, while the FOMC would vote on its own chair – and also likely select Jefferson.

Menand said a preliminary injunction to halt the firing could come as quickly as 24 hours, but the case would be an uphill battle for Powell in a Supreme Court that has taken sweeping interpretations of presidential powers.

“One would think it would rapidly reach the Supreme Court, where the Supreme Court would have to determine whether to grant a preliminary injunction, which is what presumably Powell would ask for to remain in office, and decide whether Powell is likely to prevail on the merits of his challenge,” he said.

Trump indicated to Republican lawmakers Tuesday that he will "likely" fire Federal Reserve Chair Jerome Powell soon, after receiving approval from them to make the move, a senior White House official told MNI. The president then on Wednesday denied he was planning to remove the Fed chair, adding however that he could not rule it out. (See: MNI INTERVIEW: Fed Independence Facing Imminent Risk - Menand)

“The White House has clearly been trying to develop a case for removing Powell for cause. And it's a contrived case, but if they move forward in that direction with the first presidential for-cause removal in over a century, they're going to really test the Supreme Court and the lower courts’ willingness to second-guess a presidential cause determination," Menand said.

This would be "a different sort of legal question than what the courts have been grappling with in the other litigations where the president asserted an inherent authority to fire at will, at pleasure, without cause. This would be a question about: is the cause sufficient? Is the process afforded Jay Powell to defend himself sufficient?”

MNI INTERVIEW: Trump Won't Fire Powell - Republican Senator

By Evan Ryser (Jul 16, 2025)

WASHINGTON - U.S. Senator Mike Rounds told MNI he does not expect President Donald Trump to fire Federal Reserve Chair Jerome Powell, highlighting the importance of an independent central bank for markets and suggesting he doesn't see a legal case for Trump to fire the Fed Chair.

Rounds, a Republican senator from South Dakota and a member of the Senate Committee on Banking, Housing, and Urban Affairs, said "it's not the case" that Trump will fire Powell. "I think the President clearly understands that there has to be [Fed] independence," he said on Capitol Hill Wednesday.

Trump "gets frustrated simply because he would like to have interest rates come down," Rounds said. "But I think he knows an independent Federal Reserve is very important to the markets and I think the President reads the markets very well."

"Mr. Powell can be a real asset to the President long term because he is viewed as being independent. I think that is going to help the markets," the Senator said.

FOR CAUSE

Trump indicated to Republican lawmakers Tuesday that he will "likely" fire Federal Reserve Chair Jerome Powell soon, after receiving approval from them to make the move, a senior White House official told MNI Wednesday

The president then confirmed to reporters in the Oval Office that he spoke to lawmakers about ousting Powell but denied he was planning to remove the Fed chair. Trump added however that he could not rule it out. (See: MNI INTERVIEW: Powell Firing Would Set Off Legal Battle-Menand)

The idea of a president removing a Fed chair is legally untested. Federal law says the chair can only be fired "for cause" and the action could have serious negative effects on financial markets.

Russ Vought, the Office of Budget and Management director, sent a letter last week to Powell accusing him of an "ostentatious" office renovation project that may be "violating the law." In testimony to the Senate last month, Powell called some descriptions of the renovation project "misleading and inaccurate."

The President has the authority to fire a Federal Reserve chair "only for cause," Senator Rounds said. "That would be up to them [the White House] to determine but I don't know what that would be at this point."

MNI POLICY: Regional Fed Banks Could Face Revamp Under Warsh

By Pedro Nicolaci da Costa (Jul 15, 2025)

WASHINGTON - The Federal Reserve system could face wide ranging reforms under a possible leadership of former governor Kevin Warsh, including a repurposing of its 12 regional reserve banks to focus on specific areas of research in which they might have a competitive advantage, people familiar with his thinking told MNI.

Warsh, who was former Fed Chair Ben Bernanke's right-hand man on financial markets during the Global Financial Crisis of 2008 and a top contender to succeed Jerome Powell as Fed chairman when his term expires in May 2026, would take several steps to curb what he sees as central bank mission creep.

"The Fed has acted more as a general-purpose agency of government than a narrow central bank. Institutional drift has coincided with the Fed's failure to satisfy an essential part of its statutory remit, price stability," he said in a April speech to the G30 hosted at the IMF.

Importantly, he would seek to reduce the amount of duplicative work done at the 12 regional banks, which Warsh thinks would be more useful as distinct centers of excellence focused on specific issues that are key to the Fed's function -- inflation, employment, financial stability, payments and more.

Rather than trying to replicate the type of broad macroeconomic research done in Washington at the board of governors, this designation of new primary roles for each Reserve Bank would reduce inefficiencies and redundant work.

Looking across the system, Warsh wants to ensure policymakers are getting advice from different schools of thought rather than adhering to particular theories or economic models.

A Warsh Fed would also likely take steps to move away from the Beige Book report as it is currently compiled, because it is too anecdotal and inexact to be a useful guidepost for policy.

MNI has previously reported Warsh would also likely take significant steps on policymaker communications and forward guidance, likely de-emphasizing or perhaps even ditching the Summary of Economic Projections or "dot plot" that markets closely follow. (See MNI POLICY: Warsh Could Reshape Fed On Rates, Communication) "Once policymakers reveal their economic forecast, they can become prisoners of their own words," he said in the April lecture.

These efforts at change could lead to some turnover at the Fed, though the people familiar with Warsh's thinking expect a gradual process as the effort is met with a mix of enthusiasm and resistance from staff. Much of the shift in personnel might come through attrition as staffers who are not on board with the new changes choose to leave, the people said.

The former governor has been critical of the Fed for lowering rates last year, when he believes the economy did not really need it, and then pivoting to a prolonged pause this year even though there Warsh sees little evidence President Donald Trump's tariff policies are generating inflation. He recently argued in television interviews that "interest rates need to be lower" but has not specified when or how much he might cut them.

Trump has repeatedly assailed Powell for not lowering interest rates since he came into office. He is widely expected to replace Powell when his term ends.

Warsh is seen as a top contender for the job, as is Trump adviser Kevin Hassett. Other possible candidates include Treasury Secretary Scott Bessent and current Fed governors Chris Waller and Miki Bowman.

MNI BRIEF: Bostic Sees Rates Patience Until Outlook Clearer

By Greg Quinn and Jean Yung (Jun 30, 2025)

LONDON - Atlanta Federal Reserve President Raphael Bostic said at an MNI Connect event Monday he will be patient when deciding the path of future interest rates and wants a clear view of the economy's reaction to tariffs and geopolitical turmoil before moving.

“I like to move in a direction when I know which direction to move in, and that for me would require more information than we have today,” Bostic said at the event in London. “I’ll want to make sure I have some confidence I know which direction the economy’s moving in.”

Tariffs alone are causing a lot of uncertainty because it's unclear how companies will pass on prices to consumers after stockpiling in advance of the levies, Bostic said, and the lack of clarity extends to budget policy and regulation.

Officials learned from the 1970s “people don’t like the Fed bouncing around a lot,” Bostic said. “We actually have some luxury to be patient, because labor markets are actually quite solid in the U.S.,” he said. Bostic wants to be "absolutely sure" the inflation side of the mandate will be met, he said.

MNI INTERVIEW: Fed To Cut Twice In 2025 On Weak Growth-Haslag

By Pedro Nicolaci da Costa (Jun 27, 2025)

WASHINGTON - Federal Reserve officials are likely to lower interest rates twice this year as the economy slows gradually and feared tariff inflation fails to materialize in coming months, former Dallas Fed economist Joseph Haslag told MNI.

“I think the justification for the real doves is going to be, look, the economy is really slowing, we're not going to get 2-3% growth range, we're going to be at best 1-2% range, and maybe even a little bit softer than that,” Haslag said in an interview.

“Those guys are going to be ready to pull the trigger. And as long as the tariff stuff stays off the table, and there's no clear path for short-term price pass throughs of underlying policy or supply forces, I think the Fed is going to say, we've been tight for a long enough time, and our sense is the underlying inflationary forces after we get rid of the fear of pass throughs is probably less than 2% now.”

This week, Fed governors Chris Waller and Miki Bowman said they could countenance a July cut if the data cooperate, while other policymakers including Chair Jerome Powell have been more circumspect, sticking to a wait-and-see message.

Haslag, who thinks the current 4.25-4.5% rate level is still significantly restrictive, believes that by fall, perhaps around September, there will be a greater consensus around the idea that monetary policy needs to be loosened further.

“It could be September. If it’s October – it will be one of the two, barring any surprises,” he said. (See MNI INTERVIEW: Fed Will Face 'Tough Calls' In H2-Holtz-Eakin)

NEUTRAL LEVEL

Haslag, a University of Missouri professor who was also a visiting scholar at the Kansas City Fed, agreed with Powell’s assessment at this week’s testimony that the neutral of level of rates would probably require two more quarter-point cuts.

“If you cut it 50 basis points, then I think we were comfortably in the neutral range in terms of stance,” Haslag said.

“My favorite indicator, something like IOR minus the one- or two-year Treasury rates, indicates the current state of policy is still fairly tight and keeping inflation down.”

More broadly, Haslag believes investors and firms have gotten over the early fears about the Trump administration’s more extreme negotiating positions, and become convinced that it will eventually be talked down into a more reasonable policy mix.

“They have learned how to process the blustery nature of President Trump's rhetoric, and they see through it, and the tariff stuff, I think they see it now is this is a businessman who is trying to bluster his way through a negotiation process, and it's not going to be as bad as he says,” he said. “That relieves the need to pass through whatever the small tariffs are.”

JOBS WEAKNESS

Haslag said a gradual weakening of the labor market, including persistent downward revisions and softer readings on monthly increases to payrolls, is offering some early hints that all is not well in the economy. (See MNI INTERVIEW: Hiring Slows But Not Enough For Fed Cuts)

“What we’ve got is weak growth and inflation that is susceptible to some short-term forces. So I don’t think the underlying inflation prospect looks too much different from being between 2 and 2.5%,” he said.

The former Fed staffer is also optimistic about a possible productivity boom that will help tame any inflationary bursts from the trade frictions.

“I think that the forces that are acting on the market basket of goods and services now are twofold: the tariffs are one side, but I still think that the nascent benefits, the productivity gains of AI are on the other side.”