MNI Fed Preview: October 2025

<u>MNI's separate preview of sell-side analyst summaries to follow on Monday Oct 27</u>

Meeting Dates: Tue-Wed, Oct 28-29
Decision/Statement: Wed Oct 29 at 1400ET / 1800UK
Press Conference/Q&A: Wed Oct 29 at 1430ET / 1830UK
Minutes: Wed Nov 19

Links (likely URLs based on previous meetings):
Statement: https://www.federalreserve.gov/newsevents/pressreleases/monetary20251029a.htm
Implement. note: https://www.federalreserve.gov/newsevents/pressreleases/monetary20251029a1.htm
Press Conference: https://www.federalreserve.gov/monetarypolicy/fomcpresconf20251029.htm
MNI Review of Previous FOMC (September - link)

Contents

- MNI Point of View
- Dot Plot/Econ Projections
- Policy Statement
- Macro Developments Since Previous FOMC Meeting
- MNI Instant Answers / Central Bank Data Watch
- Key FOMC Communications
- MNI Policy Team Insights

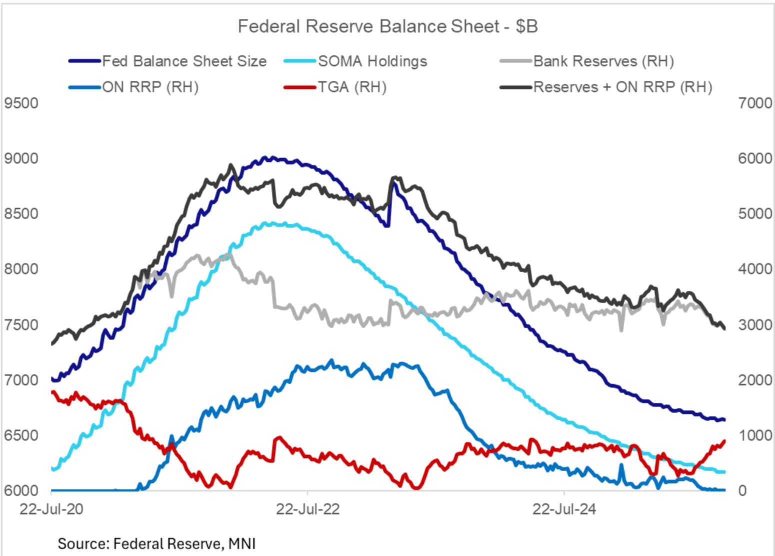
MNI POV (Point Of View): QT, Or Not QT

By Tim Cooper
Oct 24, 2025

- *The Federal Reserve is overwhelmingly expected to cut the funds rate by 25bp for a 2nd consecutive meeting on October 29, bringing the target range to 3.75-4.00%.*
- *This will again be framed as a risk management cut, with the limited data available since the September meeting not disconfirming that the shift in the balance of risks had tilted toward labor market downside.*
- *Dissent to this decision should once again be limited to Gov Miran in favor of a 50bp cut.*
- *With limited new developments and official data to opine on, Chair Powell's press conference will be eyed for affirmation that a December cut remains on track, as signalled by the most recent Dot Plot.*
- *He's unlikely to give much away, but it would be surprise given the lack of data and relevant developments if he suggested that a further 2025 cut was in any greater doubt than it was 6 weeks earlier.*
- *Instead, we think focus in terms of action at this meeting will be on the balance sheet, with the Fed likely to announce an end to quantitative tightening amid diminishing reserve levels and nascent evidence of funding market pressures.*
- *We will also be watching for any news on the Fed's communications framework, with an updated "Dot Plot" potentially unveiled at some point by year-end.*

September's easing was summed up by Chair Powell as "a risk management cut", saying it's "not incredibly obvious what to do" next amid evidence of labor market loosening amid still above-target inflation. And while saying the "difficult choices" would be made on a "meeting-by-meeting" basis, overall a "move toward the direction of neutral" was warranted. The Dot Plot pointed to a median participant expectation for cuts in October and December, and having set out on an apparent path to sequential cuts, the bar was set reasonably high to derail that approach.

- Indeed, following the September meeting, markets had an October cut priced in with about 85% implied probability. That's drifted up to near 100% for a follow-up cut, in no small part because the federal government data blackout since the start of the month has left no obvious reason to deviate from the existing path.
- Fed Gov Waller may have summed it up best when he said on October 16 that "not much has changed in last six weeks" regarding the economic conditions that spurred a resumption of the Fed easing cycle.
- In particular, the balance of risks was assessed by the FOMC in September as tilting increasingly toward a weaker labor market with less concern about higher inflation. That assessment is very likely to stand next week. Our usual section recapping macroeconomic developments is predictably shorter than usual, but the broad theme is that there have been no real narrative-altering data points for FOMC hawks to point to in making the case for an October pause. (see Macro Developments Since Previous FOMC Meeting)

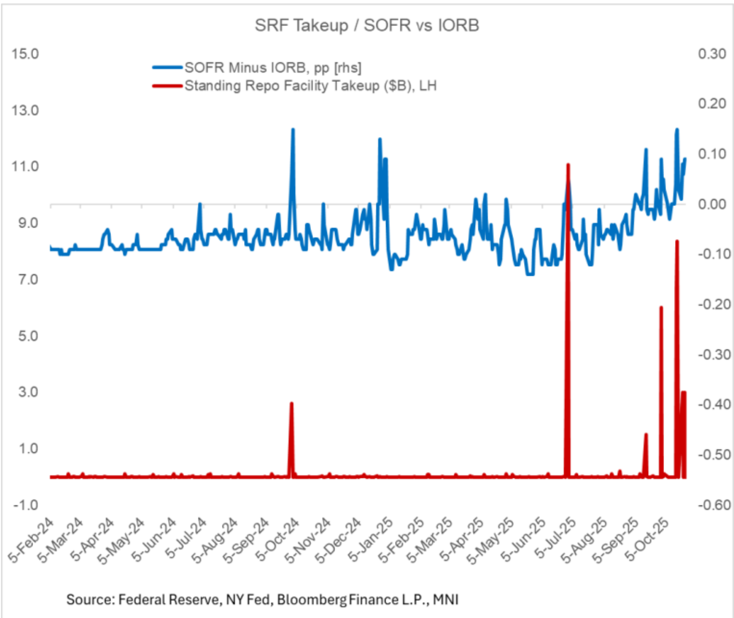


Source: Federal Reserve, MNI

- There continues to be evidence that the worst fears about tariffs' impact on inflation have not and will not materialize, and various labor market indicators continue to point to a "low hiring, low firing" labor environment that is seeing a slow but not dramatic loosening. In short, there is little reason for the Committee to change September's message that it is "attentive to the risks to both sides of its dual mandate and judges that downside risks to employment have risen."
- One key comment in the inter-meeting period was from Gov Waller who – having been one of the biggest doves of late on near-term rates – noted "I'm still in the belief we need to cut rates, but we need to kind of be cautious about it." He notes "a conflict right now between data showing solid growth in economic activity and data showing a softening labor market. So, something's gotta give—either economic growth softens to match a soft labor market, or the labor market rebounds to match stronger economic growth. Since we don't know which way the data will break on this conflict, we need to move with care when adjusting the policy rate to ensure we don't make a mistake that will be costly to correct. I believe that how that process plays out in the coming months will have a significant impact on the path of monetary policy." (See our rundown of key Fed participants' commentary in **Key FOMC Communications**)
- We saw this as raising potential for a hawkish tilt to the October meeting communications. That could perhaps involve a playing-down by Chair Powell in the press conference of the near-100% implied market probability of a cut in December by noting that there will potentially a significant amount of data by the time they make that decision that could change the way they see the evolution of the labor market.
- Of course, unfortunately for the FOMC, depending on how long the shutdown goes on, there may also be even less quality information to resolve Waller's puzzle going forward. The While House's x.com account indicated after the September CPI release that the BLS might not release an October inflation report. And even private sector data may be less of a help for the Fed: the WSJ and American Prospect reported that the Fed no longer has access to weekly ADP data - the upshot is that the Fed will more or less be relying on most of the same labor market data as the rest of us in making its decision on a cut, and potentially for the upcoming meetings - suggesting it's wading through even foggier territory in assessing current labor market conditions.
- We don't know what data will be available by the December meeting, but the situation means the default position for now will be for the FOMC leadership to tread cautiously with another "risk management" cut in December while potentially hinting at that time that the move toward neutral could slow thereafter.
- Either way, there doesn't seem to be an improvement in labor market conditions that would warrant an about-face yet. When compiling our own "shadow" employment report, we assessed that alternative private sector indicators of jobs growth paint a mixed picture on the extent of the latest additional softening beyond that seen in latest BLS payrolls data to August. For a comprehensive summary of these labor metrics, see our full report found here (PDF).

QT's Time Is Up: We think focus in terms of action at this meeting will be on the balance sheet. Chair Powell's Oct 14, titled "Understanding the Fed's Balance Sheet", gave the clearest sign yet that the balance sheet runoff which started in June 2022 and has reduced the SOMA portfolio by $2.2T is nearing an end. He said "Our long-stated plan is to stop balance sheet runoff when reserves are somewhat above the level we judge consistent with ample reserve conditions. We may approach that point in coming months, and we are closely monitoring a wide range of indicators to inform this decision."

- The speech came amid signs of nascent pressure in funding markets, while the "coming months" language spurred speculation that the Fed could announce that it would conclude balance sheet runoff as soon as the October meeting.
- While the timeline looks like it is on the early side, it shouldn't be considered a major surprise. Prior to Powell's remarks, MNI wrote that the NY Fed's latest Survey of Market Expectations showed consensus was for reserves levels to fall below $2.9T by early 2026, with balance sheet runoff still expected to conclude in early 2026. And the September FOMC minutes showed the SOMA deputy manager noted at the meeting reserves were expected "to be close to the $2.8 trillion range by the end of the first quarter of next year". We took that as a fairly clear signal that the Fed was beginning to eye the end of QT by early 2026, with reserve management purchases restarting the balance sheet rebuild later in the year.
- Reserves have pulled back if anything a little more quickly than expected, with reserves + overnight reverse repo takeup falling in the week to Oct 22 to a fresh post-November 2020 low $2.93T vs over $3.6T as recently as June,

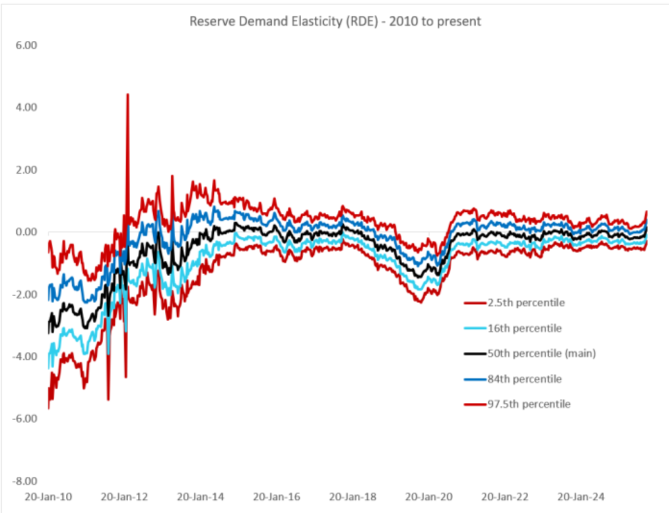


the drop reflecting the buildup in the Treasury's cash accounts at the Fed after the lifting of the debt limit.

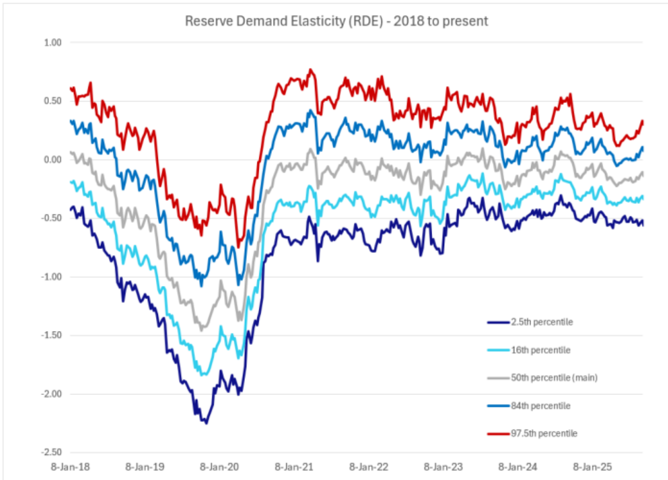
- Powell's comments were, to us, clear confirmation that this is a decision that will be discussed at the upcoming October meeting, potentially with an announcement at the meeting, or perhaps in December. We lean toward a move at the October meeting, and at this point we think it would surprise markets if QT wasn't halted immediately.

Nascent Pressures To Spur QT Halt: As with the current stance on rates, a shift at the October meeting could best be characterized as a "risk management" move. The elevation in funding pressures has been noticeable but not alarming – so far.

- Powell said on October 14 that "Some signs have begun to emerge that liquidity conditions are gradually tightening, including a general firming of repo rates along with more noticeable but temporary pressures on selected dates." That continued after the speech, firming expectations that a move on QT would be forthcoming.
- Takeup of the Fed's Standing Repo Facility (SRF) has been notable in October, rising to the highest levels since the quarter-/month-end date of June 30. Takeup was many times larger in 2019 during a previous episode of funding pressures that led to the Fed restarting asset purchases, but it's clear that Fed leadership is eyeing SRF usage warily as a sign of reserve scarcity.
- Indeed while we would guess FOMC participants largely see SRF takeup as a feature, not a bug of the system, allowing for an emergency backstop for banks while simultaneously allowing the Fed to avoid unnecessary expansion of its balance sheet, there are variety of factors contributing to the rise in takeup. Based on various measures we (and the Fed) look at, some funding market pressure had built up for a few weeks as reserves fell below $3T.
- SOFR has come down from its mid-month spike to 4.29% but remains on the high side, at 4.24% on Oct 23. This means that in the last few weeks, SOFR has consistently printed at or above the interest rate the Fed pays on reserve balances (currently 4.15%, set to drop to 3.90% after October's cut). Other metrics, like the TGCR-IORB spread cited by ex-SOMA manager and current Dallas Fed president Logan, has been perky as well.
- The Fed Funds market has also seen signs of pressure, not to the same extent as SOFR but also not reversing either. The effective rate has held its latest increase to 4.11%, 11bp above the Fed Funds target lower band rather than a more typical 8bp, with recent increases seen broadly across percentiles.
- The NY Fed's latest Reserve Demand Elasticity (RDE) indicator cited by Fed officials in helping determine whether reserves are transitioning to ample from abundant only goes through Oct 10 but suggests limited pressure through that period (the October update: "The elasticity of the federal funds rate to reserve changes is very small and statistically indistinguishable from zero. The estimate suggests that reserves remain abundant.") That said, it's had clearly started to inflect higher by Oct 10, and we would expect slightly more concerning readings as of end-October given what we've seen in broader funding markets.



Source: Federal Reserve Bank of New York, Reserve Demand Elasticity, MNI



Source: Federal Reserve Bank of New York, *Reserve* Demand Elasticity, MNI

- There may be some pushback on the Committee to concluding QT immediately, but we believe given recent communications including Powell's that it is an increasingly likely prospect.
- We took note of Gov Waller's comment that "I think we're at the point where ... we run an ample reserves to ensure that there's sufficient liquidity in the banking system... we had an excessively large balance sheet due to quantitative easing. We ended that. We've been on a quantitative tightening policy since May of 2022, and we're basically back to where we think we should be just for ample." Waller had once been something of a balance sheet "hawk" who saw the level of ample reserves "roughly" as low as $2.7T vs the ~$3T currently - making such commentary points to fairly widespread acceptance on the FOMC that a decision to end QT could be made soon, especially with Powell giving a strong steer to a shift in the coming months.
- As Waller's ballpark figure suggests, the Fed could still shave off another $200-300B from the balance sheet by continuing QT at its current $20B/month pace for several months yet, but with turbulence building, the future reduction

could be much smaller than that and losing control of the situation could force the Fed into more drastic action to calm markets. In this case, better to be early than to be late, particularly given the 2019 experience. A December announcement/implementation could have a similar effect but would be a little more of a gamble, with little significant apparent benefit.

- Indeed attention will soon turn to what the Fed does next with its balance sheet. Possibilities in addition to ending the current pace of $5B/monthly Treasury runoff altogether, maturing/prepaid MBS could be rolled over into Treasuries (very possibly announced alongside a decision to end QT) or even Tbills (possible at this particular juncture).
- At some point in the future, potentially as soon as early 2026, the Fed could have to return to balance sheet expansion to meet the underlying uptrend in reserve and currency demand over the last few years.
- The NY Fed's September Survey of Market Expectations included respondents' potential post-QT balance sheet policy prospects - the key expectations were for reserve management purchases to involve primarily bills, with MBS running off "indefinitely": "Some respondents expected maturing MBS would be reinvested in Treasury securities once the reduction in the size of the balance sheet has been completed. Some respondents discussed expectations for reserve management purchases; several expected those purchases to be primarily composed of U.S. Treasury Bills. Several respondents expected the runoff of MBS holdings to continue indefinitely."
- For now, the Fed is likely to take the simpler decision to merely halt the reduction of the balance sheet and debate the more complicated questions later (another reason to act now on ending runoff, to preserve time to make bigger decisions). As Waller said this month, "QE really distorted the maturity structure of our balance sheet, and our next choice - even though we get the level right - our next job is to try to get the composition right and that'll take some time."

Detailed SOMA Holdings

Security Type	This Week (Weds Level)	Last Week	1 Wk Change	Change Since QE Program (Mar 2020)	Change Since QT Start (Jun 2022)
Bills	195.5	195.5	0.0	-125.6	-130.6
Notes/Bonds	3568.2	3568.3	-0.1	1429.6	-1374.6
FRNs	12.6	12.6	0.0	-3.2	-18.0
TIPS	308.2	308.2	0.0	169.5	-74.8
Agencies	2.3	2.3	0.0	0.0	0.0
Agency MBS	2074.7	2078.1	-3.4	708.0	-623.9
Agency CMBS	7.9	7.9	0.0	7.9	-1.0
Total SOMA Holdings	**6169.5**	**6172.9**	**-3.5**	**2186.2**	**-2222.7**

The Fed's System Open Market Account (SOMA) contains assets acquired through open market operations. Source: NY Fed

Communication Breakdown: The Fed has signalled that this fall it would explore changes in the way it communicates policy as part of its framework review. This could be a key topic of conversation at the October meeting, with a variety of areas under scrutiny. Various FOMC participants have suggested changes including changing the Dot Plot to no longer include the longer-run rate dot, and/or to show rate projections over rolling horizons rather than just for year-end. The latest rate policy communications have illustrated the potential utility of rolling horizons, since the September projections are basically a point estimate for Fed moves the remaining 3 meetings of the year).

Other potential changes include scenario projections, joining-up macro forecasts by participant (instead of potentially disjointed forecasts across different variables). While an announcement on conclusions is unlikely at the October meeting, we will be interested in what Powell has to say about it – particularly with the December Dot Plot round looming.

MNI Assumption Of September 2025 Dot Submission

		2025
	4.500	
Hammack	4.375	1
	4.250	
Bostic, Musalem, Schmid, Barkin, Logan, Barr	4.125	6
	4.000	
Goolsbee, Collins	3.875	2
	3.750	
Powell, Jefferson, Cook, Williams, Kashkari, Waller, Bowman, Daly, Paulson	3.625	**9**
	3.500	
	3.375	
	3.250	
	3.125	
	3.000	
Miran	2.875	1
	2.750	
	2.625	
	2.500	
	2.375	
	MEDIAN	**3.6**

Green = current FOMC voter. Table: Median bolded. Source: Federal Reserve, MNI

Market pricing: Market expectations for the Fed rate path has shifted a little more dovish since the September FOMC decision. At that time Fed funds futures saw an October cut as roughly 85% priced, while now it's nearly 100% (the change in bp partly reflects the rise in the underlying effective funds rate). A December cut is also basically fully priced, though the easing pace is seen slowing after that with cuts on a roughly quarterly basis through Fune and ending 2026 with about 125bp of cumulative easing (150bp including the September cut already delivered).

Meeting	Current FF Implieds (%), LH	Cumulative Change From Current Rate (bp)	Incremental Chg (bp)	Post-Sep FOMC (Sep 18)	Chg Since Then (bp)
Oct 29 2025	3.86	-24.8	-24.8	3.85	0.9
Dec 10 2025	3.60	-50.8	-26.0	3.63	-3.2
Jan 28 2026	3.47	-64.3	-13.5	3.51	-4.1
Mar 18 2026	3.35	-76.4	-12.1	3.37	-2.8
Apr 29 2026	3.28	-82.7	-6.3	3.30	-2.0
Jun 17 2026	3.15	-95.6	-12.9	3.15	0.2
Jul 29 2026	3.08	-103.0	-7.4	3.08	0.0

Statement: QT, Or Not QT

(Link to September FOMC statement)

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

Recent indicators suggest that growth of economic activity moderated in the first half of the year. Job gains have slowed, and the unemployment rate has edged up but remains low. Inflation has moved up and 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 remains elevated. The Committee is attentive to the risks to both sides of its dual mandate and judges that downside risks to employment have risen.

- The upward revisions to Q2 growth and continued momentum apparent in the data through Q3 should warrant an upgrade in the description of economic activity.
- With no new nonfarm payrolls data since September however, the description of job gains/unemployment should remain the same (one could justify that both continued in the latest data through ADP private payrolls data/Chicago Fed unemployment estimate for September).
- There may be scope for a mention of the lack of official government data during the federal shutdown in this context, perhaps indicating as Chair Powell did in his inter-meeting speech that the assessment of the economy is based on a "wide variety of public and private sector data" that remains available.
- As for inflation, the softer-than-expected September CPI reading could argue for nudging the language in a slightly more dovish direction (ie modifying "has moved up") it would not be surprising to see this unchanged.

In support of its goals and in light of the shift in the balance of risks, the Committee decided to lower the target range for the federal funds rate by 1/4 percentage point to 4 to 4-1/4 percent. In considering 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.

- The Statement will of course announce the rate cut decision, but we don't expect any change in the forward guidance "in considering the extent and timing…". The current language leaves the door open to further cuts but does not pre-commit, which is likely where the FOMC majority's mindset is now. It's unclear whether they will cite the shift in the balance of risks again (they added this language in September to justify the resumption of easing) but any change here should be inconsequential.
- The QT language will be the most closely-watched part of the statement. We think that an end to balance sheet runoff will be signalled here – we discuss in more depth elsewhere in this meeting preview.

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.

- MNI's Instant Answers questions for the meeting include whether there are dissenters.
- Gov Miran dissented in September in favor of a larger 50bp cut and we don't expect any more.
- Once again, it's also possible a regional president dissents in favor of a hold. If so, at a guess it would likely be Kansas City's Schmid; Collins and Goolsbee aren't opposed to at least one further cut this year, and Musalem signalled relative openness to an October cut. However, the tame September CPI print could suffice to assuage the hawks to acquiesce to a cut.
- **The Implementation Note** could add detail to the decision to shift balance sheet policy, but no changes to the administered rates are expected outside of reflecting the policy rate cut. There is increasing speculation that the Fed could adjust various rates including a 5bp downward adjustment in IORB in light of funding market rate developments, but as yet we haven't seen any core expectations that this will happen at the October

Macro Developments Since The September 16-17 FOMC Decision

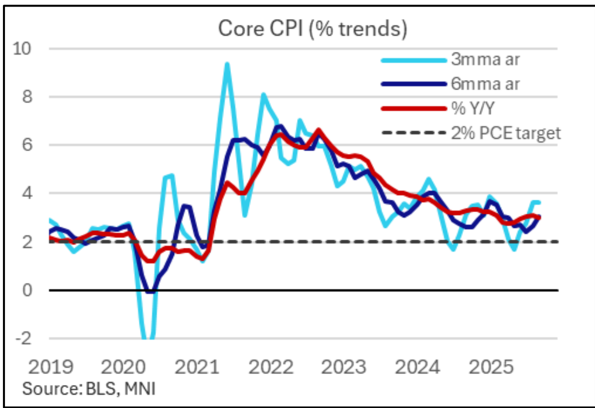
By Chris Harrison

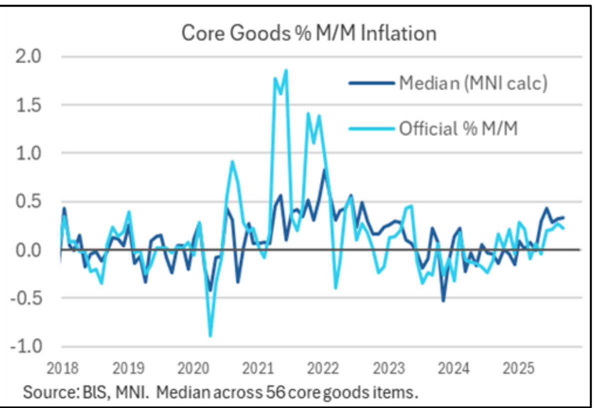
What would have been a lighter inter-meeting period for top tier data releases has been reduced even further with, at typing, the second longest US federal government shutdown in history. It has seen the FOMC going without some major official releases, including the nonfarm payrolls, retail sales and PPI reports for September. The BLS made an exception for the September CPI report on Social Security payment grounds – otherwise, the Fed and markets alike have mostly been going off alternative data sources when assessing latest economic developments.

Inflation: A Lone CPI Report Surprises Softer, Data Quality Concerns Increase

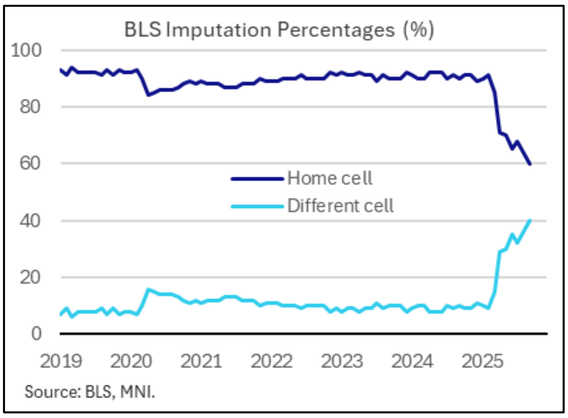
The September CPI report was clearly softer than expected, with core inflation at a seasonally adjusted 0.23% M/M (unrounded consensus of 0.32) after 0.35% in August, back to the pace seen in June after two 0.3% readings. Core goods were one weak point with markets still firmly on tariff passthrough watch, increasing 0.22% M/M (consensus 0.34) after 0.28% M/M in August with a surprise decline in used car prices partly at play.

Our look at broad price pressures within the core goods basket suggests September saw a very similar picture to August, with the peak coming back in June rather than seeing any additional acceleration in tariff passthrough. It continues to run a little hotter than the official core goods series but with a smaller gap than a few months ago. Elsewhere on the services side, rental inflation was softer than expected and included a sizeable reversal of OER inflation after a southern-based spike the prior month. The 0.26% M/M average for rental inflation over August and September sees it maintain its return to pre-pandemic run rates as has broadly been the case since the middle of the year. Core services excluding housing were still firm however at 0.35% M/M and are now running at 4.7% annualized over three months or 3.3% over six months, but this metric has poor correlation with its PCE counterpart. Taking more of a step back, core CPI inflation surprisingly eased back a tenth to 3.0% Y/Y after two months at 3.1%, still within a 2.8-3.3% range seen since mid-2024. Three-month core CPI inflation stands at 3.6% annualized whilst the six-month is softer at 3.0% annualized.





When thinking about how the Fed will view this report, it's important to note that translating it to core PCE with no publication of a PPI report would have been hard enough this month (CPI provides ~65% of inputs), but uncertainty is greater still with a deterioration in the quality of the CPI report itself. September saw 40% of sources using "different cell" imputation, a new high after 36% in August as budget and staff cuts have an increasingly large impact. It has historically averaged closer to 10% and peaked at 15% in the pandemic when in-person surveys weren't possible, but it jumped to ~30% April and has continued to increase since. This September release shouldn't have been impacted by the government shutdown in the sense that the data would have already been collected. The shutdown was however seriously calling the quality of the subsequent October report into question, although the White House's Rapid Response account on X.com suggests that the BLS may not release it because it was unable to conduct the in-person surveys as normal during the month.

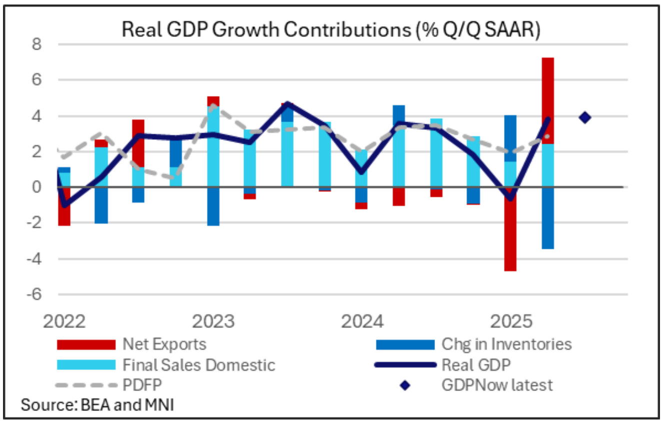


As for alternative timely indicators, the Fed's Beige Book published Oct 15 was arguably the most inflationary Beige Book of 2025, certainly joint with June which saw 8 (of 12) districts characterize inflation pressures as "moderate", despite weaker growth conditions.

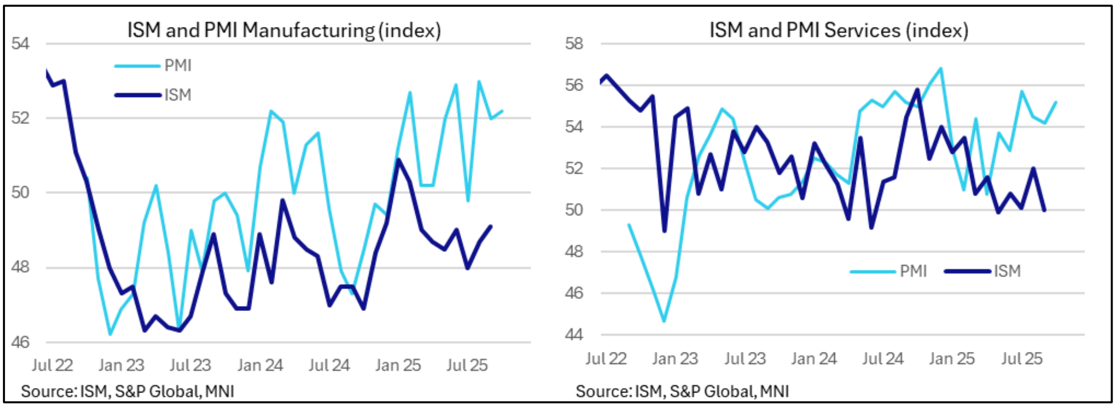
Growth: Robust Official Data Before More Mixed Private Surveys

With the sole major inflation report accounted for, we now turn to activity and labor market developments seen since shortly after the last FOMC meeting. Activity data continued a theme of surprising robustness the week after the FOMC decision, with the third release of Q2 national accounts seeing real GDP growth revised higher again from 3.3% to 3.8% annualized.

Consumption helped drive it and in turn painted a much more encouraging picture for final sales to private domestic purchasers – a favorite of Fed Chair Powell's – at 2.9% (revised from 1.9%) after the 1.9% in Q1 and 2.9% averaged in 2024. The following day, the monthly personal income and outlays report for August suggested this robust consumption growth continued well into Q3, rising a strong 0.4% M/M. Beyond that however and we are largely in the dark when it comes to official data, although it's left economic activity clearly on a strong footing with the last update from the Atlanta Fed's GDPNow pencilling in real GDP growth of 3.9% for Q3.



Taking up some of the data slack, private sector surveys have been mixed whilst the Fed's Beige Book suggested softer activity. ISM manufacturing index was little changed in September at 49.1 (highest since February, albeit by 0.1pt) although the ISM services index disappointed as it dipped 2pts to 50.0 for its lowest since May with new orders fully rewinding what had been a strong increase in August for also back towards the breakeven 50 level. More encouragingly, the latest flash S&P Global US PMI surveys for October were robust with the composite rising to a three-month high of 54.8 on the back of services strength, but there remains a signficant discrepancy between the optimistic PMIs and much more subdued ISM surveys.



Meanwhile, consumer confidence softened slightly in October according to the University of Michigan and Conference Board's consumer survey will be released on day one of the two-day FOMC meeting, although Powell has cautioned on the poor correlation with realized consumption. Looking at overall economic activity, the Beige Book reported that while the same number of districts (4) reported declining activity, this time 5 saw little/no change in activity (2 prior) and just 3 reported growth (vs 6 prior). Despite the more mixed evidence from recent private releases, the prior momentum in the economy has seen Fed officials including both Powell and Waller ponder the gap between strong economic data and a weak labor market, including which might be a more reliable indicator.

Labor: Various Indicators Point To Signs Of Slack Still Slowly Building

We may not have received the nonfarm payrolls report for September but the labor market is one of the easier areas of the economy to track in the absence of official data.

When compiling our own "shadow" employment report, we assessed that alternative private sector indicators of jobs growth paint a mixed picture on the extent of the latest additional softening beyond that seen in latest BLS payrolls data to August. The median primary dealer analyst eyed a 60k increase in nonfarm payrolls growth in September although private sector employment growth in the ADP employment was then much weaker than expected at -32k. Two indicators that have recently been un-paywalled in response to the government shutdown offer alternative tracking estimates for jobs growth. Revelio Labs estimated jobs growth of 60k,implying no further softening from recent trends in the latest BLS payrolls data published to August (3mth average 29k, 6mth 64k or private sector averages of 29k and 67k) whilst the Carlyle Group's estimate sat between Revelio and ADP with a projected 17k increase.

With ratios keenly watched by FOMC members against a backdrop of large changes in labor supply, various unemployment rate metrics point to further increases including to new recent highs in the Chicago Fed's final indicators report at 4.34% in September. Recall that the September SEP showed the median FOMC participant expecting further increases in the months ahead to 4.5% in Q4, before slowly easing to 4.4% in 4Q26 and 4.3% in 4Q27. State-level jobless claims data look contained though, with the labor market still best characterized as in a low fire, low hire state. For a comprehensive summary of these labor metrics, see our full report found here, noting that weekly jobless claims data have been updated since then but haven't materially altered the picture.

MNI Instant Answers:

The questions that we have selected for this meeting are:

- Federal Funds Rate Range Maximum
- Interest Rate Paid On Reserve Balances
- Number of dissenters to size of rate move
- Number of dissenters preferring a larger cut
- Does the Fed say it will end QT for Treasuries?
- Does the Fed say it will lower the redemption cap for MBS?
- Does the Fed make no changes to QT?

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	3.0	2.7	↑	2.4	↑					0.31
PCE Deflator	% y/y	2.7	2.5	↑	2.7	→					1.06
UoM 1-Yr Inflation Exp	% y/y	4.6	4.5	↑	6.5	↓					-0.73
Inflation Swap 5y/5y	%	2.47	2.47	↓	2.43	↑					0.63
Economic Activity		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
ISM	Index	49.1	49.0	↑	49.0	↑					0.65
Industrial Production	% m/m	0.10	0.03	↑	0.96	↓					-0.01
Factory Orders	% m/m	-1.3	-3.9	↑	0.3	↓					-0.40
Housing Starts	K	1307	1282	↑	1490	↓					-1.03
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	1.02	1.10	↓	1.22	↓					-1.41
Chicago Fed Financial Con	Index	-0.55	-0.50	↓	-0.41	↓					-1.09
Consumer Credit Net Chg	$bn	0.4	7.8	↓	-1.1	↑					-1.17
New Home Sales	K	800	627	↑	642	↑					2.23
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	-0.8	↑	0.0	↑					0.52
Consumer Confidence	Index	94.2	95.2	↓	93.9	↑					-0.29
Nonfarm Payrolls Net Chg	K	22	19	↑	102	↓					-0.89
Average Hourly Earnings	% y/y	3.7	3.8	↓	3.9	↓					-1.41
Markets		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Equity Market	Index	6789	6205	↑	5612	↑					1.81
US 10-Year Yield	%	3.99	4.23	↓	4.21	↓					-1.02
US Yield Curve (2s-10s)	bps	52.4	50.9	↑	32.2	↑					0.62
USD TWI	Index	121.12	120.97	↑	126.49	↓					-0.89

Source: MNI, Bloomberg

(*Updated Oct 24, 2025*)

mni

All Signal, No Noise

MARKET ANALYSIS

Key Inter-Meeting Fed Speak – Oct 2025

By Tim Cooper
October 24, 2025

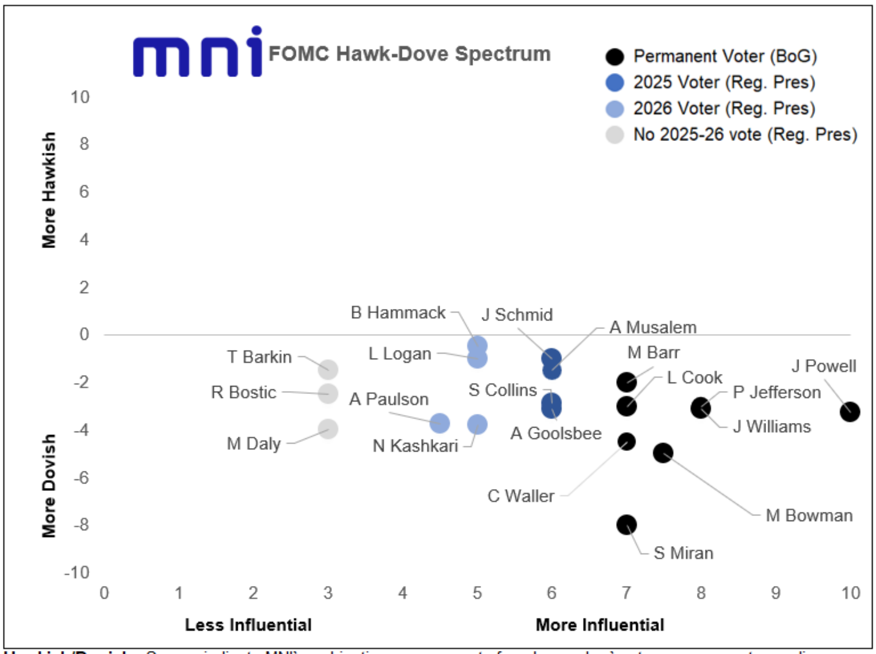
Largely Dovish Tilt Since September Meeting

Since the September meeting, the rest of the FOMC has following their own pre-meeting scripts albeit most expressed a slightly more dovish tilt in keeping with the shift in the broader Committee's perception of the balance of risks.

- All participants have echoed the official line that recent labor market indicators have signalled rising risks to that side of the dual mandate, and largely noted that tariff impacts on inflation were more limited than foreseen, though the conclusions differed on what that means for monetary policy. All relevant commentary is in the table below.

- In short, a majority of the 12-member FOMC voters – including 7 of 8 permanent voters – are likely to see at least another 2 cuts this year. Waller, Bowman, and (especially) Miran are the strongest proponents of further cuts, but Powell, Jefferson, Cook, and Williams are all likely in the camp of two further cuts. They are joined – either implicitly or explicitly – by Kashkari, Daly, and Paulson.

- While the core of the Committee appeared in the inter-meeting period to remain on board with 2 more cuts in 2025, the current rotation of regional presidents seemed more circumspect. And looking toward 2026, while Kashkari and Paulson are relatively dovish, Hammack and Logan are among the most hawkish members of the Committee.



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 Oct 23, 2025**

Member	Role	Voter		Monetary Policy Commentary Since September FOMC
		'25	'26	
J Powell	BOG, Chair	X	X	Comments from Powell's Sep 23 speech and Q&A: - **On the rate outlook:** "Two-sided risks mean that there is no risk-free path. If we ease too aggressively, we could leave the inflation job unfinished and need to reverse course later to fully restore 2 percent inflation. If

Member	Role	Voter '25	Voter '26	Monetary Policy Commentary Since September FOMC
				we maintain restrictive policy too long, the labor market could soften unnecessarily. When our goals are in tension like this, our framework calls for us to balance both sides of our dual mandate." - "We therefore judged it appropriate at our last meeting to take another step toward a more neutral policy stance, lowering the target range for the federal funds rate by 25 basis points to 4 to 4.25%...This policy stance, which I see as still modestly restrictive, leaves us well positioned to respond to potential economic developments…In recent months, it has become clear that the balance of risks has shifted, prompting us to move our policy stance closer to neutral at our meeting last week…Our policy is not on a preset course. We will continue to determine the appropriate stance based on the incoming data, the evolving outlook, and the balance of risks." - "What we've done all year is, our policy rate has been tight because inflation has been above our target, but the labor market was very solid. Now over the last really four months, really over the summer, the labor market has softened. Payroll jobs have dropped a lot, so we can't really say that anymore. And I think what that told us, is that stance of really having a tight focus on inflation really needs to moderate toward a more balanced approach. And so that's why we took the action we took at our at our last meeting. And as we go to our next meeting, we'll be asking ourselves, we'll be looking at the data very carefully - labor market data, growth data, inflation data, all the vast quantities of data that we get and asking ourselves, is policy in the right place, and if not, we move it there." - **On the labor market:** "In the labor market, there has been a marked slowing in both the supply of and demand for workers—an unusual and challenging development. In this less dynamic and somewhat softer labor market, the downside risks to employment have risen." "I would say we do see meaningful weakness in the labor market now, very low job creation." - **On inflation:** "Uncertainty around the path of inflation remains high. We will carefully assess and manage the risk of higher and more persistent inflation. We will make sure that this one-time increase in prices does not become an ongoing inflation problem." "it doesn't appear that overseas exporters are eating the cost of tariffs, but rather importers/retailers - "and they're not passing along to consumers that much of the cost. So the actual effects on inflation have been quite modest." "The question is, are companies, then are they going to eventually be able to pass that stuff through? And then that might drive inflation up a little higher?... I would say that that the passthrough to consumers has been later and less than we expected. How much of that will continue, I don't know, but the responsible thing, from our standpoint, was to watch and wait, because, you know, it's our job to make sure we don't make a mistake on inflation." - **On the balance of risks:** "We may find out in a year that inflation actually wasn't under control, and it's back up to three and a half or 4%. No one thinks this is the base case, but that's the risk of cutting too early or too much... of course, the risk of cutting too late is that the labor market weakens unnecessarily. There's no risk free path, and you know, it's just, it's a very difficult policy environment when your two goals are telling you two different things, you've got to make a compromise." Powell's Oct 14 speech, titled "Understanding the Fed's Balance Sheet", provides gives the clearest sign yet that the balance sheet runoff which started in June 2022 and has reduced the SOMA portfolio by $2.2T is nearing an end. He says: "Our long-stated plan is to stop balance sheet runoff when reserves are somewhat above the level we judge consistent with ample reserve conditions. We may approach that point in coming months, and we are closely monitoring a wide range of indicators to inform this decision."
J Williams	NY Fed, VChair	**X**	**X**	Williams signals in a Sep 29 Q&A that he would be supportive of further rate cuts, saying "from my perspective, monetary policy has been and continues to be what we call restrictive." We think he's one of the 9 (of 19) FOMC members who is penciling in a total of 3 cuts by end-2025, including the one delivered last month. - Historically he's been a dove, though prior to the September meeting he had sounded slightly wary of easing given risks that inflation could pick back up on tariffs. However he says that there "doesn't seem to be any signs of inflationary pressures building", with the tariff impact being more limited than expected, and "underlying inflation continues to move down". - He highlights labor market risks building: "We've seen a labor market that's been been remarkably resilient, gradually softening over the past year. We've seen the unemployment rate tick up. We've seen some other measures move kind of to signs that the labor market is softening. I don't want to see that go too far.... labor market indicators [are] softening somewhat. At the same time, the some of the upside risks to inflation, in my view, have come down." - **On the September rate cut and the path ahead:** "It made sense to move interest rates down a little bit, to get them to take a little bit of the restrictiveness out of there. I still see monetary policy as putting downward pressure on inflation, but just a touch less. And so when it comes to the next question of, well, what do we do next? Do we need to do more cuts or are we, you know, I think the most important thing is we need to be driven by the data." - Williams says his current model estimate for the real neutral rate is 0.75% - if that's what he has input into the Dot Plot in September, it implies that he has increased his longer-run rate forecast since June. September has 2 dots at nominal 2.75%, whereas there were none in June. The lowest longer-run dots are now at 2.625%, versus a 2.50% low in the June SEP.
P Jefferson	BOG, VChair	**X**	**X**	Fed Vice Chair Jefferson gave a Sep 29 speech that suggested a monetary policy outlook in line with that of most of the rest of the Fed leadership, including Chair Powell. As such we would guess he is among the 9 FOMC participants who anticipate making a further 2 25bp rate cuts by year-end to a median 3.6%, the same outlook

Member	Role	Voter		Monetary Policy Commentary Since September FOMC
		'25	'26	
				that we think is shared by the core of the FOMC. - He says "with respect to the path of the policy rate going forward, I will continue to evaluate the appropriate stance of monetary policy based on the incoming data, the evolving outlook, and the balance of risks. I will also consider and assess information about government policies and their effects on the economy." - Like the broader Committee, "I see the risks to employment as tilted to the downside and risks to inflation to the upside. It follows that both sides of our mandate are under pressure". - But he nods to greater risks to employment, noting "the unemployment rate could edge a bit higher this year before moving back down next year" and "With the unemployment rate at 4.3 percent, the labor market is softening, which suggests that, left unsupported, it could experience stress." As such he supported the September 25bp cut. - On the economic landscape: "Recent data indicate that U.S. economic growth has moderated, and the risks to both sides of our dual mandate have shifted. Employment growth has slowed because of weaker growth in labor supply and a softening in labor demand. The uptick in the unemployment rate suggests that demand has fallen by a bit more than supply and that the downside risks to employment are rising. Meanwhile, higher tariffs are showing through to higher inflation for some goods. I expect that the effects of tariffs on inflation, employment, and economic activity will further show through in coming months." - On inflation, his outlook is relatively benign, noting "core goods prices have been rising, reflecting tariff effects. In contrast, core services inflation, outside of housing, has generally trended sideways this year, while housing inflation appears to be on a gradual downward trend." - He says that inflation expectations appear contained and "While tariff-related inflation is apparent in the prices of some goods, it is also notable that it so far has been lower than what many forecasters predicted this spring....I expect the disinflation process to resume after this year and inflation to return to the 2 percent target in the coming years."
M Bowman	BOG, VChair	**X**	**X**	Gov Bowman's speech on "Views on the Economy and Monetary Policy" on Sep 23 warns that bigger, faster cuts may be warranted with the possibility that the Fed has fallen behind the curve on weakening labor market conditions. She's definitely one of the 9 rate dots at 3.6% for end-2025, and we would guess she's one of the 5 who are either at 2.6% or 2.9% (3-4 additional cuts) in 2026. - "Now that we have seen many months of deteriorating labor market conditions, it is time for the Committee to act decisively and proactively to address decreasing labor market dynamism and emerging signs of fragility. In my view, the recent data, including the estimated payroll employment benchmark revisions, show that we are at serious risk of already being behind the curve in addressing deteriorating labor market conditions. Should these conditions continue, I am concerned that we will need to adjust policy at a faster pace and to a larger degree going forward." - The last line suggests that while she didn't support a 50bp cut at the September meeting, she could be open to larger front-loaded easing if there is evidence of greater deterioration in labor market conditions. - She sees the latest Fed statement as signalling additional cuts, which to her is appropriate given weakening labor conditions: "Cutting the policy rate 25 basis points and signaling additional adjustments at upcoming meetings should allow longer-term interest rates to remain materially lower than earlier this year and help to support the economy", though she says policy is "not on a preset course", and while she'll "carefully monitor the incoming data and information" ahead of the October meeting, "we should consider reframing our focus from overweighing the latest data to a proactive forward-looking approach and a forecast that reflects how the economy is likely to evolve going forward." - In addressing the FOMC's newfound recognition of the shift in the balance of risks, she nods to "concerns that we have not yet perfectly achieved our inflation goal" but says "we should turn our focus toward the side of the mandate that is showing signs of deterioration or fragility even though inflation is above but within range of our target" and that "Economic research is clear that, when conditions exist like those we are currently facing, monetary policy should de-emphasize inflation." - She says that higher tariffs are creating a negative supply shock that are also "affecting" aggregate demand, conditions that are unlikely to lead to persistent effects on inflation. Addiitonally, productivity is likely to be revised up given the downward rebenchmarking of employment, also potentially dampening inflationary pressures. - And with monetary policy working with a lag, "optimal policy calls for looking through temporarily elevated inflation readings. Therefore, we should proactively remove some policy restraint on aggregate demand to avoid damage to the labor market and a further weakening in the economy, provided that long-run inflation expectations remain well anchored."
L Cook	BOG	**X**	**X**	- **No commentary on current monetary policy since last FOMC meeting**
C Waller	BOG	**X**	**X**	On Oct 16, Waller said in a speech that "I believe that the FOMC should reduce the policy rate another 25 basis points at our meeting that concludes October 29." - He remains unconcerned with the impact of tariffs on inflation, eyeing labor market risks: "Tariffs have modest effects on inflation, but with underlying inflation close to our goal and expectations of future inflation well anchored, I believe we are on track toward the FOMC's 2 percent goal. As a result, my focus is on the labor market, where payroll gains have weakened this year and employment may well be shrinking already." - With those in mind, he points to a further 100-125bp of rate cuts to get to neutral (implying a range of 2.75-

Member	Role	Voter ‘25	Voter ‘26	Monetary Policy Commentary Since September FOMC
				3.00% or 3.00-3.25%), albeit in a data-dependent fashion: "What I would want to avoid is rekindling inflationary pressure by moving too quickly and squandering the significant progress we have made taming inflation. On the other hand, if the labor market continues to soften or even weaken and inflation remains in check, then I believe the FOMC should proceed to reduce the policy rate toward a neutral level, which I judge is about 100 to 125 basis points lower than it is today. The labor market has been sending some clear warnings lately, and we should be ready to act if those warnings are validated by what we learn in the coming weeks and months." - He says he sees "a conflict right now between data showing solid growth in economic activity and data showing a softening labor market. So, something's gotta give—either economic growth softens to match a soft labor market, or the labor market rebounds to match stronger economic growth. Since we don't know which way the data will break on this conflict, we need to move with care when adjusting the policy rate to ensure we don't make a mistake that will be costly to correct. I believe that how that process plays out in the coming months will have a significant impact on the path of monetary policy." This is similar to comments he's made previously. - As for the recent government data drought, "Although private-sector data alternatives are available and a helpful complement to official statistics, they are less informative when they stand alone. The delay in the September employment report in particular makes it harder to know whether the labor market is continuing to soften or is stabilizing." He's been looking at both private sector data and business contact anecdotes. On Oct 16 in a TV appearance he said "I'm still in the belief we need to cut rates, but we need to kind of be cautious about it.” - When asked about whether his view has changed from his speech from Aug 28: "In the last six weeks, I don't think a lot has changed. All the private sector data, including the Beige Book yesterday, is telling us the same story. The labor market is weak but growth is on the stronger side, which is a puzzle now because you cannot have a strong growing economy and zero jobs growth. Either numbers start coming back down or the labor market rebounds." - Q: Do you continue to reduce rates as you wait to see what is going on? "That's exactly what I've been arguing. We don't know which way this will break. If the labor market rebounds there's less pressure for cutting rates, if growth comes back down there's more pressure. You don't want to make a mistake so the way to avoid that is to go cautiously or carefully. Do a 25bp cut and wait to see what happens and then get a better idea of what to do but if you've already started the process you've provided some initial support for the labor market that you feel is necessary." **On Oct 16 he commented on balance sheet policy:** "I think we're at the point where ... we run an ample reserves to ensure that there's sufficient liquidity in the banking system... we had an excessively large balance sheet due to quantitative easing. We ended that. We've been on a quantitative tightening policy since May of 2022, and we're basically back to where we think we should be just for ample... QE really distorted the maturity structure of our balance sheet, and our next choice - even though we get the level right - our next job is to try to get the composition right and that'll take some time."
S Miran	BOG	**X**	**X**	New Fed Governor Miran confirms in a CNBC appearance on Sep 19 that he was the bottom dot on the new Dot Plot that saw rates ending the year at 2.75-3.00% (implying a total of 150bp of cuts going into the September meeting). - Asked about whether he thinks conditions warrant a neutral interest rate now (as implied by his Dot Plot submission), Miran says: "I don't see a reason for being so far from neutral at the moment and the fact that we are quite far from neutral given that means the longer you stay very restrictive, the greater the risks build up of significant misses to the employment mandate." - On whether it could cause concern for market participants to cut as aggressively as he signaled in the Dot Plot, Miran says: "I don't think so, and that's part of why I recommended getting there in in 50 clips instead of one, you know, 200 basis point cut. I mean, if you're really concerned, you would say just, get to neutral now, or get below neutral now. But I think that sort of getting there at a measured pace of half a point at a time is a reasonable pace of doing so. And if you look at the dot plot like I'm really only sticking out this year" but his 2026 dot "is not so far from everyone else's." - Miran makes the case that monetary policy should be looser despite his expectation for "better growth in the second half of the year." "I want to caution that the implications for monetary policy are not very big, because I see actual and potential output increasing, but ... if you push out the supply side of the economy, you're increasing potential growth, and if actual growth is doing better, also, it's not clear monetary policy should react to it. In fact, standard models will tell you the opposite." - He reiterates his view that tariffs have had no material inflationary impact. Asked if he's worried about weakness in the labor market, Miran says "We found out that the labor market was not as strong as we thought it was last year and into the beginning of this year. That's what happened in the revisions lately. And then on top of that, I'm more optimistic about the second half of the year, but that doesn't imply anything for monetary policy, because I view it as pushing potential and actual output at the same time. Now, when I put all these ingredients together, in my opinion, being so far above neutral means that monetary policy is quite restrictive, and the longer monetary policy stays [at] that level of restriction, the labor market - having done what it did last year and through the first half of this year - the greater the risks that we start to miss in the employment mandate."

Member	Role	Voter		Monetary Policy Commentary Since September FOMC
		'25	'26	
				- Asked about the President's comments that the Fed should cut rates in order to reduce government interest service costs, Miran addresses his prior comments regarding a third Fed mandate on longer-run interest rates, saying "I think it is true that if the interest rate would go down, then the interest expense goes down mechanically. I don't think that's controversial. However, as I said, as I said before, the Congress assigned the Fed some very particular statutory mandates, price stability, full employment, and it is true, moderate long term interest rates, but that's usually considered to be implied by achieving the first two." **From his Sep 22 speech:** - "I believe the appropriate fed funds rate is in the mid-2 percent area, almost 2 percentage points lower than current policy. The Federal Reserve has been entrusted with the important goal of promoting price stability for the good of all American households and businesses, and I am committed to bringing inflation sustainably back to 2 percent. However, leaving policy restrictive by such a large degree brings significant risks for the Fed's employment mandate." - He says in Q&A after the speech: "If you keep policy this degree of restrictive for too long, you're not going to allow things to move in the other direction. And so you're going to create a situation in which an output gap expands. And so in my opinion, it's imperative that we get closer to neutral quickly. And so I thought three, sort of a series of 50s [bp cuts] to recalibrate interest rates was the appropriate policy." - "Because many r* estimates are based on empirical models requiring a great deal of time-series data, they can be backward-looking and slow to adjust. Moving too slowly to update a rapidly changing neutral rate raises the risk of policy mistakes....In my view, insufficiently accounting for the strong downward pressure on the neutral rate resulting from changes in border and fiscal policies is leading some to believe policy is less restrictive than it actually is." - Miran answering questions after the speech appears to see 1 more 25bp cut in 2026 and 1 more in 2027 based on the Dot Plot (after getting rates down to 2.75-3.00% by end-2025 per the Dot Plot), to 2.25-2.50%. That's the lowest dot throughout. He also says in Q&A that he penciled in GDP growth in the mid-2% area under his rate forecast - if so, he is one of the biggest growth optimists: In the September SEP, the two highest 2026 GDP projections (of 19) were 1 at 2.4-2.5%, and 1 at 2.6-2.7%. (The median was 1.8%). On Oct 7 he spoke on what happens if the Fed doesn't get federal data to make decisions during shutdown: - "My view is that monetary policy should be forward looking and should be forecast dependent. And so given the forecasts I have in mind, I would be looking for evidence that there was a reason why they might not come to pass. And so I'm always looking for what might falsify my view for the future. Like where would I be wrong? And as I said before, I think where would I be wrong is primarily, well, two things. One, if there's a lot more tariff inflation than I'm expecting, that's hard to do without the inflation data from the government. There are some private sources for prices, but I don't know that they're really reflective of of the consumption bundles that that people actually consume, that get reflected in government data. And the other thing is, of course, the housing market. And this is an area where there actually is a reasonable amount of non-government data that can that can help. And so to the extent that a lot of my optimism on inflation is driven by the shelter disinflation, I expect this is something that I can sort of look for in non-government data. And thus far, at any rate, I haven't seen anything that would make me think that my view has to be materially adjusted."
M Barr	BOG	**X**	**X**	Gov Barr's Oct 9 speech on "The Economic Outlook and Monetary Policy" Thursday appears to confirm MNI's assumption that he was the most hawkish of the 8 permanent voters on the FOMC as of the September meeting. More specifically, he's probably one of the 7 on the 19-member FOMC who don't see further cuts this year, and the only permanent voter in that category. He calls for a "cautious" approach on adjusting rates and unlike many of his colleagues, doesn't suggest that some further easing toward a more neutral stance is warranted. - Overall, "Common sense would indicate that when there is a lot of uncertainty, one should move cautiously.. I believe that principle applies now, and that the FOMC should be cautious about adjusting policy so that we can gather further data, update our forecasts, and better assess the balance of risks. If we see inflation moving further away from our target, then it may be necessary to keep policy at least modestly restrictive for longer. If we see heightened risks in the labor market, then we may need to move more quickly to ease policy. The FOMC can, and I believe would, act forcefully to stabilize the economy if necessary. I think a cautious approach will help us to balance the risks to both sides of our mandate as we continue to assess the economic outlook." - He says that "I believe the Federal Reserve's price stability goal faces significant risks". He points out the latest FOMC median projections show that PCE is not expected to return to target until end-2027, which would mark the longest period above 2% since a 7-year period that began in 1993. "two more years would be a long time to wait for a return to our target, and that possibility weighs on my judgment for appropriate monetary policy." - He's "skepical" of the notion that tariff-related inflation should be looked through as a one-off, with pre-tariff inventory buildups for instance dampening the immediate effect on prices. And "the so far modest impact of tariffs on inflation probably means a much longer-lasting rachet upward, potentially affecting expectations in a way that makes the job of taming inflation harder...I am skeptical of assurances that we should fully "look through" higher inflation from import tariffs. While, in principle, tariffs are a one-time increase in prices and should not sustainably raise inflation, that may not be the case if prices keep rising month after month and affect expectations. There has been nothing "one-time" or predictable about these tariff increases, which have ratcheted upward this year on particular countries and particular sectors in a series of steps. At some point, businesses and consumers could start to make pricing, spending, and wage decisions based on their belief in higher future inflation, thereby driving a cycle of persistence." - That said, he acknowledges - as has much of the broader Committee - that a softer labor market could

Member	Role	Voter		Monetary Policy Commentary Since September FOMC
		'25	'26	
				- mean that those inflation risks are mitigated. And "even if the labor market is still roughly in balance, the fact that this balance is being achieved from simultaneous slowing in labor supply growth and in hiring suggests that the labor market is more vulnerable to negative shocks...experience shows that when labor markets turn down, it can happen suddenly. With job growth near zero for the past several months, the labor market could decline precipitously if the economy is hit with another shock." Asked whether he worries if cutting rates will exacerbate inflation pressures, Fed Gov Barr says "Do I worry that cutting rates might exacerbate the problem with inflation? Yes, that's one of the things that I'm worried about. I think we need to be it's one of the reasons I think we need to move cautiously...if we didn't have any concerns at all about the labor market, we wouldn't need to cut interest rates in that environment." - He adds: "We have to decide at our next meeting: do we move down another step which might help on the labor market side, but might present additional risks on the inflation side? That's what makes the choice very difficult. " - On the restrictiveness of policy, he tends to agree with most of his colleagues that it's "modestly" restrictive: "I think right now, our policy is probably modestly restrictive, even though, if i were to take my long run estimate, i would say it was quite restrictive. but given the shocks we're experiencing in the economy right now, I'd say it's modestly restrictive, and I think you can see that in lots of areas, including labor demand which we've been talking about." - However, given the cautious tone of his speech, he apparently doesn't see the need to remove that that restrictiveness quickly. - On services inflation pressures: "ariff effects are directly related to services inflation. So for example, if you look at auto repair, a big component of services inflation and Auto Repair are the goods inputs to the services you need to buy the parts, and that goes into services inflation, even though the goods going up in prices. So there's some areas where there's a clear link. I don't think we're seeing kind of a generalized spill over into services, but it's hard to hard to know for sure. " **On the Fed's balance sheet**, Barr doesn't show any urgency in slowing/halting QT, with various administrative tools able to handle deviations in the policy rate as reserves are drawn down: - "I think thus far, balance sheet runoff has gone quite smoothly. It kind of operates in the background. One of the things that's really important as we get feel our way towards ample and get to that right level of reserves in the system, is that we have really good ceiling tools in place, so that if we see significant upward pressure on our rate because we've gotten too close, those ceiling tools can kick in and keep our policy rate where we want it to be. So the two policy tools, ceiling tools that we have are the discount window, which are broadly use in the banking system, and the standing repo facility... And those two ceiling tools, if they're operating effectively, are ways of ensuring that even if we get a little too close, that rates stay effective, and then we can adjust back to where a little above ample needs to be, so that we can maintain that.. My own view is that over the longer run, it would be really helpful to have the standing repo facility also centrally clear repo as a way of making sure it moves with the market."
A Goolsbee	Chic. Fed	X		Goolsbee in a CNBC interview on Sep 23 called current policy "mildly restrictive" and pointed to a neutral rate 100-125bp lower than current rates. However he said that rates should come down at a "gradual" pace and with inflation stubbornly above target, the Fed needs to be "a little careful". In sum it wouldn't surprise us if his rate outlook was for another 1 or 2 cuts this year and for another 3-4 cuts next year for a total 125-150bp of easing to 2.9 or 3.1% by end-2026 including the 25bp delivered last week. - "The reason why I'm uneasy with too much frontloading of cuts is because we still need to get the information and have confidence that the rise of the inflation rate, after four and a half years of being above the target, we have to be convinced that that's transitory." - "I think we are restrictive, mildly restrictive. It's worth noting, if you hold the rate at some level and inflation creeps up, you're passive cutting. So I don't see that the real rate is as restrictive as it was before we started getting this inflation. But I still think in the period before April 2, before we started getting some of the some of these shocks, I thought as inflation comes down to 2% we could still go down a fair amount with the rate. What's neutral, I think, is below where we are now by 100, 125 basis points, something like that." - Asked if he considered supporting a 50bp cut, Goolsbee says: "No, I'm still okay with moving to be in a better spot. And I think eventually, at a gradual pace, rates can come down a fair amount if we can get this stagflationary dust out of the air. But with inflation having been over the target for four and a half years in a row and rising, I think we need to be a little careful with getting overly upfront aggressive." - "If you look at the dot plot, where everybody gives an opinion of where do they think rates are going to settle, there's a big mass of almost everyone on the committee saying that rates can go down something lay as I say, that ultimately the rate might settle around 3% with inflation at 2%. And I'm comfortable with that, with that, as a marker." - Goolsbee advertises his Chicago Fed's latest labor market indicators - asked if it's possible that the US is past the low point in the labor market and economic activity, as suggested by ex-St Louis Fed Pres Bullard, Goolsbee doesn't totally discount the possibility: the labor market continues to cool at a sort of a mild to modest pace, if you look at the aggregate jobs numbers, they turned decidedly sour compared with where they were, say, a year ago. But my caution on just looking at that, of course, is that the supply side is moving all around with immigration and and some some other things. So it is possible.... You've got to manage the risk. And so I think to the extent that Bullard or others are highlighting that the economy doesn't have to just deteriorate, it could be getting hotter, and if it got hotter and inflation has already been above

Member	Role	Voter		Monetary Policy Commentary Since September FOMC
		'25	'26	
				the target for almost five years you would you would need to think about that, right?" In the first Fed commentary after the strong upward revision of Q2 (and overall H1 GDP), Goolsbee on Sep 25 noted that (as quoted by Axios): "If excessively restrictive rates were pushing the economy toward recession, you would think that the cyclical and interest rate sensitive parts of the economy would be showing that canary in the coal mine style — and they do not seem to be for the most part...the fact that you saw some greater strength in the numbers this morning, I don't think that yet changes my basic view of the throughline of steady growth." He noted that keeping rates steady while inflation rises is tantamount to a decline in the real interest rate, thereby passively loosening monetary policy. - Regarding that inflation and how it impacts the rate path forward, he reiterated that rates are around 100-125bp from neutral based on the FOMC's longer-run median estimate, but "the answer to the question of when and how rapidly we can get down from where we are right now to where I think the settling point is will, in large measure, be determined by the success at demonstrating that inflation is not going to go up a lot, that the tariffs are going to stay in their lane and are not going to be persistent. If we start to see the opposite happening then I would be uneasy in doing too much in the way of cutting."
S Collins	Bos. Fed	**X**		We see Collins as a "one more cut" submission in the September SEP, though there is an argument she is one of the median 9 (of 19 members) who sees 2 more cuts. In particular, in an Oct 14 speech she noted scope for normalizing policy "a bit further" this year; having previously described the September 25bp cut as "a bit of easing", it would stand to reason she is referring to 25bp moves in both instances. Additionally she says she could envisage a scenario where no further cuts this year are warranted. - The key passage on monetary policy: "with inflation risks somewhat more contained, but greater downside risks to employment, it seems prudent to normalize policy a bit further this year to support the labor market. Importantly, even with some additional easing, monetary policy would remain mildly restrictive, which is appropriate for ensuring that inflation resumes its decline once tariff effects filter through the economy. But policy is not on a pre-set path, and I can envision scenarios where appropriate policy calls for holding rates steady later this year and into next, as we assess effects of the recent policy actions and get more information. Going forward, my policy decisions will continue to be guided by my best assessment of all available data, their implications for the outlook, and the evolving risks." - Collins says "While I see inflation risks as somewhat more contained than I previously thought, downside risks to the labor market have likely risen." She again highlights the slower growth in both labor supply and demand, pointing to a 40k "breakeven" rate of payrolls growth. She says however that the "broad-based slowdown in hiring raises the risk that labor demand may fall short of supply, which could eventually lead to a more substantial increase in the unemployment rate than we have seen so far this year." - She notes "a few reasons to expect further price pressures from tariffs going forward", while "Overall, my baseline economic outlook is relatively benign. I see continued growth in activity, little further rise in the unemployment rate, and inflation remaining elevated this year and into early 2026 as tariffs are passed through more fully, before resuming its decline". "while that is my baseline view, I do not rule out scenarios featuring higher and more persistent inflation, more adverse labor market developments, or both." - She sees inflation expectations as "relatively stable". And "a softer labor market with strong productivity growth reduces the risk of inflationary pressures from wage growth." "But all of this warrants careful attention, and a lack of comprehensive price data (given the government shutdown) will complicate assessing the inflation environment." Collins said in a Sep 30 speech that "it may be appropriate to ease the policy rate a bit further this year – but the data will have to show that". She supported the 25bp September cut because "in my view, a bit of easing was appropriate to address the recent shift in the balance of risks to our inflation and employment mandate. But I continue to see a modestly restrictive policy stance as appropriate, as monetary policymakers work to restore price stability while limiting the risks of further labor market weakening." - Collins's "baseline outlook continues to be relatively benign. I anticipate hiring will pick up as firms adjust to the new tariff environment. And while inflation is likely to remain elevated into next year, I expect it to resume its gradual return to target over the medium term. This outlook is similar to the median forecast in the September Summary of Economic Projections (SEP)." Note that the latest PCE medians were: 3.0% 2025, 2.6% 2026, 2.1% 2027.
J Schmid	K.C. Fed	**X**		Based on a Sep 26 speech, Schmid is probably one of the 6 members who penciled in no further rate cuts this year in his September Dot Plot. - "I viewed the 25-basis point cut in the policy rate last week as a reasonable risk-management strategy as the Fed balances its inflation objective with some heightened concern over the health of the labor market." - "My view is that inflation remains too high while the labor market, though cooling, still remains largely in balance." - He acknowledges "a growing risk that the labor market may weaken more substantially or abruptly than I had been anticipating." - He says current policy is "slightly restrictive, which I think is the right place to be." He also says he regarded policy earlier in the year amid the long hold at 4.25-4.50% as "modestly restrictive". - "Against this backdrop, I will continue to take a data-dependent approach to any further adjustments in the

Member	Role	Voter		Monetary Policy Commentary Since September FOMC
		‘25	‘26	
				policy rate. I will be watching the incoming inflation and labor market data closely as I continue to assess the balance of risks to the Fed’s dual mandate."
A Musalem	St. Louis Fed	**X**		Musalem noted on Oct 17 that "I could support a path with an additional reduction in the policy rate if there are further risks to the labor market that emerge," and if the risks for persistent inflation remain contained. "I do think we need to not be on a preset course" and added "right now, I think it's particularly important to go meeting by meeting. He said said in a Sep 22 speech that he supported the 25bp cut in September as a "precautionary move" "because recent data indicate that the downside risks to employment have increased relative to the risk of inflation remaining persistently above target", however he calls for a cautious approach to easing because "I see a risk that above-target inflation could be more persistent than is desirable". - He said "I believe there is limited room for easing further without policy becoming overly accommodative, and we should tread cautiously for three reasons": 1) financial conditions already supportive of the economy, 2) looking through one-time tariff inflation impacts "is appropriate" but a posture of "looking through" "could risk price stability if taken too far, or if maintained for too long", 3) the ex-ante real policy rate is already close to neutral (4.1% Fed funds, 12-month forward inflation of 3.3% = 0.8%, below the 1% median long-run neutral rate FOMC median in real terms). - In Q&A, he says "I think there is limited room for further policy easing without getting into overly accommodative territory. So I think we should tread with in a cautious way, in a gradual way." - "I am open to further adjustments in the in the policy rate. As I said, I think the the space for doing so before policy becomes accommodative, you know, is limited.... we're gonna get some more data between now and and the and the October meeting. I'm really focused on a path rather than, you know, the next meeting. I am taking a meeting by meeting approach, because I believe every piece of incremental information is important." - Asked by MNI whether it's fair to say that he doesn't see the 25bp September cut as the start of an extensive easing cycle, Musalem says: "I can't pre-judge what the committee will do at each future meeting, so I won't be able to answer that question. But I did say, in terms of my own opinion or my own view, that I would be prepared to go below that 1% long term real neutral rate, provided I did see labor market weakness risks rising, and if inflation expectations remain anchored, and if there's no further persistence of the inflation path. So you know, I never think of the long run neutral rate as some sort of artificial boundary below which you can never go, but you have to go there under the right baseline outlook and shift in balance of risks." - On those real rate estimates, he cites potential conditions under which he would support further easing: "I do not view 1% as a floor below which the real policy rate must not go. But to go there, I believe the outlook or balance of risks must shift further from where they are today, especially if inflation looks likely to remain persistently above target. Should further signs of labor market weakness emerge, I would support additional reductions in the policy rate, provided the risk of above-target inflation persistence has not increased and longer-term inflation expectations remain anchored." - He sums up, "While providing insurance against labor market weakness, I believe that monetary policy should continue to lean against persistence in above-target inflation, whether it materializes from the impact of tariffs, lower labor supply growth, or for other reasons." - **On the balance sheet:** "The New York [Fed] monitors very carefully whether we are still in an abundant reserves situation, and they publish many indicators that suggest that we are still in an abundant reserve situation. Our balance sheet has been declining gradually. We reduced the rate of rolloff earlier this year, so it's declining gradually. I would expect at some point in the future the committee to make a decision before we, or as we, feel that we are reaching that transition point between abundant reserves and ample reserves to - at that point - potentially pause the balance sheet rolloff. I've seen some market surveys that suggest - and these are not, the committee still needs to decide - but I've seen market surveys that suggest that could happen somewhere in Q1 or Q2 of next year, and could happen at around $2.9 trillion in reserves, plus overnight RRP.”
B Hammack	Clev. Fed		**X**	Hammack sounded extremely cautious on Sep 22 about making further cuts: "I am laser focused on inflation. And that's why to me, I think that we should be very cautious in removing monetary policy restriction, because I think it's important that we stay restrictive to bring inflation back down to target." She says she she has "one of the highest estimates" of the neutral rate on the Committee, and thinks policy is only "very mildly restrictive after last week's move", so a "very short distance to neutral". - "I do have more concerns right now that if we remove that restriction too quickly, yes, it may help on the labor side, but I feel like the labor side is still in a pretty good shape, and I'm really worried about what's going on with inflation." - She's very likely one of the highest 2025 dots (possibly the 7 seeing no further cuts this year as of September), and, we would guess, one of the 6-8 highest submissions for end-2026 (who saw 3.6 or 3.9% rates). The three highest longer-run dots on the FOMC are 3.6%, 3.75%, and 3.9%, each of which was selected by one participant. - Over the summer she described current policy as "modestly restrictive, and only very modestly restrictive", saying at Jackson Hole in August that "with the information I have, if the meeting was tomorrow, I would not see a case for reducing interest rates". - She says that the "genesis" behind the Fed's decision to cut rates last week was that "the balance of risks has shifted". "With some of the recent data that we saw around the employment side, it felt like the pressure that we're seeing on the inflation side of our mandate and the pressure that we're seeing on the employment side, were coming into better balance."

<table>
<tr><th rowspan="2">Member</th><th rowspan="2">Role</th><th colspan="2">Voter</th><th rowspan="2">Monetary Policy Commentary Since September FOMC</th></tr>
<tr><th>‘25</th><th>‘26</th></tr>
<tr><td></td><td></td><td></td><td></td><td>- She says that "right now is a unique time for monetary policy" given challenges to both sides of its mandate. Inflation is "high and we're running in the wrong direction", with the labor market "right around full employment" at a "pretty healthy rate" of unemployment of 4.3%, but with recent payrolls data suggesting "more softness there" and there is "some fragility" in the labor market overall. But in other indicators also suggest less concern is warranted, with the environment being "low hiring, low firing".
- Among other concerns, Hammack says, tariffs could result in "another wave of price increases that are happening in the first and second quarter of next year" due to contracts that get negotiated at the start of the year. On recent inflation data, "Right now we're seeing pressure come back in the goods sector. It may be that it's just related to tariffs, but we don't know that just yet. But beyond that we're also seeing pressure in services inflation. And that's harder for me to attribute to the tariff policies as what's driving that... And so when I step back and think about it, what we have to worry about again is this magnitude and persistence of our misses. And on the inflation side, part of the persistence issue is that if inflation misses for too long and is expected to be missing for longer, that could start to impact inflation expectations."</td></tr>
<tr><td>A Paulson</td><td>Phil Fed</td><td></td><td>X</td><td>In her first commentary on monetary policy since becoming Philadelphia Fed president in the summer, Paulson said in an Oct 13 speech that with rates " modestly restrictive now", she sees easing through year-end in line with the September SEP median - in other words, two more cuts by year-end. That's in line with MNI's assumption of her view.

- For 2026, when she is an FOMC voter, she sounds far less certain: "But first, what about next year? I see two important questions for monetary policy to grapple with in 2026. The first question is: What is the neutral policy rate? And the second question is: How quickly should policy move to neutral? My short answer to these questions is: I don’t know, and because I don’t know, we should proceed cautiously."
- Her current view on the economy: "The latest available data suggest an economy that is doing pretty well, although inflation remains elevated...Job gains have slowed markedly but labor supply and demand appear to be slowing more or less in tandem, leaving overall conditions in a rough balance...labor market risks do appear to be increasing — not outrageously, but noticeably. And momentum seems to be going in the wrong direction."
- She sees tariffs as largely having a one-off impact on inflation: "My base case is that tariffs will increase the price level, but they won’t leave a lasting imprint on inflation. And, given this base case, monetary policy should look through tariff effects on prices" though "I do still expect some additional goods inflation over the next few quarters, due in part to current tariffs working their way through and also to new tariffs that have been announced."
- Overall, "Given my views on tariffs and inflation, monetary policy should be focused on balancing risks to maximum employment and price stability which means moving policy towards a more neutral stance."
- And on neutral rates and the path ahead: "there are a wide range of plausible estimates of the neutral policy rate, and I think we will need to feel our way there, paying close attention to what economic developments tell us about the stance of policy. The ability to go slowly and assess is particularly valuable as we get closer to neutral. We will be better positioned to go slowly in the future if we adjust policy in the near term in a way that better aligns labor market and inflation risks. I anticipate that 2026 will see growth near potential, and inflation rising and then subsiding as tariffs, together with current and past monetary policy restrictiveness, work their way through. If the economy evolves as I expect, the monetary policy adjustments we make this year and next will be sufficient to keep labor market conditions close to full employment."

Asked in Q&A if she's in line with the Dot Plot median for 3.4% rates at end-2026 (when she is an FOMC voter) as well as her stated view that she agrees with the FOMC median estimate for 2 more cuts the rest of this year, Philly Fed's Paulson doesn't reveal much, saying "I think next year we're going to have to really evaluate the data as it comes in. We're going to have to see what happens, both with inflation and with employment and with growth. Right? I mean, I think next year is is a long way off right now."

- On where she sees the neutral rate: "We're really going to have to feel our way."
- Asked if she saw potential for rate hikes in 2026 if inflation proves to be stickier than anticipated (always a tricky question), Paulson says: "I mean, I think you can never say never about that. If inflation shows a burst of, you know, shows some life, then the Fed's going to have to react appropriately, whether that's keeping the policy rate at current levels or whether that's increasing, it is going to depend on what the data say. But I think we we need to be open to doing what it takes to achieve both of our mandates."
- Paulson says the NABE survey estimate of breakeven payroll employment (the pace of job gains that is needed to keep the unemployment rate steady) of 75,000 nonfarm payroll jobs "sounds really reasonable... I would suspect that it's lower than 75,000".
- She says "I know it's [the breakeven rate] lower than it was before... it's going to be within the standard of error. That includes some things that are negative. And so I think that's going to that's another reason why I think it's really important to look at ratios rather than those job flow numbers. Because when you've got supply and demand changing at the same time, it's really hard to assess...we've got structural things going on, at the same time that cyclical things are going on. And so that's why I'm going to be looking at at some of those ratios."</td></tr>
<tr><td>N Kashkari</td><td>Minn. Fed</td><td></td><td>X</td><td>Kashkari wrote in a Sep 19 essay ("Three Questions") that he not only supported the FOMC's 25bp cut at the September meeting, but he also penciled in a further two more through year-end, in line with the new Dot Plot median. That implies he would support cuts in October and December, representing one more cut than he had</td></tr>
</table>

Member	Role	Voter '25	Voter '26	Monetary Policy Commentary Since September FOMC
				envisaged in his June Dot Plot submission for end-2025. - In short, "I believe the risk of a sharp increase in unemployment warrants the committee taking some action to support the labor market", basically echoing September's Statement and Chair Powell's message at the press conference. - Kashkari's essay points out that longer-run inflation expectations haven't de-anchored, and that it's possible to reconcile the stronger performance of financial markets alongside weaker labor conditions. Overall though: "For me the more likely risk is a rapid further weakening of the labor market. We know from past economic cycles that when labor markets weaken, they can weaken quickly and non-linearly." He underlines his staff's estimate that "lower immigration can only explain one-third to at most one-half of the observed decline in job creation", suggesting weaker demand for labor, and not just weaker supply, is the driving force of softer NFPs. - And on inflation, "unless there is some large increase in tariff rates from here or some other supply side shock, it is hard for me to see inflation climbing much higher than 3 percent given announced tariff rates and the relatively small share of imported goods in overall U.S. consumption." - Later Friday morning in a CNBC interview he said "it's somewhat of a fragile labor market, is how I would look at it. And so I think the cut that we did this week, and that the cuts that we could do for the balance of this year, I look at them more as insurance to just keep the labor market from falling dramatically while it takes time for the underlying inflationary dynamics to play out over the course of the next year or so. So I think it's a it's not a bad labor market, but it's one that I think we need to pay a lot of attention to." - It's not clear he would support many cuts in 2026 at this stage. He was one of the participants who raised their longer-run dots at the latest meeting - his went up 25bp to 3.125%. "Over the past few years, I have continued to increase my assessment of the neutral rate of interest. The implication of this reassessment is that monetary policy has likely not been as tight as I previously understood." He could be one of the 4 members that see policy reaching that level at end-2026, implying he has penciled in 2 more cuts to that point. (One signal he points to in his essay for a rising neutral rate is continued elevation in 10Y TIPS yields, which have moved sideways as the Fed has cut 100bp). - It's not totally clear (in part because of a change in members since the June meeting) but the number of longer-run dots at 3.125% went from 1 to 2, while it appears his view that the median is higher than 2.875% was shared by at least a couple of colleagues. The longer-run rate median has remained at 3.00% since March but would only take 1 of the 10 members at 3.00% or below moving above 3.00% to raise the median, something that looks likely to happen as soon as December.
L Logan	Dall. Fed		**X**	Logan made her current monetary policy leanings clear with the title of a speech delivered on Oct 1: "Why I'll be cautious about further rate cuts". She says "I supported the FOMC's rate cut [in September] because it helped better balance the risk of slowing the labor market too much against the ongoing imperative to bring inflation back to the 2 percent target. However, I am also committed to finishing the job of sustainably restoring price stability." - Even before this speech, we saw her as one of the 6 FOMC members who eyed no further cuts this year in the September Dot Plot. - Logan sees policy as only "modestly restrictive", citing three observations: "First, even setting aside temporary effects of this year's increases in tariff rates, inflation is not convincingly on track to return all the way to 2 percent. Second, aggregate demand remains resilient, supported by consumption, business investment and buoyant financial conditions. Third, while the labor market has undeniably slowed, with meaningful costs to workers, not all of the weakness represents economic slack that less-restrictive monetary policy can ameliorate." - As such "There may be relatively little room to make additional rate cuts without inadvertently moving to an inappropriately accommodative stance." She repeats commentary from previous appearances citing and model-based estimates that suggest policy may not be far from neutral (ranging from 2.84 - 4.15%, putting the current Fed funds rate at the high end of that band). - Re that distinction between labor market slowing and labor market "slack, she says that "a modest further increase in labor market slack is likely necessary to finish restoring price stability." - Her concerns over underlying services inflation trends are noteworthy: "Most worrisome for the medium-term inflation outlook, non-housing services inflation should be relatively unaffected by tariffs, yet it has hovered near 3.4 percent over the past year. Non-housing services represents more than half of Americans' aggregate consumption. My staff estimates that the current rate of inflation in this category is high enough to keep overall inflation above 2 percent by 30 to 40 basis points. Housing services inflation should come down some as rents reset. Core goods inflation has been elevated in part due to tariffs, an effect that should also dissipate. But even then, the persistence visible in non-housing services inflation would keep overall inflation from returning all the way to the 2 percent target." She also notes that "Tariffs also pose upside risk to inflation because of the way they tend to feed into prices over time." - And she sees aggregate demand holding up, saying that financial conditions are playing a "tailwind" role: "Increasingly accommodative financial conditions are supporting aggregate demand, primarily through equity valuations that continue to reach new highs, but also through narrowing credit spreads and a weaker dollar. Indexes that estimate the economic impact of changes in a broad range of asset prices point to financial conditions prompting a meaningful boost to growth ahead."

<table>
<tr><th rowspan="2">Member</th><th rowspan="2">Role</th><th colspan="2">Voter</th><th rowspan="2">Monetary Policy Commentary Since September FOMC</th></tr>
<tr><th>‘25</th><th>‘26</th></tr>
<tr><td></td><td></td><td></td><td></td><td>Separately on Sep 26 she commented that the Fed should consider its targeted policy rate: "The tri-party general collateral rate (TGCR) is cleaner, and I think it would currently offer the best target."
- While she acknowledges that these are "only my views", she suggests that the FOMC could change its target rate "proactively" "when markets are functioning smoothly and market participants can have plenty of advance notice", though an intermediate option "would be to announce a contingency plan but not implement it for the time being."</td></tr>
<tr><td>T Barkin</td><td>Rich. Fed</td><td></td><td></td><td>Barkin says in a Sep 26 Q&A that
- "We've been hearing this low firing, low firing thing for some time, but the jobs data wasn't giving much cause for concern. What has happened over the last two months, and you can't run away from that, is that a bunch of revisions have come in that have shown that job growth has been much more modest.
- "Today, and you look at our mandate variables, you have to say unemployment looks a little bit shakier. Inflation is a little bit better than you would forecast three months."</td></tr>
<tr><td>R Bostic</td><td>Atl. Fed</td><td></td><td></td><td>Bostic says in a Wall Street Journal interview published on Sep 22 that in his latest Dot Plot "I had one cut for this year. I didn't say the timing for that. So this could easily be the one cut. And so for that, I'm fine with it. I think moving forward, the data is going to be really important and here's what I would say. Forecasting is really hard these days and so I still have one cut down for the year. So that would be it."
- He says he's adjusted his unemployment and inflation forecasts up, having not yet seen "resolutions" to uncertainty over the labor market and inflation stemming from tariffs. For core PCE he sees 3.1%/headline 2.9% for 2025 and not coming back to target until early 2028, while for unemployment he sees 4.5% in 2025 and 4.4% in 2026.
- Bostic acknowledges the broader FOMC message that "the risks have shifted" but for him, "the risk to the price-stability mandate is still the most significant". And "I don't think the labor market is in crisis right now."
- He's not ruling out support for further cuts this year. He says that he wrote his one-cut 2025 projection "into the SEP with a very light pencil. That information could come in to really reshape my views of the relative balance of risks, and in that case I'd be willing to respond to that."
- While he currently doesn't support a cut at the October meeting, Bostic says that between now and then he will be paying special attention to regional business surveys and sentiment around the workforce: "to the extent that that sentiment remains stable or if it shifts in a dramatic way, that's information that I would definitely take on board in terms of thinking about whether my policy posture should change or the posture of our policy should change."
- "I have in my head that we are starting to see [longer-run neutral] rise. I think 3.1% is in the ballpark. Right now I'm at one and a quarter (in real terms)". Added to 2% inflation, this implies he's at 3.25% on the longer-run dot”.
- "The labor markets are very difficult to interpret today because ... the population supply issue is very present. ... I've been hearing from our businesses for many months that we are seeing more cautionary buying or more cautionary behavior so that the demand for product is actually shrinking a little bit. But the overarching story that we're hearing from businesses is, I'm not going to hire anyone, but I'm not going to hire anyone either. There's enough uncertainty in the economy that I don't want to find myself shorthanded, because people remember how hard it was to find quality workers during the pandemic. That's kind of where we stand."
- He adds: "Teasing all this out is a really, really hard thing. But one thing that is definitely sure for me is the sentiment around the risks to employment have gone up a lot and they are, for many, comparable to the risks to inflation. And that is creating some tension in terms of what the right policy should be."</td></tr>
<tr><td>M Daly</td><td>S.F. Fed</td><td></td><td></td><td>Daly said on Sep 24 that she "fully supported" the Fed's 25bp September cut, and suggested "Moving forward, it is likely that further policy adjustments will be needed as we work to restore price stability while providing needed support to the labor market."
- She notes that the latest Fed Dot Plot showed that further cuts were expected, "but these are projections, not promises, and making good decisions will require us to anchor on our objectives, assess the tradeoffs, and decide, again and again."
- She said re September's cut that "The risks to the economy had shifted, and it was time to act. Growth, consumer spending, and the labor market had slowed, and inflation had risen less than expected, remaining largely confined to sectors directly affected by tariffs."
- Recall Daly has long had a base case of 2 cuts by year-end but said that 3 could be appropriate, noting going into the September meeting that "It will soon be time to recalibrate policy to better match our economy", calling every meeting "live". As such even before this speech, we had expected her to have been one of the 9 participants on the median expecting a rate of 3.6% at end-2025.
- Daly's comments in Q&A suggest that she's not overly concerned about the labor market, but sees enough signs of potential weakness - and not enough signs of tariff-related inflation persistence - that she agrees with the general principle of cutting rates as "insurance".
- Asked whether she would consider the labor market "weak", Daly says: "I wouldn't really characterize the labor market as weak. The unemployment rate is low,... The people are finding jobs. Wage growth is still expanding at productivity plus inflation. So you have a sense that people are moving and doing things. But what is true is that it's not as speedy as it once was. So if you think three years ago, it was what we called frothy, then it got to healthy, then it got to solid. Now I'd say it's sustainable, but I do not want to see further softening. So one of the things that you see in the [September] rate cut is some insurance - you see the labor market has softened at a pretty good clip. it's come down rapidly from its highs, but the level of where it's sitting right now isn't weak. But you want to prevent that weakness, because we know, historically, once it tips into weakness, it's extremely hard to get it back out."
- "I don't see stagflation as around the corner. What I do see is that inflation has been printing above our target for quite a while, and that people have been enduring that sense that prices are rising. They're rising</td></tr>
</table>

Member	Role	Voter		Monetary Policy Commentary Since September FOMC
		'25	'26	
				at a faster clip. When I get up in the morning, I still have to think about price increases, and we have work to do there on the labor side... I'd see that's an economy that still needs monetary policy, you know, bridling, but not as much as we had. But it's not something that I see as faltering and recession risk... recession risk is very low right now... Stagflation is a very different thing." - Daly doesn't sound concerned about persistent tariff impacts on inflation: "We haven't seen tariffs [impact] in any sector other than the directly tariffed sectors like goods, and only the tariff parts of that. And then in services, you haven't seen it gone up. And in housing, where they have many, many inputs that are tariffed, you haven't seen the cost of housing rise rapidly. In fact, shelter inflation has been coming down, not going up. So that's, I think, evidence so far that's consistent with tariffs being a one time thing... we're seeing that if you look at the announced tariffs ... they have not come into consumer prices because ... firms take them along the supply chain, and everybody shares a little bit of that, or spreads it out over a longer period."

October Beige Book: Improved Activity, But Labor And Price Concerns Linger

Below is MNI's summary table of the 12 regional Fed district-by-district descriptions of economic activity, employment, and inflation in the October Beige Book vs the prior edition in August.

Overall economic activity looks to have been weaker on balance than prior: while the same number of districts (4) reported declining activity, this time 5 saw little/no change in activity (2 prior) and just 3 reported growth (vs 6 prior).

The employment picture was relatively unchanged little dynamism evident, while inflation pressures appeared a little stronger at least from a breadth perspective.

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

	Econ Act	Previous Report	Employment	Previous Report	Inflation (Selling Prices)	Previous Report
Boston	Ticked up overall	Expanded slightly	Unchanged	Declined slightly	Rose moderately	Increased modestly
NY	Declined slightly	Decline slightly	Unchanged	Relatively unchanged	Mostly unchanged	Rose moderately (and accelerating)
Phil	Increased slightly	Increased modestly	Increased slightly	Unchanged	Rose moderately	Increased modestly
Cle	Unchanged	Increased slightly	Increased slightly	Unchanged	Robust increase	Increased modestly
Richmond	Grew modestly	Grew modestly	Unchanged	Largely unchanged	Moderate	Moderate
Atl	Little changed	Decline slightly	Unchanged	Unchanged	Rose moderately	Rose moderately
Chicago	Little changed	Increased modestly	Unchanged	Rose slightly	Rose moderately	Rose moderately
Stl	Unchanged	Unchanged	Unchanged	Unchanged	Rose moderately	Increased moderately (and accelerating)
Minn	Declined slightly	Decline slightly	Declined slightly	Declined slightly	Rose modestly	Increased modestly
KC	Declined slightly	Generally flat	Declined slightly	Fell modestly	Rose moderately	Rose moderately
Dallas	Little changed	Expanded modestly	Declined	Unchanged	Rose slightly	Increased modestly
San Fran	Edged down slightly	Edged down slightly	Little changed	Fell slightly	Rose modestly	Increased modestly

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

September Minutes: Cautious Undertone

The biggest headline out of the September FOMC minutes release is that "most" participants "judged that it likely would be appropriate to ease policy further over the remainder of this year". But this isn't a surprise when looking at the Dot Plot that emerged from the meeting that showed 12 of 19 members eyeing at least one further cut. By the same token, it's not a surprise that "Participants expressed a range of views about the degree to which the current stance of monetary policy was restrictive and about the likely future path of policy".

- Even so, if anything the Minutes come off as slightly hawkish in the sense that there were "a few participants" that "stated there was merit in keeping the federal funds rate unchanged at this meeting or that they could have supported such a decision. These participants noted that progress toward the Committee's 2 percent inflation objective had stalled this year as inflation readings increased and expressed concern that longer-term inflation expectations may rise if inflation does not return to its objective in a timely manner."
- To be sure, this almost certainly doesn't include any of the 8 permanent voters who are really driving the decisions. The better question is whether this includes 2025 voters Schmid and Musalem who ultimately went along with the decision but probably don't see any more cuts for the rest of the year. The other obvious candidates are Hammack and Logan, which presents a slightly different hawkish perspective given that they vote in 2026.
- Additionally "participants generally judged that upside risks to inflation remained elevated". That sentence is also making headlines though it should be taken into the context of the rest of the paragraph: "participants generally judged that upside risks to inflation remained elevated and that downside risks to employment were elevated and had increased. Participants noted that, in these circumstances, if policy were eased too much or too soon and inflation continued to be elevated, then longer-term inflation expectations could become unanchored and make restoring price stability even more challenging. By contrast, if policy rates were kept too high for too long, then unemployment could rise unnecessarily, and the economy could slow sharply."
- This is similar to what Powell said at the press conference: "In the near term, risks to inflation are tilted to the upside and risks to employment to the downside—a challenging situation. " And while the prior phrasing re keeping rates too low/high for too long didn't appear in official meeting communications, Powell noted this in his Sep 23 speech: " If we ease too aggressively, we could leave the inflation job unfinished and need to reverse course later to fully restore 2 percent inflation. If we maintain restrictive policy too long, the labor market could soften unnecessarily."
- The codification of these risks to policy-setting in the Minutes gives the release a slightly cautious undertone.

Not Overly Concerned On Jobs, But Checklist Eyed: The Minutes also portray a Committee that is cautious but not overly concerned about the state of the labor market, merely that the risks to the downside had increased relative to upside inflation risks. Participants "generally expected that, under appropriate monetary policy, labor market conditions would be little changed or would soften modestly", while noting that weak payrolls gains in recent month likely reflected "declines in growth of both labor supply and labor demand". The discussion in the outlook notes "several" participants saw a lower breakeven payroll gains rate.

- And the Minutes provide a helpful checklist of labor market indicators participants are watching in lieu of / in addition to the headline nonfarm payroll change figure: "the unemployment rate, the ratio of job vacancies to unemployed workers, wage growth, the percentage of unemployed workers who find a job, the quits rate among employed workers, and the layoff rate."
- Judged by those metrics, "Participants generally assessed... these indicators did not show a sharp deterioration in labor market conditions." That said, downside risks to employment were seen to have risen when looking at "a number of indicators, including the following: low hiring and firing rates, which are evidence of less dynamism in the labor market; concentrated job gains in a small number of sectors; and increases in unemployment rates for groups that have historically shown greater sensitivity to cyclical changes in economic activity, such as those for African Americans and young people."
- Additionally, the economic growth outlook appeared too downbeat given subsequent upward revisions to Q2 GDP growth including domestic demand ("Regarding the household sector, participants noted that lower consumption growth had contributed to the slowdown in the growth of economic activity in the first half of the year.")
- The inflation commentary in the Minutes reflected the broader view that "upside risks to inflation had either diminished or not increased". "Participants generally expected that, given appropriate monetary policy, inflation would be somewhat elevated in the near term and would gradually return to 2 percent thereafter."
- That didn't mean complacency was widespread. "A majority of participants emphasized upside risks to their outlooks for inflation, pointing to inflation readings moving further from 2 percent, continued uncertainty about the effects of tariffs, the possibility that elevated inflation proves to be more persistent than currently expected even after the inflation effects of this year's tariff increases fade, or the possibility of longer-term inflation expectations moving up after a long period of elevated inflation readings." Additionally "a few ... emphasized that progress of inflation toward the Committee's 2 percent objective had stalled, even excluding the effects of this year's tariff increases."
- But "Some participants remarked that they perceived less upside risk to their outlooks for inflation than earlier in the year." And "Although participants generally assessed that this year's tariff increases had put upward pressure on inflation, some remarked that these effects appeared to have been somewhat muted to date relative to expectations from earlier in the year."
- There also seem to be echoes of commentary by doves Waller and Miran: "A few participants suggested that productivity gains may be reducing inflation pressures. A couple of participants expressed the view that, excluding the effects of this year's tariff increases, inflation would be close to target."

Slowly Starting To Eye QT Endgame: One subject we thought might be included in the September meeting discussion is balance sheet policy, and indeed it got a few mentions. The most interesting finding here is that the SOMA deputy manager (Julie Ann Remache, who recently gave a speech at end-September on on how to identify a reserve regime shift from "abundant" to "ample") said that with QT running at the current pace and overnight reverse repo facility usage remaining "very low", reserves were expected "to be close to the $2.8 trillion range by the end of the first quarter of next year if runoff were to continue at the current pace."

- That's a level that would probably be considered by most on the FOMC to be in or near "ample" territory (Gov Waller in July identified $2.7T as a "rough" guess).
- Remache also noted that re the rise of repo rates in the intermeeting period crescendoing alongside the mid-September tax date, "There were some signs of slight upward pressure on rates in the federal funds market but not enough to move the effective federal funds rate. While key indicators remained consistent with abundant reserves, money market rates were expected to continue to increase over time relative to administered rates and to eventually pull the effective federal funds rate higher." The Staff discussion also notes that "On September 15, the Secured Overnight Financing Rate temporarily printed above the minimum bid rate at the SRF amid $1.5 billion in take-up at the facility. Amid these movements in secured rates, the effective federal funds rate remained unchanged relative to the interest rate on reserve balances."
- Note that the Fed funds rate did subsequently rise 1bp relative to the norm starting Sept 22 (9bp above the lower bound of the range at 4.09%, as opposed to 8bp; or, 6bp below IORB of 4.15%, as opposed to 7bp).
- As for the FOMC's views on the matter, they weren't really changed much since July - at least in comparing the Minutes to both meetings. As such it didn't seem like there was much more urgency in considering a shift in QT policy, despite the aforementioned warnings of a shift higher in the Fed funds rate.
- The September minutes: "Several participants remarked on issues related to the Federal Reserve's balance sheet and implementation of monetary policy. A few participants stated that balance sheet reduction had proceeded smoothly thus far and that various indicators pointed to reserves remaining abundant. Nevertheless, with reserves declining and expected to decline further, they noted that it was important to continue to monitor money market conditions closely and evaluate how close reserves were to their ample level. In that context, a few participants noted that the SRF would help keep the federal funds rate within its target range and ensure that temporary pressures in money markets would not disrupt the ongoing reduction in Federal Reserve securities holdings to the level needed to implement monetary policy efficiently and effectively in the Committee's ample-reserves regime."

MNI Policy Team Insights

Selected Policy Insights From Pre-FOMC Blackout Period – For Latest Articles, See Marketnews.com

MNI POLICY: Fed Set To Keep Cutting Rates Despite Missing Data

By Jean Yung, Pedro Nicolaci da Costa and Evan Ryser (Oct 9, 2025)

WASHINGTON - The U.S. government data blackout will not prevent the Federal Reserve from continuing to lower interest rates as soon as this month and possibly again in December in response to signs of weakening in the labor market and inflation that is less acute than officials had feared.

Growing risks to the employment outlook following sharp downward revisions to payrolls data have been a central justification for the resumption of interest rate cuts after a year-long hiatus.

While the September jobs report has been delayed by the shutdown, private sector data showing signs of weakness continue to accumulate. ADP projected a 32,000 loss of private-sector jobs last month after a 3,000 decline the prior month, while the Conference Board's labor market differential of jobs "plentiful" minus jobs "hard to get" was at its lowest level in over a year.

Inflation remains too high for both goods and services, but policymakers are also coming around to the idea that the most prominent upside risks from tariffs — via second-round effects, retaliatory actions from trading partners or supply chain disruptions — have subsided. This leaves a fairly high bar for officials to halt their easing campaign, even in the face of still-elevated inflation readings.

At 4.0%-4.25% after the September move, the fed funds rate remains a point above the median FOMC estimate of neutral, leaving further room to cut while keeping policy modestly restrictive.

"Most (FOMC members) judged that it likely would be appropriate to ease policy further over the remainder of this year," the minutes of the September Fed meeting published Wednesday said.

CONTINUED DETERIORATION

Further evidence of labor market weakness will be key to how far and how quickly the FOMC will lower borrowing costs. A sharp slowdown in job growth since April has been tempered by a simultaneous fall in the supply of workers due to immigration restrictions, lifting the unemployment rate only gradually and keeping the labor market largely in balance. (See: MNI INTERVIEW: Fed Right To Remain Cautious On Rate Cuts-Kohn)

Evidence from private sector data show those trends have likely continued, an Fed Governor Chris Waller cited the downbeat ADP data as pointing to "continued deterioration" through August. At the same time, officials find some comfort in growth numbers suggesting the economy picked up steam in the second half of the year, which would be inconsistent with a sudden sharp round of layoffs.

A new real-time tracker of the jobless rate from the Federal Reserve Bank of Chicago using private and public data estimates the September jobless rate to be 4.3%, unchanged from August and allaying fears of a more abrupt uptick. But the details of the report show the hiring rate fell slightly while the rate of layoffs and quits rose, meaning a slightly higher probability that the jobless rate could rise a tenth.

The high frequency measures on which the Chicago Fed estimate relies, including ADP, Google Trends and Morning Consult survey data are unaffected by the lack of official statistics, which are used primarily for benchmarking.

INFLATION CONFIDENCE

By contrast, there's less private sector coverage of price data, and the Fed may be flying blind on inflation until the next CPI report is published.

Tariff effects are clearly present in the latest data, contributing four-tenths to core inflation, but there's little evidence of factors that could amplify these effects, and cooling wage growth removes another source of potential price pressures.

The mere surprise factor that the widely-expected tariff inflation has not materialized is giving many FOMC members comfort that the worst of the economy's inflation troubles are over — indicated also by consistently anchored long-term inflation expectations in both market and survey measures.

MNI: Warsh Wants Fed Out Of U.S. Treasury's Business

By Pedro Nicolaci da Costa (Oct 1, 2025)

NEW YORK - The Federal Reserve should shrink its balance sheet in order to disentangle itself from fiscal affairs and create more room to lower interest rates and boost the real economy, former Fed Governor Kevin Warsh, a top contender to replace Jerome Powell as Fed chair, told MNI.

Warsh said official borrowing costs should be lower but the exact amount of rate cuts matters less than implementing a wholesale change in framework and communication strategy that restores what he sees as the central bank’s damaged credibility.

“The Powell Fed cut rates last September and mortgage rates went up a full percentage point. That's further evidence the Fed needs regime change, including a new operating framework. When the Fed cuts rates, they should actually go down," he told MNI on the sidelines of an event in New York.

“Many businesses, households and market participants have come to believe the Powell Fed is actually countenancing a higher inflation rate."

TREASURY-FED ACCORD

Warsh is open to the idea of a new Treasury-Fed accord that would lead to better coordination but also a clearer delineation of powers and duties.

“In a potential new accord between the Fed and the Treasury, the Fed's grand ambitions and bloated balance sheet would be checked,” he said. “The Fed's assets would be reduced in size and scope, and it would materially lower interest rates. And Secretary Scott Bessent's fiscal and regulatory authorities would be strengthened to carry out the president's policies. The real economy would benefit enormously."

The Fed's balance sheet peaked at USD9 trillion after a ramp-up in purchases during the pandemic. It has since declined to USD6.6 trillion but remains much larger than the USD2.8 trillion where it stood when Warsh resigned from the Fed because of his disagreement with QE2.

The former FOMC member, who served on the Board of Governors from 2006 through 2011, again criticized the central bank for what he called mission creep, including forays into climate and social issues, that led it to stray from its mandate of “maximum employment, stable prices, and moderate long-term interest rates.”

He thinks the Fed’s communications strategy, including a focus on short-term indicators and a dot plot that overpromises on the ability to pinpoint future moves, have been harmful to its credibility, particularly in the wake of a major miss on inflation in 2021-2022. (See MNI POLICY: Fed Takes Measured Approach To Post-Sept Cuts)

"The Powell Fed has made substantial errors in the conduct of monetary policy. They repeatedly forecasted lower prices and delivered higher prices,” said Warsh, a visiting fellow at the Hoover Institution.

GROWTH MOMENTUM

Warsh said he is not overly concerned about weakness in the labor market despite recent downward revisions to payroll employment gains because those figures are backward-looking and contemporaneous growth measures point to strong underlying economic momentum.

“Payrolls are a lagging indicator. Modest payroll employment gains reported in recent months reveal the weak state of the economy six to nine months prior. My view is that the real economy is now accelerating, owing largely to the president's pro-growth policies. If these policies were not undermined by the Fed, the U.S. would be in the early stages of a long productivity boom." (See MNI INTERVIEW: Treasury’s Lavorgna Sees 3% Growth Into 2026)

President Donald Trump has said Warsh is one of three candidates on his short-list for chair, the other two being National Economic Council Chair Kevin Hassett and Fed Governor Chris Waller.

MNI INTERVIEW:Fed Cuts Have Limited Impact On Long Bond Yields

By Jean Yung (Oct 1, 2025)

WASHINGTON - Federal Reserve rate cuts will offer little relief on elevated long Treasury yields, but the U.S. administration has several tools to lower borrowing costs, starting with a ramp up in bill issuance mid-next-year and capping long term debt supply, former New York Fed trader Joseph Wang told MNI.

"Japan is doing this right now, reducing issuance at the long end, and I expect Treasury to do that as well. They could easily not increase coupon issuance and continue to finance the fiscal deficit by increasing the share of bills," Wang said in an interview. "That's an easy thing they could do that would have a pretty big effect on keeping long-dated yields lower."

Treasury Secretary Scott Bessent has said he and President Donald Trump are focused on bringing down longer-dated rates. They've agitated for cuts on the front end, with newly installed Fed Governor Stephen Miran calling on the FOMC to slash rates to under 3% by year-end, hoping the impact ripples across the yield curve.

ROUTE TO LOWER RATES

But anticipated Fed cuts have had little impact on long yields because market pricing is driven by a "materially higher" neutral rate compared to pre-pandemic and a larger fiscal deficit that's boosted the supply of longer dated Treasuries, said Wang, author of research blog Fedguy.com.

Benchmark rates are expected to bottom at 3% in this cycle, above the 2019 high of 2.5%. Fed projections are less aggressive than the market, adding upside risk to yields, he said.

With ramped up debt issuance from Washington, the 10-year yield is also trading increasingly higher relative to the 10-year swap, leaving a historically negative 50bp spread, Wang noted. That makes dealers less willing to buy bonds.

"Because we’re issuing so much Treasuries, the dealers need that spread to compensate them for holding that on their balance sheets. That's the regulatory cost."

LEVERAGE RATIO

The Fed's lead bank regulator, Governor Miki Bowman, a Trump appointee, is leading the charge on relaxing the leverage ratio, which the agencies estimate would unlock up to USD1.1 trillion in available capacity for bank reserves or Treasury securities. Future discussions at the Fed over the composition and maturity profile of its asset holdings could also have some effect.

But the U.S. central bank also isn't likely to intervene directly to cap long-end rates by buying bonds as part of QE, Wang said.

"You have to have a big rise in yields like the UK before policymakers jump in to do that. It doesn't happen unless events force it to happen," he said. "This administration has shown a strong degree of expertise in managing the financial system, and it looks like they're going to have the help of the Fed. The path to get to lower yields is a little different in my view." (See: MNI: Warsh Wants Fed Out Of U.S. Treasury's Business)

For now, fears over a loss of Fed independence are not showing up in market-based measures of inflation expectations, Wang said, adding, "But even if you lose Fed independence, it doesn't necessarily mean you have high inflation. Independent central banks is something many countries didn't have until the '90s, so the link between losing it and suddenly becoming Turkey is just not very strong."

MNI INTERVIEW: Treasury's Lavorgna Sees 3% Growth Into 2026

By Pedro Nicolaci da Costa (Sept 25, 2025)

WASHINGTON - The U.S. economy is on the verge of an investment boom that will lead to sustained GDP growth of around 3% into next year, although Federal Reserve interest rates must come down further so as not to stifle the outlook, Joseph Lavorgna, counselor to the U.S. Treasury secretary, told MNI.

"Something around 3% next year is very doable," he said in an interview. "It does look like the rebound you saw in Q2 is sustaining itself into Q3 with growth up at a nearly 4% rate. You are seeing recovery and consumer spending, and you're seeing very good capital spending. We're on the cusp of a capex boom."

At the same time, what he described as overly restrictive monetary policy could undermine these rosy growth prospects if not unwound in due time, he said.

"It does need an interest rate that is not restrictive," he said. "You have a garden, you've got great soil, you've got good seed, you've got the sunlight coming down, you've got a great gardener attending to the ecosystem. But if you don't have the water, you don't have liquidity, you're not going to grow."

"That's how I straddle the idea that the economy is good right now, but it's not going to stay good if monetary policy is acting as a headwind to growth," Lavorgna said.

SOME WAYS FROM NEUTRAL

By the Fed's own estimates, the current level of interest rates is still about a full percentage point away from neutral even with last week's quarter point rate cut, Lavorgna noted.

Concerns over tariff-related inflation, which have kept the Fed from cutting rates more, appear thus far unfounded.

"The fact that we're still as economists debating what, if any, tariff effect is in the data, I think, already has led the 'tariffs-are-not-inflationary' camp to be proven correct, because we were told months ago that there'd be inflation and it hasn't happened," he said. (See MNI POLICY: Fed Takes Measured Approach To Post-Sept Cuts)

FED REFORM

Lavorgna, who spent most of his career on Wall Street and served in President Donald Trump's first administration as special assistant to the president and chief economist of the National Economic Council, pushed back on the idea that the White House is attacking Fed independence.

Instead, he echoed Treasury Secretary Scott Bessent's argument that the Fed itself became politicized through actions like the vast expansion of its balance sheet as well as wading into areas like climate change that were outside of the traditional remit of a central bank.

"There certainly has been mission creep in terms of the research that the Fed and the various banks are producing, and I think that's become a real problem," Lavorgna said.

Trump has a clear agenda for reforming the Fed that includes a review of the scope of its decisions, which is why Treasury has recommended an internal review.

"I'm certainly of the view that whoever is ultimately put on the Board and any other governors that are there, whether Stephen (Miran) stays on beyond January and if anybody else leaves, they're certainly going to buy into what the secretary has laid out," he said. (See MNI INTERVIEW: US Jobs, Growth Poised For Rebound-Miran)

Lavorgna noted that the U.S. bond market is still performing better than its global peers, despite concerns over political interference with the Fed's affairs. "The markets are telling you there's no problem with Fed independence."

MNI INTERVIEW: Fed Right To Remain Cautious On Rate Cuts-Kohn

By Pedro Nicolaci da Costa (Sept 23, 2025)

WASHINGTON - Federal Reserve officials should stay vigilant about inflation and remain cautious about cutting interest rates too quickly in response to signs of labor market weakness, former Fed Vice Chair Donald Kohn told MNI.

"They are right to be cautious. It's not clear that ex-tariffs inflation was on its way back to 2%," Kohn said in an interview. "Maintaining at least a little tightness in policy is absolutely appropriate to guard against these inflation risks."

Kohn flagged sticky services prices as an indication that not all the persistence of inflation is related to concerns around U.S. tariff policy. "If you lean too hard on the labor market weakness, you increase the inflation risk." (See MNI POLICY: Fed Takes Measured Approach To Post-Sept Cuts)

The Fed is at an especially perilous juncture as risks to both the employment and inflation sides of its mandate have climbed, said Kohn. He said the central bank's quarter-point rate cut last week was justified in the context of a monetary policy stance that is "a little on the tight side."

"There were a number of signs, including the rising unemployment rate, a gradual, slow rise, declining labor force participation, to suggest at least a modest weakening in the labor market which would itself help to contain inflation," he said.

Still, Kohn believes "a cautious, gradual approach to this is appropriate. The economy is growing, there's no real sign of recession."

He said the Fed's general assumption that tariff shocks are one-time hits to the price level is sound, but added "there's a risk, they need to be a little bit careful about that."

TOO SANGUINE

Kohn, who spent four decades at the U.S. central bank, said financial markets are priced for a really benign environment, perhaps overly so.

"They're priced to limited weakness in the labor market, that whatever is there is countered by declining rates keeping profits growing, keeping these credit spreads extremely narrow. They're priced to good economic growth and low inflation," he said.

"But I think there are risks here. There are risks of leaning too hard against the labor market, there are risks that Fed Independence is compromised. And maybe that's okay for the next year, that what the president wants and what's appropriate might be the same – I think the president wants a lot more than what's appropriate – but over the long run, that's a bad idea. Everybody acknowledges that."

Kohn said that a Supreme Court loss for Fed Governor Lisa Cook, who is disputing her attempted firing by President Donald Trump, would represent a huge setback for central bank independence. (See MNI INTERVIEW: Cook Could Face Long Odds Before Supreme Court)

"It would be more than a threat. It would really undermine it quite substantially," Kohn said. "It would say that a minor infraction before you entered service would be enough to get you fired."

YIELD CURVE CONTROL

Kohn said the idea that the Fed could undertake yield curve control in order to anchor long-term yields, which has been floated in markets, would create more problems than it's worth.

"You can make one problem go away but create other ones," he said. "This yield curve control kind of thing was debated even when I was inside [the Fed] around 2009 and 2010. And the problem, as was seen in 1951, was how do you stop and how do you end it? You lose total control of your balance sheet."

MNI INTERVIEW: Politics Already Influencing Path Of Fed Policy

By Pedro Nicolaci da Costa (Sept 19, 2025)

WASHINGTON - Political pressures helped underpin the Federal Reserve's decision to lower interest rates and the specter of further intervention from the White House will keep the central bank on an easing path for the foreseeable future, former New York Fed and Kansas City Fed economist Rick Roberts told MNI.

Roberts said sharp downward revisions to employment drove policymakers to flag downside risks to the job market in their decision to lower the fed funds rate for the first time this year to a 4-4.25% range.

But the relentless push from President Donald Trump for lower rates, including the appointment of CEA Chair Stephen Miran to the board and the unprecedented attempted to fire Governor Lisa Cook,is also clearly being felt, he added in an email exchange

"Trump's vocal criticisms, the Miran appointment, and the Lisa Cook situation seem to have influenced the Fed's internal dynamics. My view is that the committee now operates in an environment where economic data and political considerations will combine to shape future policy decisions, at least over the short run," he said. "Easing will be the path of least resistance moving forward, even in the face of what previously would have been considered neutral data."

JOB MARKET

The Fed and Chair Jerome Powell cited threats of further labor market deterioration as the macro driver for the decision to ease and pencil in two additional cuts for 2025 on median.

"Clearly the magnitude of the benchmark revisions and to a lesser extent the early-September spike in unemployment claims got the committee's attention to size up the downside risks to the labor market," said

Roberts, now a professor at Monmouth University. (See MNI POLICY: Job Revisions Pressure Fed To Cut In September)

Roberts believes that whether or not the threat to Fed independence further materializes hinges in part on the success of the easing campaign on which the central bank has just embarked -- still a risky proposition with inflation well above the 2% target.

"If the suspected easing helps the economy, the political influence may cement itself," he said. "If it backfires -- by reigniting inflation or destabilizing markets (including frothy asset markets) -- calls may grow for measures to limit executive branch influence. Excessive Congressional intervention on that front could ironically constrain the Fed, trading one form of political pressure for another."

The Fed's September dot plot showed a deeply divided committee ranging from one official not wanting to cut at all to another member, most likely Miran, penciling in 150 basis points of cuts for this year.