MNI Fed Preview: September 2025

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This update of our Sep 12 preview includes **analyst expectations – click here**

Meeting Dates: Tue-Wed, Sep 16-17
Decision/Statement/Summary of Econ. Proj.: Wed Sep 17 at 1400ET / 1900UK
Press Conference/Q&A: Wed Sep 17 at 1430ET / 1930UK
Minutes: Wed Oct 8

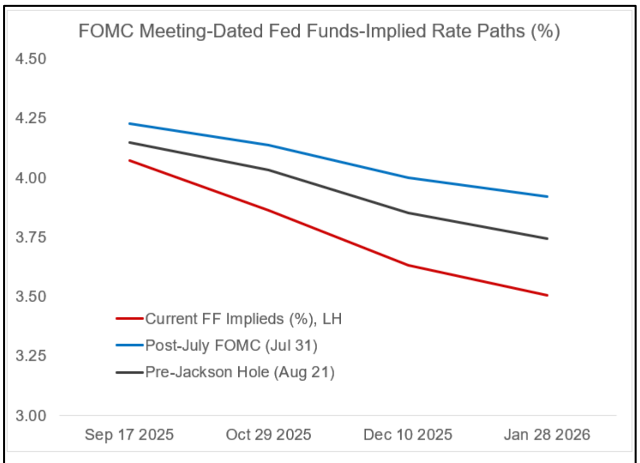
Links (likely URLs based on previous meetings):

Statement: https://www.federalreserve.gov/newsevents/pressreleases/monetary20250917a.htm
Implement. note: https://www.federalreserve.gov/newsevents/pressreleases/monetary20250917a1.htm
Summary of Econ. Proj.: https://www.federalreserve.gov/monetarypolicy/fomcprojtabl20250917.htm
Press Conference: https://www.federalreserve.gov/monetarypolicy/fomcpresconf20250917.htm
MNI Review of Previous FOMC (July - link)

MNI POV (Point Of View): A Reluctant Return To Easing

By Tim Cooper
Sep 12, 2025

- *The Federal Reserve is set to resume its easing cycle at the September 16-17 meeting with a 25bp cut to the funds rate range to 4.00-4.25%.*
- *The decision to cut after a 5-meeting pause was well-telegraphed by Chair Powell, whose Jackson Hole speech described a "shifting balance of risks" toward a weaker labor market that "may warrant adjusting our policy stance".*
- *The updated quarterly projections aren't likely to bring many changes to the macroeconomic variables, but as usual the signal sent from the Fed rate "Dot Plot" will garner attention. A Committee split between expecting one or two further cuts this year is likely, keeping each of the remaining meetings of 2025 "live".*
- *The Statement will downgrade the description of the labor market to reflect a rise in the unemployment rate and poor payrolls growth, and is likely to include at least one dissent to the rate decision.*
- *But with a Committee that is fairly divided on the way forward, Powell will be noncommittal on future action, reiterating that policy is not on a preset course, and upcoming decisions will be data-dependent.*
- *A key undercurrent is an increasingly activist approach to Fed personnel management from the White House, which leaves the composition of the FOMC uncertain not just over the medium-term but also at this meeting.*

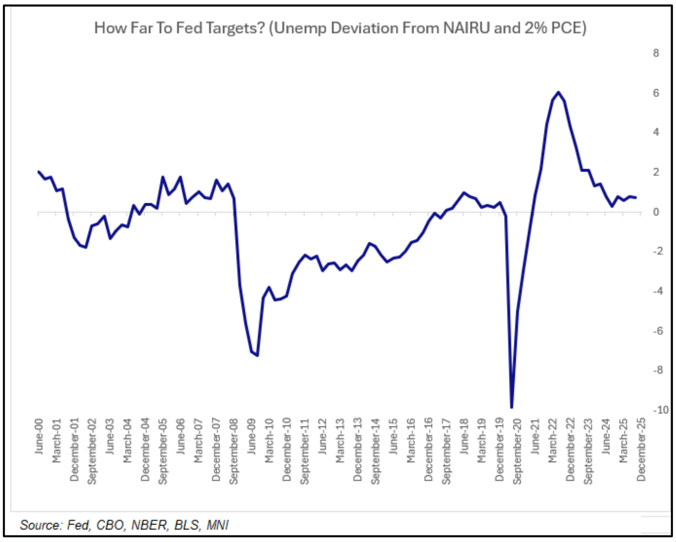


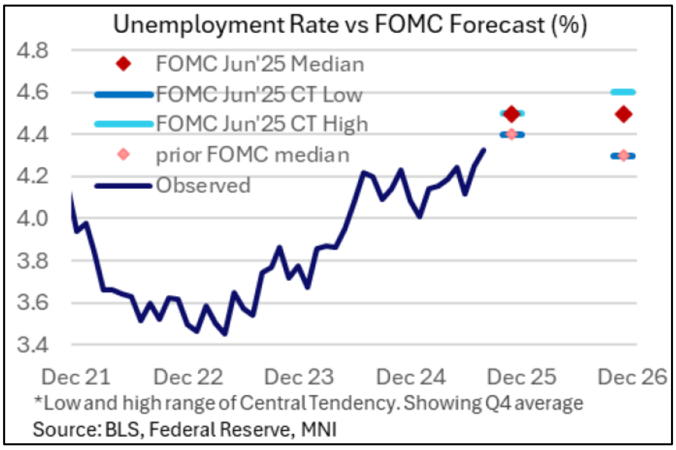
x-axis = FOMC decision dates. Source: Bloomberg Finance L.P., MNI

Signs of labor market softening since the July meeting will spur the Fed to ease for the first time this year. Memories of the September 2024 meeting, at which the Fed semi-surprised (after a media steer in the blackout period) with a 50bp cut to kick off the easing cycle, has helped underpin market pricing of a small chance of a repeat outsized cut this time. But this year, the decision to ease comes more reluctantly. While the circumstances echo, the FOMC looks much more divided over the outlook now than it did a year ago, and conviction over meeting the inflation target is justifiably lacking.

- In 2024, the Committee debated cutting at the July meeting, ultimately deciding to hold off but strongly hint that a cut was coming in September. After seeing the unemployment rate jump in July (0.2pp to 4.25%), Powell commented at Jackson Hole "we will do everything we can to support a strong labor market as we make further progress toward price stability", delivering an outsized 50bp cut in September in an (unstated) attempt to make up for not easing earlier. There was one dissent to the cut (ironically given current circumstances, that was Gov Bowman in favor of 25bp).

- In 2025, Powell also used Jackson Hole to signal an upcoming cut, albeit not nearly as full-heartedly ("with policy in restrictive territory, the baseline outlook and the shifting balance of risks may warrant adjusting our policy stance"). Indeed judging from the minutes, the July 2025 meeting discussion largely downplayed labor market risks, and it took downward monthly revisions and another uptick in the unemployment rate (now to 4.3% in the latest data, a cycle high) to get the Fed leadership to start worrying about the underlying solidity of the labor market. And this time, the risk of dissents is toward a larger cut, among a Committee that appears largely reluctant to commit to deeper easing.





- We go into detail on the latest labor market and inflation developments in the Macroeconomic Developments section later. Inflation is still above-target, and some see tariff risks lingering into 2026, but incoming data on price pressures are not bad enough to prevent most members from starting to prioritize the employment side of the dual mandate. Indeed, the impact of tariffs on inflation hasn't been as acute as many had feared, as highlighted by a few FOMC members in the inter-meeting period. Further soft payrolls (and benchmark revision) data in the blackout period will only have reinforced the case.

- Given that backdrop, it's likely Powell will be able to corral most of the Committee into backing an initial cut on risk management grounds. He, and most of the Committee, will see this cut as an initial recalibration from overly-restrictive policy, but will be reluctant to signal much more easing than they had seen earlier this year. While some participants fear the Fed has already fallen behind the curve in reducing rates to more neutral levels before it's too late to save the labor market, others see the risks as still relatively well-balanced though a slight downward rate adjustment looks reasonable at this time given labor market trends.

- While the Committee as a whole has shifted in a dovish direction over the summer, there is still something of a split headed into the meeting: we see 9 clearly in favor of a September cut (7 of whom are voters), 2 potentially opposed (1 is a voter), and 8 that sound unconvinced but most of whom will be persuaded by the time the meeting concludes (4 are voters).

- **Powell To Strike Balanced Tone:** Powell will probably set a tone that takes into account both ends of the spectrum. He is likely to emphasize that the Committee hasn't made decisions on future moves, and is going meeting-by-meeting. As he said at Jackson Hole, "Monetary policy is not on a preset course. FOMC members will make these decisions, based solely on their assessment of the data and its implications for the economic outlook and the balance of risks. We will never deviate from that approach." That appeared to be aimed at reining in expectations of a pivot toward aggressive easing, when combined with his comment that "the stability of the unemployment rate and other labor market measures allows us to proceed carefully". We would expect him to use similar language at the upcoming press conference.

- The MNI Markets Team anticipates a Dot Plot that will make Powell's job at the podium a little easier, with a basically even split between two and three cut expectations, similar to the June projections which showed a Committee essentially split between zero cuts and two cuts the rest of the year. This would signal that the FOMC's median member is still looking for 2 total cuts this year, unchanged from June, with many amenable to 3 cuts, implying further easings in October and December, depending on how the data develops. A more awkward Dot Plot would have a wide dispersion of projections that show several members seeing no further cuts, with a growing vocal minority pushing for a more aggressive front-loaded easing. Powell could even say it's plausible they don't cut any further this year if the data doesn't cooperate.

- **Dissents In Focus:** As with the July meeting, dissents could prove in focus in underlying an increasingly split Committee. We are likely to see one dissent against a 25bp cut in favor of a 50bp cut – by newly-appointed Governor Miran (see below, and our interview with him in the Policy section at the end of this document) – and would be slightly surprised but not shocked by as many as 3 (Waller and Bowman, who dissented to July's hold in favor of a cut) which would mark the first time since 1988 that 3 Board members dissented (per Deutsche Bank). We could also get a dissent in favor of a hold from a regional president (likely Kansas City's Schmid), but as usual with dissents we don't think that would elicit much market reaction.

Dot Count Could Come Down To The Wire: The ongoing public conflict between Fed leadership and the White House will of course be an undercurrent of this meeting, but we don't expect it to bubble to the surface in Powell's press conference beyond him reiterating how critical independent central bank decision-making is. But the Trump administration's attempts to change current Fed personnel means preparing for September's release has an additional tricky element since on the eve of the FOMC meeting we still don't know for sure how many submissions there will be.

- There's currently 18 FOMC members, with 1 vacancy after Gov Kugler's resignation after the July meeting. Board nominee Miran is on track to be confirmed to the Fed board in time for Tuesday's FOMC meeting start - a final vote on the Senate floor is likely to come on Monday evening and our assumption is he is on track to make it and get sworn in as a Governor by Chair Powell in time, but this is not a "sure thing".
- And the Trump administration is asking for the court to decide by Monday on whether to grant a "stay" on the decision earlier this week that allowed Gov Cook to remain in her job (and thus attend the September FOMC meeting) for now. We could even get a Supreme Court decision before the meeting starts that precludes her attendance.
- We are assuming for the purposes of this preview that we will get a full 19 "dot" submissions, including Cook and Miran, but it could be 18 or even 17 depending on events early next week.
- One or two missing won't necessarily shift median rate projections vs what they otherwise would have been. But it could be a close call on areas like the longer-run rate dot which in June had 3 participants on the current median of 3.00%, with 8 below and 8 above.
- Note that in addition to (possibly) the switching out of Kugler's dots for Miran's, June's projections included then-Philly Fed president Harker who has been replaced by Anna Paulson who will be submitting for the first time in September.
- Miran's participation would in all likelihood bring a more dovish skew to the prior dots, and he's a prime candidate to
- dissent in favor of a larger-than-25bp cut. Paulson is yet to speak on current monetary policy since her appointment.

Market pricing: A 25bp September cut is fully priced, in contrast to just after the July meeting when it was not even a 50/50 proposition. A second rate cut is fully priced by December (with a very good chance of three cuts the rest of 2025), but the incremental pace of the easing cycle is seen slowing thereafter, with around 140bp total easing seen through the end of 2026.

Meeting	Current FF Implieds (%), LH	Cumulative Change From Current Rate (bp)	Incremental Chg (bp)	Post-July FOMC (Jul 31)	Chg Since Then (bp)	Pre-Jackson Hole (Aug 21)	Chg Since Then (bp)
Sep 17 2025	4.07	-25.9	-25.9	4.23	-15.6	4.15	-7.8
Oct 29 2025	3.86	-46.8	-20.9	4.14	-27.6	4.03	-17.0
Dec 10 2025	3.63	-69.9	-23.1	4.00	-36.8	3.85	-22.1
Jan 28 2026	3.51	-82.3	-12.4	3.92	-41.3	3.74	-23.6
Mar 18 2026	3.37	-95.6	-13.3	3.80	-42.9	3.61	-24.0
Apr 29 2026	3.30	-102.7	-7.1	3.73	-42.2	3.53	-22.5
Jun 17 2026	3.16	-116.9	-14.2	3.57	-40.7	3.38	-22.2

Source: Bloomberg Finance L.P., MNI

Statement: Dissents In Focus…Again

(Link to July FOMC statement)

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

> *Although swings in net exports continue to affect the data, recent indicators suggest that growth of economic activity moderated in the first half of the year. The unemployment rate remains low, and labor market conditions remain solid. Inflation remains somewhat elevated.*
>
> *The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. Uncertainty about the economic outlook remains elevated. The Committee is attentive to the risks to both sides of its dual mandate.*

- The resumption of rate cuts at this meeting will necessitate some pretext for the decision, both in the projections and in the Statement. That starts with the opening paragraph which is likely to change the description of labor market conditions, removing the reference to them remaining "solid" and referring to the recent slowdown in payroll growth and rise in the unemployment rate.
- "Inflation remains somewhat elevated" doesn't require changing.
- The description of economic activity – that in July referred to activity – needs some cleaning up now that we are two months into the third quarter, potentially noting that growth has settled into a solid pace after a volatile first half.
- The language regarding the balance of risks is in danger of shifting to reflect weakening in labor market conditions, but given still-solid incoming inflation prints and risks on the tariff front, the Committee will be content to keep this paragraph unchanged.

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

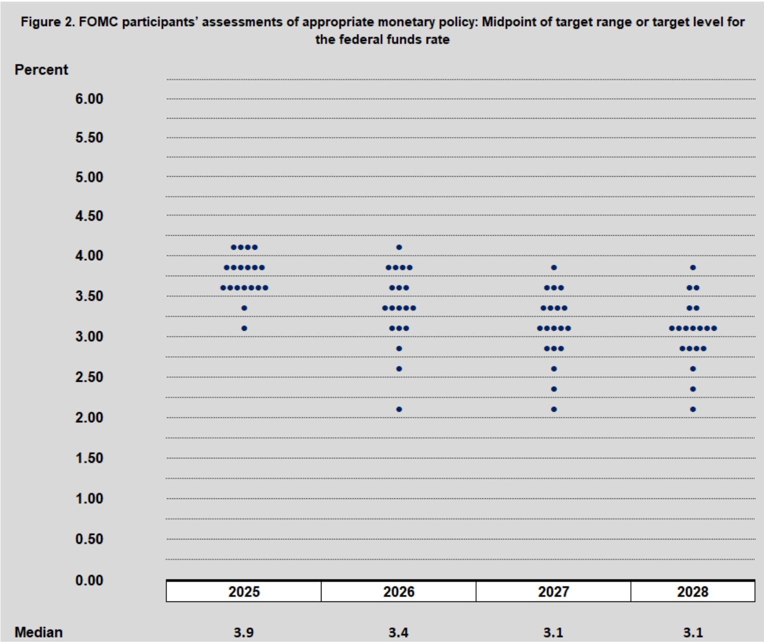
- The Statement will of course announce the rate cut decision, but we don't expect any change in the forward guidance "in considering the extent and timing…", as it gives the Committee optionality to ease further in future meetings or return to a holding stance, depending on how the data unfolds.

> *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.
- This meeting may have as many as 3 dissents in favor of a larger 50bp cut: Vice Chair Bowman, Gov Waller, and new Gov Miran.
- It's also possible a regional president dissents in favor of a hold (if so, it would likely be Kansas City's Schmid).
- **In the Implementation Note,** no changes to the administered rates are expected.

Summary Of Economic Projections: 2025 Division Remains…At A Lower Level

([Link to June 2025 FOMC Projections)](#)



Tgt Range	2025	Jun SEP	2026	Jun SEP	2027	Jun SEP	2028	Jun SEP
5.75-6.00								
5.50-5.75								
5.25-5.50								
5.00-5.25								
4.75-5.00								
4.50-4.75								
4.25-4.50		7						
4.00-4.25	4	2	1	1				
3.75-4.00	**6**	**8**	4	5	1	2	1	
3.50-3.75	7	2	3	**4**	3	3	2	
3.25-3.50	1		**5**	5	4	**6**	2	
3.00-3.25	1		3	2	**5**	3	**7**	
2.75-3.00			1	1	3	**3**	4	
2.50-2.75			1	1	1	2	1	
2.25-2.50					1		1	
2.00-2.25			1		1		1	
1.75-2.00								
1.50-1.75								
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0.50-0.75								
0.25-0.50								
0.00-0.25								
MEDIAN	**3.9**	3.9	**3.4**	3.6	**3.1**	3.4	**3.1**	-
Participants	**19**	19	**19**	19	**19**	19	**19**	-

Source: Federal Reserve, MNI Expectations

- **2025:** The end-year median is expected to either remain at June's level of 3.9%, representing one further cut (assuming a 25bp cut in September), or fall to 3.6%. MNI's Markets Team expects 3.9% in a very split decision between the two that tilts toward the more conservative side, with 10 dots at zero/one further cuts, and 9 seeing two or more further cuts.
- Put another way, in June, 9 participants saw rates ending the year above 4%; we expect that to be whittled down to 4, implying they see no further cuts the rest of the year. A plurality of 7 – probably including Fed Chair Powell and Board allies – will see 2 further cuts, while two dots below that could round it out, with one being Miran.
- Our Instant Answers will be watching the distribution of the 2025 dots.

- **2026:** The end-2026 dot is likely to fall a quarter-point to 3.4% from 3.6% prior. June's projections had 4 members at the median, with 6 above and 9 below, so it would take just one of those at 3.6% to shift lower at this meeting to bring the median down a notch. That said, vs 10 seeing rates remaining above 3.50% back in June, we expect their number will shift down only slightly to 7-8. There is something of a lower bound here set by the longer-run dot of 3.0%, with 3.1% representing the median outer-year view, and we're not sure there will be much appetite for most of the Committee to project a move any lower than 3.4%.

- **2027-28:** As noted, the outer years are likely to see a settling-in at 3.1%, just above the longer-run rate. We get 2028 projections for the first time at this meeting.

- **Longer-Run:** The median is finely poised with 3 members at 3.00%, 8 above and 8 below, meaning there's always a risk that the median will shift up from 3.00% (it has been drifting higher since 2022). However, this is not our base case for this meeting.
- The next increase would bring the longer-run rate back above 3.00% for the first time since March 2016, and would be up from the trough of 2.40% in 2022.

The MNI Markets Team's expectations for the updated Economic Projections are below.

- We don't expect much drama – or many changes – from the latest edition of the economic projections. For the most part, the June medians look largely plausible, with a few tweaks around the edges likely rather than wholesale changes. Indeed the existing projections are close to where current consensus (Bloomberg median) currently sits.
- We don't expect any changes to any of the longer-run estimates.
- **GDP:** The 2025 GDP projection of 1.4% is unlikely to change much; Bloomberg Q4/Q4 consensus is 1.2%, though it's plausible there's a small rise in the projection to reflect largely solid Q3 activity data. For outer years we don't expect any changes.

- **Unemployment Rate:** June's 4.5% median could see some upside, though keep in mind that this is a quarterly average so it would take a significant spike in the rate over the remaining 4 months of the year to see much higher than that. In August it printed 4.3%, so under an assumption that it rises 0.1pp in each remaining month of the year would see an average 4.6% for the quarter (4.7% at year-end). We wouldn't be surprised by either 4.5% or 4.6%, but it's probably 2026 that will see the uptick amid an expectation for a gradual loosening of labor market conditions.
- 2026 is more likely to see a notch higher as the near-term upside trend in the unemployment rate is extrapolated by participants, but only very slightly. As usual for the outer projection years, unemployment is likely to be seen reverting to the longer-run rate over time.
- **PCE/Core PCE:** The 3.0% headline/3.1% core PCE projections for end-2025 are basically in line with consensus, and don't really require much changing. If anything, it seems like some of the tariff-related inflation concerns from several participants have abated since the June meeting, so it would be strange to see higher figures here. Though given some expectations that passthrough could take longer to hit, a small increase to 2026 inflation forecasts could arise, followed by the usual descent toward the longer-run 2.0% target.

Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents under their individual assessments of projected appropriate monetary policy, September 2025

Percent

Variable	2025	2026	2027	2028	Longer Run
Change in real GDP	**1.5**	**1.6**	**1.8**	**1.8**	**1.8**
Jun projection	1.4	1.6	1.8	-	1.8
Unemployment rate	**4.5**	**4.6**	**4.5**	**4.2**	**4.2**
Jun projection	4.5	4.5	4.4	-	4.2
PCE inflation	**3.0**	**2.5**	**2.0**	**2.0**	**2.0**
Jun projection	3.0	2.4	2.1	-	2.0
Core PCE inflation	**3.1**	**2.5**	**2.1**	**2.0**	-
Jun projection	3.1	2.4	2.1	-	-
Federal funds rate	**3.9**	**3.4**	**3.1**	**3.1**	**3.0**
Jun projection	3.9	3.6	3.4	-	3.0

Source: MNI Markets Team Expectations

Macro Developments Since The July 29-30 FOMC Decision

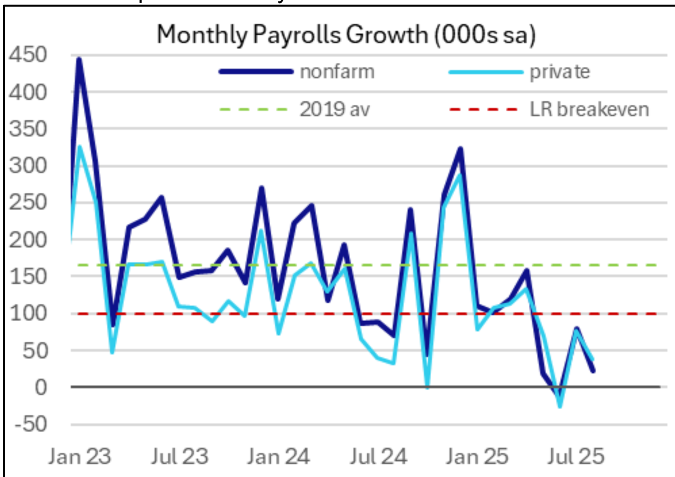
By Chris Harrison

Two rounds of payrolls and CPI/PPI reports have given the Fed plenty to assess since the late July FOMC meeting. The payrolls data in particular have significantly altered our understanding of recent labor demand trends after major downward revisions, building on a potentially huge but less surprising downward benchmark revision in the twelve months to Mar 2025. Supply dynamics also appear to have recently weakened notably though, with the unemployment rate steadily rising but still on the low side historically. Consumer and producer price inflation meanwhile has been firm but is unlikely to have materially surprised FOMC members. Growth has been relatively resilient despite some labor market cooling but with limited major releases for August. Private domestic demand, Powell's preferred indicator in national accounts, is currently tracking at a solid ~2.4% for Q3.

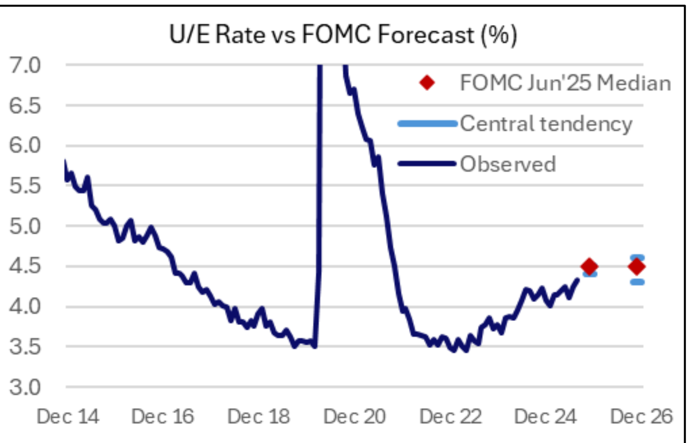
Labor Market Summer Softening To Spur Fed Action

There has been a significant change in understanding of recent labor market momentum since the July FOMC decision, starting just two days later with the July nonfarm payrolls report. Payrolls growth modestly underwhelmed expectations at the time with a 73k increase but it was dominated by a huge two-month downward revision of -258k, its largest downward revision in decades when excluding April 2020 of the pandemic. More recently, the August nonfarm report was also softer than expected even if not quite to the same dramatic extent. Payrolls growth was registered at just 22k in August after a further two-month downward revision of -21k that did nothing to push back on those previous massive revisions. It's left an average of just 29k for nonfarm payrolls growth in the three months to August, or 55k in the three months to June vs had looked like 150k in then latest data prior to that July decision. The private sector equivalent also stands at 29k, or 58k to June vs 115k ahead of the July FOMC. The private sector markdown may not be quite as large but the latest trend is still eye-catching. That's especially because private jobs growth is still being heavily propped up the cyclically insensitive health care and social assistance industry – exclude this and private sector jobs would have fallen by an average of -30k in the three months to August.

However, as many FOMC members including Powell have discussed, the labor market has broadly been keeping in balance, even if it's an "unusual" kind of balance. Labor supply has also seen a significant tightening in large part due to White House immigration policy. This has meant short-run breakeven estimates of nonfarm payrolls growth, i.e. the pace at which the unemployment rate would be kept steady when allowing for differences between the establishment and household surveys, has tumbled compared to last year.



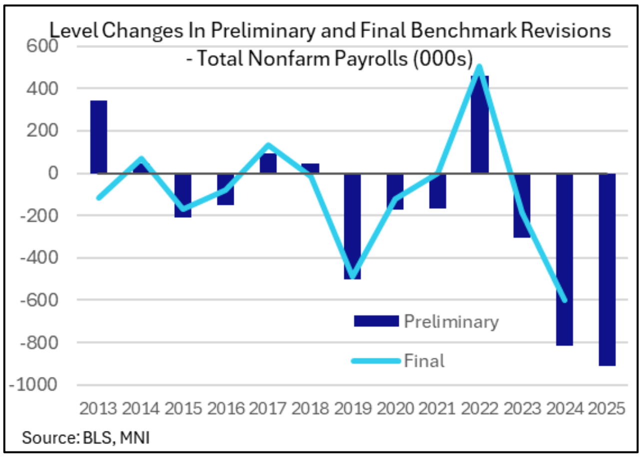
Source: BLS, Bloomberg Finance L.P., MNI. Crude long-run breakeven



*Low and high range of Central Tendency. Showing Q4 average
Source: BLS, Federal Reserve, MNI. Peaked at 14.8% in Apr 2020

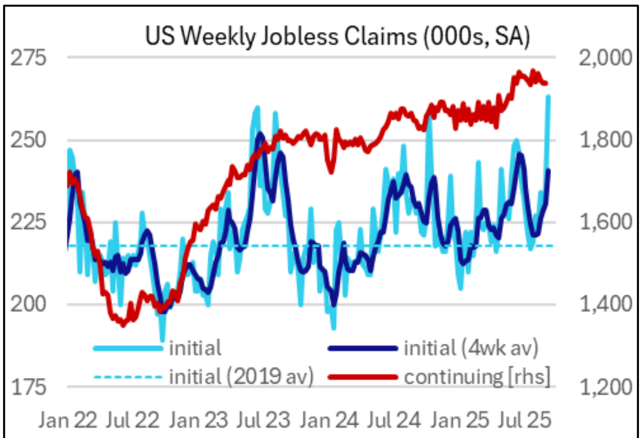
There appears to be a rough range of estimates that this breakeven rate could be between 50-100k, with some possibly below this. Note as well that these estimates were prior to another marking lower of CBO net immigration estimates. The uncertainty around where a breakeven rate might be in a fast-moving supply backdrop has seen the unemployment rate rightly gain prominence in Fedspeak. It has increased in the latest two months of data and most recently nudged to 4.32% in August for above what had been a plateauing between 4.0-4.25% since July 2024. Nevertheless, as some Fed officials have been keen to point out, this is still a low unemployment rate when looking historically. What's more, even prior to this recent aggressive markdown in the rate of payrolls growth, the median FOMC member forecast an unemployment rate of 4.5% in 4Q25 so further increases have been expected for some time.

Whilst on the subject of payrolls, the BLS preliminary estimate for the annual payrolls benchmark revision points to a substantial downward revision of -911k over the twelve months to March 2025 – to be known for sure early next year with the actual revision. Analyst estimates were wide-ranging but we estimated a median of -750k, mainly in a range of -500k to -1mn (sometimes given as a similar range by each analyst) but with Barclays more pessimistic still with -1.1-1.3mn. Governor Waller, the only FOMC member we'd seen offer an estimate, had pencilled in a monthly hit of around 60k, i.e. a downward revision of a little over 700k. Note that this compares with last year's preliminary estimate of -818k before the -598k in the actual benchmark revision published with the January monthly payrolls report released in February. Taking these revisions at face value (which history suggests is likely overly negative), the average pace of monthly payrolls growth of 147k in the twelve months to Mar 2025 would have been 71k. As for private payrolls, the -880k preliminary downward revision implies average monthly private payrolls growth would be revised down from 122k to 49k. Beware extrapolating this monthly downward revision to the aforementioned three-month average in seasonally adjusted payrolls growth of 29k as of August but the risk is certainly on payrolls growth to have been even weaker than currently estimated.



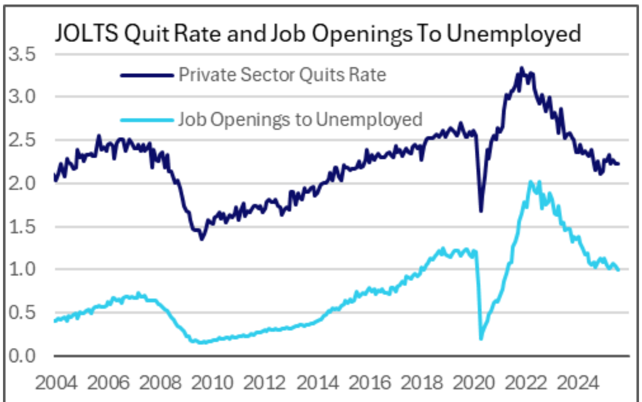
Source: BLS, MNI

As for other timely measures of labor market conditions, weekly jobless claims data have painted a mixed picture. The latest initial jobless claims print has fired a warning shot with a surprisingly steep rise to 263k for its highest since 2021, although a large part of this increase was driven by what's an idiosyncratic-looking increase in Texas. Being the second largest state in the US it shouldn't be completely looked past, but it does add an asterisk next to the latest spike in what can be noisy data week-to-week. Our continued preference is to focus on the four-week average although this too shows an upward trend, now at 241k for a 20k increase since August and its highest since June. We'd start to take a stronger signal of impending labor market weakness if this rate starts to push above 250k in what would break ranges seen over the past two years. Continuing claims meanwhile have very roughly plateaued ever since a more concerted push higher back in May and June, a finding that coincidentally tallies with June being the weakest print for payrolls growth as the data currently stand.



Source: Dept of Labor, MNI

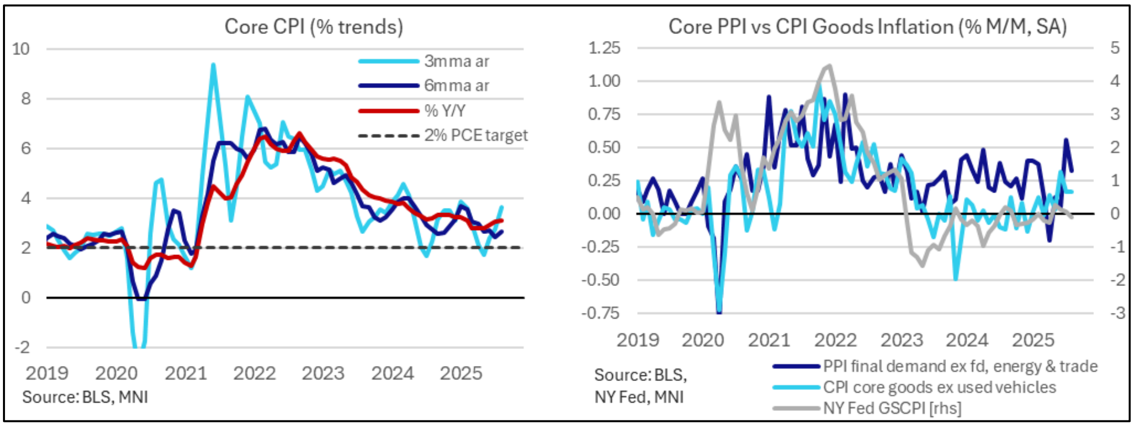
Slower moving indicators also still carry weight as the FOMC assesses broader labor market balance. The JOLTS report for July was softer than expected, primarily on the openings front as the ratio of vacancies to unemployed fell to a new recent low. Powell at Jackson Hole had pointed to this metric in the category of little changed to only modestly softer over the past year, leaving sensitivity to any subsequent declines here. Specifically, the ratio of openings to unemployed fell from 1.05 to 0.99. Whist only marginal at this stage, that's the first time there have been fewer openings than unemployed since Apr 2021 or, prior to the pandemic, early 2018. The quit rate meanwhile was unchanged at 2.01%, continuing to stabilize at low levels having averaged 2.0% since Aug 2024, and actually a little above some 1.9% readings in 2H24 rather than pushing lower still.



Source: BLS, MNI

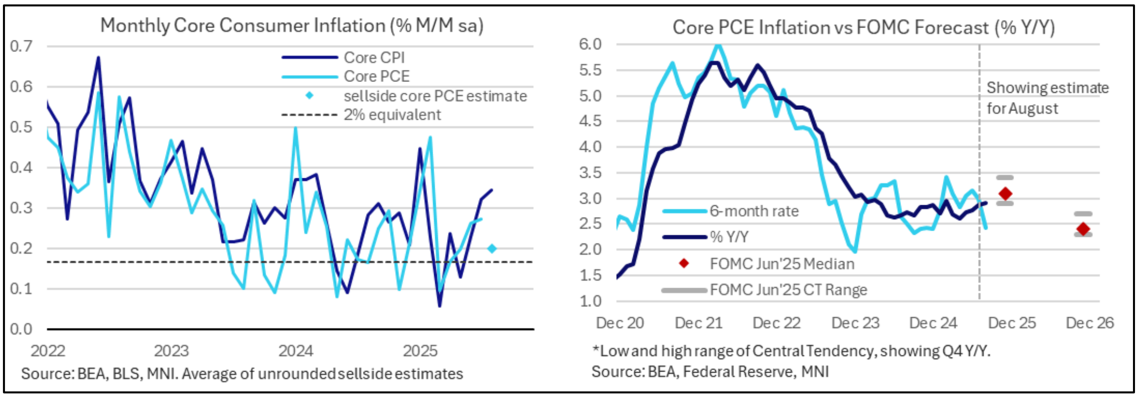
Consumer And Producer Price Inflation Is Heating Up But Particularly Strong Increases Averted So Far

The two rounds of CPI/PPI reports since the July FOMC decision have on balance seen strong monthly rates of inflation in both July and August, broadly meeting expectations rather than really accelerating higher. Core CPI inflation of 0.32% M/M in July and 0.35% M/M in August has been impressively close to the median unrounded analyst estimate and has helped push the year-ago rate to 3.1% Y/Y for its highest since February. We put some focus on our calculation of median core goods inflation to better track potential tariff-related pressures coming through the pipeline. It continues to run at a strong monthly pace, with three of the past four months at 0.3% M/M plus June at 0.44% M/M, but it's notable that June has been the peak for broad monthly price increases in core goods items for now. We've also given some attention to a push higher in food price inflation, with at-home prices rising 0.6% M/M in August for a three-year high, as its partially non-durable nature should mean there was less able to have front-run tariffs earlier in the year (i.e. tariff passthrough should be faster). Core services inflation has also increased strongly, with 0.365% M/M in July and 0.35% M/M in August, with July's print described as "dangerous" by a usually dovish Chicago Fed's Goolsbee.



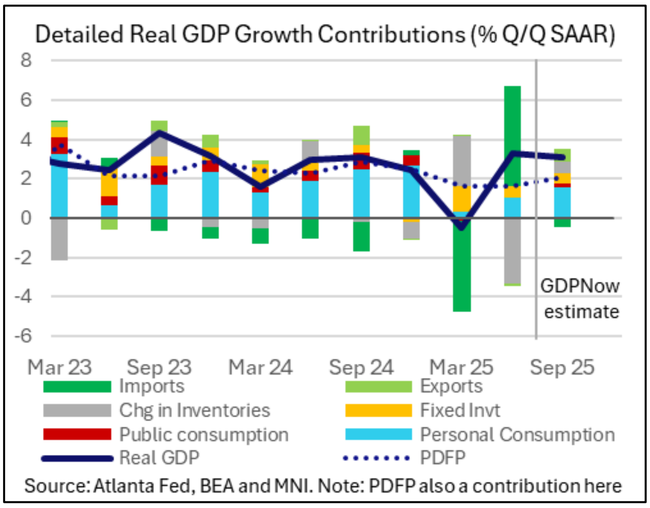
The two months of PPI reports meanwhile have highlighted the volatile and revision-prone nature of the trade services category. July's report saw a far stronger than expected surge in headline and a crude measure of core PPI inflation on trade services, before the latter then whipped lower in August along with a downward revision to July. As always, our preferred measure of core PPI inflation is to strip out food, energy and trade services. Here, price pressures moderated in August to 0.33% M/M after a strong 0.56% M/M in July (only modestly revised lower from 0.61%), still a strong uptick with a cumulative 0.9% increase in just two months considering it averaged 0.15% M/M in 1H25 or 0.3% M/M through 2024. As such, whilst the August report will have relieved some concerns about tariff-related price pressures after an initially booming July, the two-month net takeaway has been a strong uptick in input cost inflation.

That being said, latest readthrough to core PCE inflation paints a less hawkish picture. With August CPI and PPI inputs to hand, analyst unrounded estimates appear to be centered around core PCE inflation of 0.20% M/M. If accurate, that would follow 0.27% M/M in July and 0.26% M/M in June, implying some moderation after a string of more clearly above-target prints. Assuming no revisions, it would see year-ago core PCE inflation of 2.9% Y/Y (vs 2.7% in January at the start of the Trump administration) and with a three-month rate only modestly higher at 3.0% annualized. The median FOMC forecast from June eyed an average 3.1% Y/Y for 4Q25. For broader context, monthly tariff revenues were worth circa 1.8% of overall personal consumption expenditure after a 1.3pp increase under the Trump administration. This only gives a sense of aggregate potential adjustment, with the burden split across importers, businesses and consumers. This aggregate impact has room to increase further judging by actual tariff revenue as a share of imports compared to effective tariff rates.



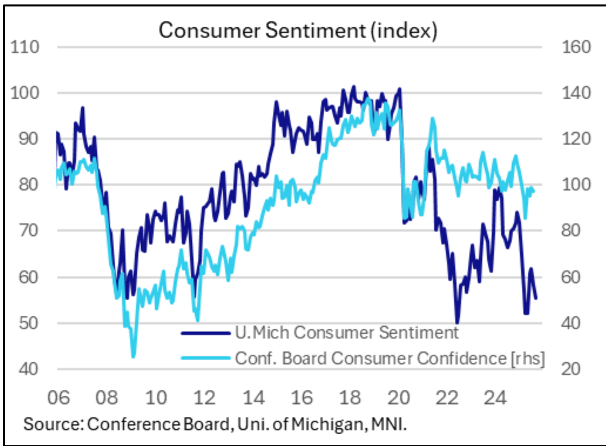
Relative Resilience In Private Domestic Demand

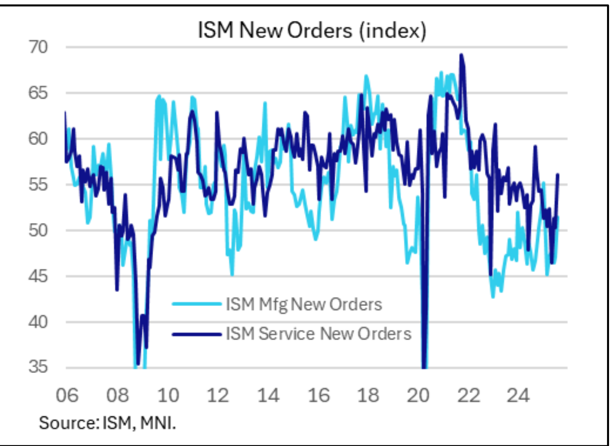
Landing on day two of the two-day FOMC meeting, real GDP growth outperformed expectations in the advance Q2 release with 3.0% annualized although PDFP (private domestic final purchases) likely underwhelmed at 1.2% annualized. These have since been revised higher, with real GDP growth currently seen at 3.3% and PDFP at 1.9% annualized. Averaging growth through 1H25 to better control for huge tariff-based distortions, growth clearly moderated although could be described as somewhat resilient. Real GDP growth averaged 1.4% annualized in 1H25 after the 2.5% through 2024 whilst PDFP growth averaged 1.9% after 3.0%. Whilst still early in the data collection process for Q3, the Atlanta Fed's GDPNow currently tracks an acceleration from these first half averages, with GDP growth seen at 3.1% and PDFP at circa 2.4%. We won't be surprised to hear Fed Chair Powell talk to the relative resilience of PDFP here, a favorite measure of his for underlying domestic demand.



Dialling in on the consumer, July's personal income and outlays report showed a modest uptick in income and spending on the month. However, the broader trends remain mixed at best. The bedrock of income, employee compensation, posted solid gains, but the overall trend in real disposable income growth remains soft. And despite an improvement in July, there is waning momentum in goods consumption after a strong tariff-front running boomlet earlier in the year, with services consumption not really gaining much traction either. Real spending increased 0.33% M/M in July after 0.08%, which when considering softer prints in the prior three months meant the quarterly pace of growth fell to 1.0% (3M/3M annualized) after an upwardly revised 1.6% in June (per the second Q2 GDP reading out previously). That's the slowest pace in 3 months though Q3 is off on better footing than Q2 from a month-to-month perspective. Retail sales for August will offer a latest update on whether this latest monthly improvement was upheld, released on Tuesday on day one of the FOMC meeting. The household savings ratio meanwhile remained unusually steady at 4.4% in July, having been 4.4% or 4.5% for 5 of the last 6 months). This is off lows of 2.0% in mid-2022 although is still low historically, suggesting little scope to be run materially lower as a driver of consumption growth especially with 'excess savings' accumulated in the pandemic seen to have been exhausted.

As for soft indicators, the recovery off lows in consumer confidence has stalled in the Conference Board survey and has recently weakened again in the University of Michigan survey. There are the well-known issues with limited correlation to actual consumer spending but anecdotally the consumer isn't giving signs of optimism. That's in part due to labor market concerns and elevated perceived probabilities of losing one's job. Businesses are pointing to at least some grounds for optimism though. The manufacturing ISM survey may have disappointed in the latest two reports since the July FOMC meeting, with the 48.7 in August near unchanged from 49.0 back in June, but the new orders sub-component lift to 51.4 in August for its highest since Jan 2025 and off a pre-reciprocal tariff announcement low of 45.2 in March. That said, we don't downplay the fact that there have still only been two >50, i.e. in theory expansionary, readings since Oct 2022 (back in Jan-Feb 2025). The services ISM survey was more clearly encouraging however, surprisingly rising to 52.0 in August for its highest since February, and a small improvement from the 50.8 back in June. It was led by new orders jumping nearly 6pts to 56.0 for the highest since Oct 2024.





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All Signal, No Noise

MARKET ANALYSIS

MNI Instant Answers:

The questions that we have selected for this meeting are:

- Federal Funds Rate Range Maximum
- Number of dissenters
- Number of dissenters preferring a 50bp cut
- Median Projection of Fed Funds Rate at End of 2025
- Median Projection of Fed Funds Rate at End of 2026
- Median Projection of Fed Funds Rate at End of 2027
- Median Projection of Fed Funds Rate at End of 2028
- Longer Run Projection of Fed Funds Rate
- Number of 2025 Dots > 4.125%
- Number of 2025 Dots > 3.875%
- Number of 2025 Dots < 3.875%

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

mni Central Bank Watch - FED

MNI FED Data Watch List

Inflation		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
CPI	% y/y	2.9	2.4	↑	2.8	↑					-0.05
PCE Deflator	% y/y	2.6	2.2	↑	2.6	→					0.56
UoM 1-Yr Inflation Exp	% y/y	4.8	5.0	↓	5.0	↓					-0.44
Inflation Swap 5y/5y	%	2.48	2.44	↑	2.43	↑					0.49
Economic Activity		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
ISM	Index	48.7	48.5	↑	50.3	↓					0.28
Industrial Production	% m/m	-0.12	0.03	↓	-0.16	↑					-0.73
Factory Orders	% m/m	-1.3	-3.9	↑	0.3	↓					-0.40
Housing Starts	K	1428	1398	↑	1358	↑					0.39
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	1.19	↓	1.15	↓					-1.10
Chicago Fed Financial Con	Index	-0.54	-0.47	↓	-0.48	↓					-1.20
Consumer Credit Net Chg	$bn	16.0	17.6	↓	8.7	↑					0.54
New Home Sales	K	652	706	↓	662	↓					-0.45
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	0.5	-0.1	↑	-0.9	↑					0.35
Consumer Confidence	Index	97.4	98.4	↓	100.1	↓					0.10
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	6588	5912	↑	5955	↑					1.59
US 10-Year Yield	%	4.06	4.40	↓	4.21	↓					-0.50
US Yield Curve (2s-10s)	bps	50.9	50.3	↑	21.9	↑					1.32
USD TWI	Index	120.54	122.69	↓	128.07	↓					-0.94

Source: MNI, Bloomberg

(*Updated Sep 12, 2025*)

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MARKET ANALYSIS

Key Inter-Meeting Fed Speak – Sep 2025

By Tim Cooper
September 11, 2025

Data since the July meeting will have convinced a majority of the 19-member FOMC to support restarting rate cuts in September. But while the Committee as a whole has shifted in a dovish direction over the summer, there is still something of a split headed into the meeting: we see 9 clearly in favor of a September cut (7 of whom are voters), 2 potentially opposed (1 is a voter), and 8 that sound unconvinced but may be persuaded by the time the meeting concludes (4 are voters).

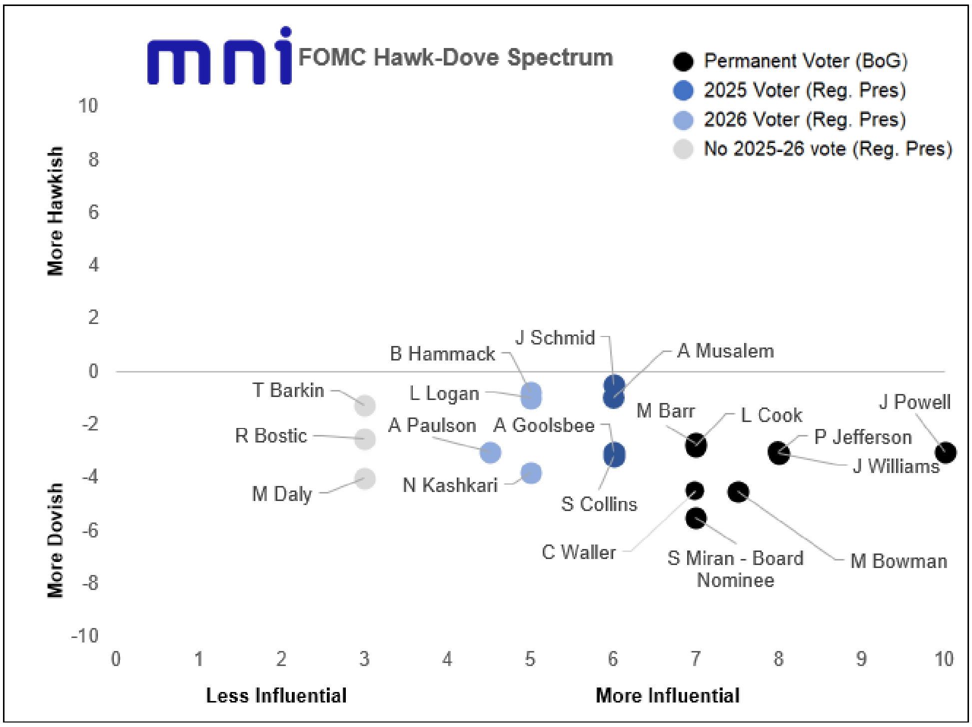
Indeed we think that most of the undecideds will have been convinced of the appropriateness of easing given recent data, particularly the August payrolls data and revisions after which we had only limited updates of FOMC participants' views before the pre-meeting blackout period began.

3 Outspoken Doves On The Board: In the first group are participants who have continuously been calling for rate cuts to resume since early this summer.

- That's clearly the case for **Governors Bowman and Waller**, who said that they voted against the central bank's "wait and see" rate policy in July because upside risks to price stability have diminished and it was time to proactively hedge against further weakening in the economy and the risk of damage to the labor market. Bowman said she'd support 3 rate cuts through year-end. And Waller said that he could see multiple cuts over the next 3-6 months, including in September.
- It's also almost certainly the case that Board nominee **Miran** would be among the biggest champions of rate cuts, the bigger question being whether he will be at the table in time for the September decision.
- None of the three has signalled they would support a 50bp cut but we wouldn't be shocked to see a dissent in that direction from this camp.

4 Board Members Probably Backing Powell To Cut: The remainder of the Board is largely amenable to a cut, we think.

- **Gov Cook** sounded increasingly minded to a September cut when she commented after the August payrolls report that the labor market could be at an "inflection point", though it's not certain she will even be participating in the meeting.
- That gets us **to Chair Powell**, who made a clear nod to a cut in his Jackson Hole keynote speech when he said "with policy in restrictive territory, the baseline outlook and the shifting balance of risks may warrant adjusting our policy stance." We haven't heard from Board members **Barr** or **Jefferson** since the July FOMC but they will almost certainly vote with Powell (as likely will Cook).



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 Sep 11, 2025**

5 Regional President Voters: Among the 5 regional Fed voters in 2025, none have made it clear they will definitely support a September cut, but most have suggested they could. In order of most to least likely to support a cut:

- **Boston's Collins** said in July that her view at that time was that one rate cut by year-end would likely be appropriate. At Jackson Hole, she said "it is not a done deal in terms of what we do at the next meeting. But a range of possibilities is on the table and we are going to get more data between now and then."
- **Chicago's Goolsbee** said that while FOMC meetings in the fall are "going to be live", he didn't offer much in the way of overt support for a rate cut in September. Even after the August payrolls data, he expressed discomfort with recent trends in inflation, saying "I want to get more information. I am still undecided as we are going into this" - though August inflation data may have given him enough peace of mind to support a cut.
- **New York's Williams** has traditionally been considered a dove and we don't think there is much that would cause him to dissent to a cut decided by the wider Committee. He's said every meeting is "on the table" and "I anticipate it will become appropriate to move interest rates toward a more neutral stance over time."
- **St Louis's Musalem** has sounded worried about deviations from both the employment and price stability mandates, but noted that in early September that recent data have increased his perception of downside labor market risks – suggesting he could be amenable to a cut.
- **Kansas City's Schmid** has hinted that he wouldn't support a rate cut as soon as September, and could even dissent against such a decision, saying in August that "retaining a modestly restrictive monetary policy stance remains appropriate for the time being".

7 Mixed Views Among Regional Non-Voters: The remaining 7 on the FOMC are non-voters who appear split on a possible September cut, with 2 very likely in support, 1 seemingly opposed, 2 who could be persuadable, and 2 who haven't been heard from on rates since the July meeting.

- In the cutting camp: **San Francisco's Daly** has long had a base case of 2 cuts by year-end but said that 3 could be appropriate, noting in August that "It will soon be time to recalibrate policy to better match our economy", calling every meeting "live".
- And **Minneapolis's Kashkari** said in early August that his outlook for two rate cuts by year-end is still "reasonable" (and he said in June that this implied a "possible first cut in September").
- In the "persuadable" camp, **Atlanta's Bostic** may be minded to be patient as part of his "move and wait" approach, saying in mid-August that "I still have one cut on my outlook".
- Meanwhile, **Richmond's Barkin** has a "modest adjustment in rates" as his outlook as of late August, though has never really tipped his hand as to what that entails.
- The one possibly opposed is **Cleveland's Hammack** – she's one of the biggest hawks on the FOMC and suggested at Jackson Hole that she had a fairly high bar to cut, even after the July payrolls data in hand: "with the data I have right now, and with the information I have, if the meeting was tomorrow, I would not see a case for reducing interest rates."
- Another hawk, **Dallas's Logan**, hasn't discussed current monetary policy since the July meeting – she said in July that her base case was "monetary policy needs to hold tight for a while longer to bring inflation sustainably back to target".
- We haven't heard from **Philadelphia's Paulson** since she took her Fed President position ahead of the July meeting.

Member	Role	Voter '25	Voter '26	Monetary Policy Commentary Since July FOMC
J Powell	BOG, Chair	**X**	**X**	- **On the rate outlook:** "Our policy rate is now 100 basis points closer to neutral than it was a year ago, and the stability of the unemployment rate and other labor market measures allows us to proceed carefully as we consider changes to our policy stance. Nonetheless, with policy in restrictive territory, the baseline outlook and the shifting balance of risks may warrant adjusting our policy stance." **- Aug 22 (Jackson Hole keynote speech)** - **On the labor market:** "While the labor market appears to be in balance, it is a curious kind of balance that results from a marked slowing in both the supply of and demand for workers. This unusual situation suggests that downside risks to employment are rising. And if those risks materialize, they can do so quickly in the form of sharply higher layoffs and rising unemployment." **- Aug 22** - **On inflation:** "The effects of tariffs on consumer prices are now clearly visible. We expect those effects to accumulate over coming months, with high uncertainty about timing and amounts. The question that matters for monetary policy is whether these price increases are likely to materially raise the risk of an ongoing inflation problem. A reasonable base case is that the effects will be relatively short lived—a one-time shift in the price level. Of course, "one-time" does not mean "all at once." It will continue to take time for tariff increases to work their way through supply chains and distribution networks. Moreover, tariff rates continue to evolve, potentially prolonging the adjustment process. It is also possible, however, that the upward pressure on prices from tariffs could spur a more lasting inflation dynamic, and that is a risk to be assessed and managed. One possibility is that workers, who see their real incomes decline because of higher prices, demand and get higher wages from employers, setting off adverse wage–price dynamics. Given that the labor market is not particularly tight and faces increasing downside risks, that outcome does not seem likely….we cannot take the stability of inflation expectations for granted. Come what may, we will not allow a one-time increase in the price level to become an ongoing inflation problem." **– Aug 22**

Member	Role	Voter		Monetary Policy Commentary Since July FOMC
		'25	'26	
J Williams	NY Fed, VChair	**X**	**X**	- **On the rate outlook:** Versus the current "modestly restrictive" policy, "looking ahead, if progress on our dual mandate goals continues as in my baseline forecast, I anticipate it will become appropriate to move interest rates toward a more neutral stance over time. This expectation reflects a delicate balancing of risks to our mandate goals... On the one hand, we need to keep the labor market in balance to ensure that the effects of tariffs do not spill over into a longer-lasting broad increase in inflation. On the other hand, maintaining a stance of 'too restrictive policy for too long' could increase risks to our maximum employment mandate." **- Sep 4** - **On a September cut:** "I definitely think that every meeting is [on the table] from my perspective ... again, the risks are more in balance, and we have to just see how kind of have the data play out." **– Aug 27** - **On inflation:** "There are clear signs that tariff increases are affecting consumer prices and that trade diversion is taking place... Fortunately, I am not seeing signs of amplification or second-round effects of tariffs on broader inflation trends...And longer-run inflation expectations have remained stable... All in all, I expect tariffs will boost overall prices by a total of between 1 and 1.5%, with these effects continuing through the first half of next year." **– Sep 4** - **On the labor market:** "First, the labor market is currently in balance and not adding to inflationary pressures. Second, the gradual cooling in the labor market is consistent with the slowing in overall economic growth and my assessment of monetary policy being modestly restrictive. Third, as we are seeing today, when there are sharp changes in labor supply, it can be challenging to assess the rate of job growth consistent with that of labor supply. I therefore put greater weight on other indicators of the level of labor market conditions in assessing the strength of the labor market." **– Sep 4** - Asked if he wouldn't "hit the panic button" if payroll growth remained weak, instead paying attention to the unemployment rate, wage growth and other gauges, Williams said "that's absolutely right... [but] if payroll growth became very negative.. that's, I think that's telling you something different." When asked, he doesn't provide an estimate of "breakeven" payrolls gains. **– Aug 27** - **On the Fed balance sheet:** QT is "going very smoothly" but overnight reverse repo facility takeup has fallen to "quite low" levels meaning the level of reserves "is expected to decline more meaningfully going forward as our asset holdings continue to shrink and other liabilities rise. We continue to closely monitor a range of indicators related to the ampleness of reserves." **– Sep 4**
P Jefferson	BOG, VChair	**X**	**X**	- **No commentary on current monetary policy since last FOMC meeting**
M Bowman	BOG, VChair	**X**	**X**	- **On the rate outlook:** Says she supports 3 rate cuts the rest of 2025, including in September. "As I recognize that economic conditions are shifting, I believe that beginning to move our policy rate at a gradual pace toward its neutral level will help maintain the labor market near full employment and ensure smooth progress toward achieving our dual mandate…I see the risk that a delay in taking action could result in a deterioration in labor market conditions and a further slowing in economic growth." **– Aug 9** - "The underlying trend in core PCE inflation appears to be moving much closer to our 2% target than is currently shown in the data… As I gain even greater confidence that tariffs will not present a persistent shock to inflation, I see that upside risks to price stability have diminished. With underlying inflation on a sustained trajectory toward 2 %, softness in aggregate demand, and signs of fragility in the labor market, I think that we should focus on risks to our employment mandate." **– Aug 9** - **On the July dissent in favor of a 25bp cut:** "Inflation has moved considerably closer to our target, after excluding temporary effects from tariffs, and the labor market remains near full employment. With economic growth slowing this year and signs of a less dynamic labor market, I saw it as appropriate to begin gradually moving our moderately restrictive policy stance toward a neutral setting. In my view, this action would have proactively hedged against a further weakening in the economy and the risk of damage to the labor market." – Aug 1 dissent explanation
L Cook	BOG	**X**	**X**	- **On the labor market:** "We just received this jobs market report and this is concerning, you know, 35,000 jobs per month over the last three months ending in July. And there were major revisions to May and June. And these revisions are somewhat typical of turning points, which again, speak to uncertainty.... We want to know not just where we've been but where we're going. So if we're at an inflection point, we want to look at data, for example, that speak to inflection points. And it's not always payrolls - the unemployment rate is still a good indicator of slack in the system." **-Aug 6**
C Waller	BOG	**X**	**X**	**On the rate outlook:** "for me, I think we need to start cutting rates at the next meeting, and then we don't have to go in a locked sequence of steps. We can kind of see where things are going, because people are still worried about tariff inflation. I'm not, but everybody else is. So I would say over the next three to six months, we can see multiple cuts coming in, whether it's like every other meeting, every meeting, we'll have to wait and see what the data says and where we are headed." **– Sep 3** "What we want to do is start cutting because [of] the labor market, but we can always adjust the pace depending on how the data comes in… We kind of know we want to get towards neutral. We know roughly how much you might want to cut, say, 100, 150 basis points, but how fast we get there is going to depend on the data that comes in." **– Sep 3** A cut larger than 25 basis points may not be needed in September. "That view, of course, could change if the employment report for August, due out a week from tomorrow, points to a substantially weakening economy and inflation remains well contained." **– Aug 28** **On the July dissent in favor of a 25bp cut:** "I believe that the wait and see approach is overly cautious, and, in my opinion, does not properly balance the risks to the outlook and could lead to policy falling behind the curve. The price effects from tariffs have been small so far, and since we will likely not get clarity on tariff levels or their ultimate impact on the economy over the course of the next several months, it is possible that the labor market falters before that clarity is obtained—if it ever is obtained. When labor markets turn, they often turn fast. If we find ourselves needing to support the economy, waiting may unduly delay moving

Member	Role	Voter '25	Voter '26	Monetary Policy Commentary Since July FOMC
				toward appropriate policy." **– Aug 1**
S Miran - nominee for vacant seat	BOG	**X**	**X**	- "I couldn't be more in agreement that independence of the central bank is of paramount importance for the economy, for financial markets, for the long run stewardship of the country, all of those are completely I'm in complete accord with. Look, the President nominated me because I have policy views that I suppose that he liked.... If I'm confirmed to this role, I will act independently, as the Federal Reserve always does, based on my own personal analysis of economic data, my own personal analysis of the effects of economic policies upon the economy, and act based on my judgment of the best economic policy possible. That said, I'm always happy to hear views from every source possible." **– Sep 4** - **On inflation:** "At the aggregate level, when you look holistically across the inflation data, there's just no evidence of [tariffs] whatsoever… we think that there's a very strong reason for thinking of very profound service disinflation coming up in the near future, as net migration has come to zero because of the President's strong border policies." **-Aug 12**
M Barr	BOG	**X**	**X**	- **No commentary on current monetary policy since last FOMC meeting**
A Goolsbee	Chic. Fed	**X**		- **On the rate outlook:** Says he is "undecided" on a rate cut at the September FOMC. "I'm not allowed to speak for the rest of the Fed. I want to get more information. I am still undecided as we are going into this. If it looks like the labor market is deteriorating on grounds of more than just the monthly payroll numbers, I want to emphasize again when you have population growth changing behind-the-scenes, just the aggregate monthly pay off growth is not a great indicator of the business cycle. If we start to see deterioration across all of the four horsemen of truth in the labor market, the unemployment rate, the hiring rate, if we start to see layoffs, we would be nervous on the employment side of the mandate....to me, until we get more convincing evidence otherwise, I still think we are most likely in a full employment space where we are generating jobs and the economy continues to grow." - **– Sep 5** (post-August nonfarm payrolls) - Says meetings in the fall are "going to be live" but he's "uneasy" about the idea that tariffs have only a one-off impact on prices, and "the hardest thing that a central bank ever has to do is try to get the timing right when there are moments of transition." **– Aug 13** - "I'm not speaking for them, but I see my colleagues on the FOMC grappling with the same thing I'm trying to figure out, which is: Are we still on the "golden path" where the economy's doing fine and inflation is going to come back down? Or are we getting into something where the costs are going to start rising again? And then we've got to be a little uneasy." **– Aug 13** - "One risk would be we get back into an environment where costs are rising. We've been above the 2% target for four and a half years now. I was still feeling okay about that, even though we've been above for four and a half years because it was coming down. If we get into an environment where it's not coming down, we're above four and a half years and it's going the wrong way, and that's looking persistent. That would be a that would be a problem. And in my opinion, the Fed will have to act. And on the other side, if we have a more traditional slowing of the economy and there are some warning signs in the labor market, that would no longer be the soft landing, we would have we would have had the hard landing. And so I kind of think both sides of that, we've got to keep an eye on." **– Aug 13** - **On the latest inflation data:** "In the last inflation reports we also had this uptick in inflation coming from services. We want to make sure that is more of a blip and not a more ominous indicator...if the inflation numbers come in and they give some indication that the inflation from tariffs is not looking to be an uptick in inflation on services, it does not look to be persistent. It looks to be more like a temporary blip in the arena. That would provide comfort to me that we are still on what I was calling the golden path." **– Sep 5** - "We had a couple of months of quite mild and favorable inflation readings, and now we've gotten, let's call it one month, where there are some concerning elements…if we start getting more reports like the latest one on overall inflation… that would be more concerning." **– Aug 13** - "It's been a little mixed…I feel like we still need another, at least, to figure out if we're still on the golden path… I do think we're going to be in the business of trying to figure out which part of these price increases are we ignoring because we think they're transitory, and which ones are we responding to… if we keep getting inflation reports like the first two out of the four [in August], I would be very comfortable that the dust is out of the air."" **-Aug 15** - **On the labor market:** "I think the state of the labor market is pretty strong." **– Aug 13**
S Collins	Bos. Fed	**X**		- **On the rate outlook:** Says that a September cut is not a "done deal". Asked what is the harm in cutting 25bp or 50bp in September, she says, "it is about the balance... I would say it is not a done deal in terms of what we do at the next meeting. But a range of possibilities is on the table and we are going to get more data between now and then." **– Aug 22** - "The risks on the two sides have come into rough balance. So, that is a really complex context for monetary policy, when you could see the unemployment rate rising and you could see higher inflation. You know, my baseline is not one that is as concerned about inflation expectations rising at the moment. Earlier in the year I had more concerns about that. I would say that at the moment monetary policy is modestly restrictive. That is actually appropriate for a period where inflation is elevated. We have not brought back price stability, which I am totally committed to. But at the same time there are those risks with the slower employment growth that could lead unemployment rates to rise and balancing those risks. I think at the moment where we are is appropriate, but if we start to see worsening labor market risks relative to inflation, and starting to dial back the restrictiveness." **– Aug 22** - **On the labor market and inflation:** "On the labor market side, while the job growth has slowed, at the same time a number of those indicators are quite healthy. And so, on that side of it, I think there are

Member	Role	Voter		Monetary Policy Commentary Since July FOMC
		'25	'26	
				arguments for taking a bit more time. But I am very focused on how those downside risks are evolving. And then on the inflation side what I'm hearing is that it is early days in terms of the impact of tariffs coming through enterprises over time." **– Aug 22**
J Schmid	K.C. Fed	**X**		- **On the rate outlook:** He says the Fed is "on a good path", with policy currently "modestly restrictive". He said "As you get closer to the optimum dual mandate numbers it actually becomes more difficult to make decisions on the margins relative to where that policy rate should go", and that the Fed would be watching upcoming inflation data". Overall he says the inflation rate is "trending closer to 3 than 2", and that inflation is a bigger risk to the Fed's goals than employment. He also says that the above-consensus PPI data for July "was a bit eye-opening". **– Aug 21** - He sees policy as "not very restrictive" and close to neutral and appears to view the debate over tariff-driven inflation as something of a distraction. "With the economy still showing momentum, growing business optimism, and inflation still stuck above our objective, retaining a modestly restrictive monetary policy stance remains appropriate for the time being. Though of course this is a position that I will continually reassess as we receive new data and information on inflation, the labor market, and the economy more generally." **– Aug 12** - While "the Fed cannot offset the effect of higher tariffs on prices, [] what the Fed can do is monitor demand growth, provide space for the economy to adjust, and keep inflation on a path to 2 percent. Overall, I am anticipating a relatively muted effect of tariffs on inflation, but I view that as a sign that policy is appropriately calibrated rather than a sign that the policy rate should be cut." **– Aug 12** - "My support for a patient approach to changing the policy rate is based on two connected arguments. First, while monetary policy might currently be restrictive, it is not very restrictive. And second, given recent price pressures, a modestly restrictive stance is exactly where we want to be." **- Aug 12** - "While it is true that payroll growth was weak over the summer, a broader set of indicators suggest a labor market that is in balance..on the other side of the mandate, inflation remains too high." **- Aug 12**
A Musalem	St. Louis Fed	**X**		- **On the rate outlook:** "the current modestly restrictive setting of the policy rate is consistent with today's full employment labor market and core inflation nearly one percentage point above the Fed's 2% target... In the coming weeks and months, I will continue to update my outlook and m assessment of the balance of risks to seek a forward-looking path of interest rates that best positions monetary policy for achieving and maintaining maximum employment and price stability for all Americans." **– Sep 3** Says that he supported the July decision to hold rates as the FOMC is missing on its inflation target but not its employment target. "Given the economy where it stands today, it seemed appropriate to maintain the policy rate at a constant for now. Looking into the future, there is a risk that we may miss on both sides of our mandate." **– Aug 8** - **On a Sept cut:** "I will be updating my outlook and balance of risks all the way up and until two days, three days before the meeting." **– Aug 22** "For me, it's too early to say exactly what policy I will be able to support." **-Aug 14** - **On the labor market**: "Recent data have further increased my perception of downside risks to the labor market. These include a higher proportion of longer-term unemployed workers, rising unemployment rates for demographic groups that are more sensitive to economic cycles, and substantial downward revisions to payroll growth estimates" as well as the upcoming QCEW benchmark revisions. - **On inflation:** "I expect the effects of tariffs will work through the economy over the next two to three quarters and the impact on inflation will fade after that". with inflation "resum[ing] convergence toward 2% in the second half of 2026".**– Sep 3** "In terms of the balance of risks, what I've been doing over the last two months is I've been revising my assessment of downside risks to the labor markets slightly higher, as I've seen some deterioration in some of the underlying full employment numbers, and I've been revising my assessment of the risk of persistent above target inflation slightly lower, in part because the pass through so far of tariffs on to inflation has been low, only at around 20% as measured by St Louis economists, and that's 20% of a theoretical full passthrough scenario. That's low, but there's still uncertainty…. Pursuing a balanced approach requires care." **– Sep 3**
B Hammack	Clev. Fed		**X**	- **On the rate outlook:** "I think that there's a lot of data we're going to get between now and September. And I walk into every meeting with an open mind about what the right thing to do is. But with the data I have right now, and with the information I have, if the meeting was tomorrow, I would not see a case for reducing interest rates." **– Aug 21** - **On the balance of risks:** "My biggest concern is that inflation has been too high for the past four years, and right now it's been trending in the wrong direction and so I think it's really important that we stay modestly restrictive to make sure that we can bring inflation back under control... When I take the balance of things, there's a lot to be focused on the labor side, but the inflation side is is right now giving us a place where we're not at our target. We're at our target on the employment side. We're worried that maybe possibly that could break down, but we know we're missing on the inflation side, and to me, we need to stay laser focused on that to make sure we can bring inflation down." **-Aug 21** - **On the labor market:** "We could see some weakening on the labor side… and if we see that, it would be something that we might want to respond to." **-Aug 1** Asked how she would regards another weak jobs report (with negative revisions), Hammack says overall payrolls growth may not be the best indicator of a weakening labor market, given a reduction in immigration (ie labor supply): "with the changes that have happened in immigration policy, it's not clear that that headline growth number is going to be as informative as things like the unemployment rate, the vacancies to unemployed ratio, other things that we're looking at on the employment side of the mandate, and that's because we've seen a massive shift ... so yes labor demand may be coming down but labor supply has come down pretty dramatically as well. And so our goal of maintaining employment around maximum needs to look at both sides of that, and it could be that even

Member	Role	Voter '25	Voter '26	Monetary Policy Commentary Since July FOMC
				though we're seeing much slower headline job growth numbers, it could be that the labor market is still in balance and so we'll need to look at that closely." **– Aug 21** - **On inflation:** "It's just now I think that we're starting to see some of those [tariff] impacts play through into the economy. It usually takes three to four months for to start seeing the early impacts of tariffs, and so we're just at that point right now, just past that three to four month mark. I do expect from the conversations I've had that we're not going to see the full impact of tariff pass through until sometime next year...it could be that we're still continuing to see some of these impacts in Q1 and Q2 in terms of whether tariffs are going to be a one time price level impact or more persistently inflationary." **– Aug 21** - "We have to look at, if we're missing, by how much and for how long do we expect those misses to last? And right now, we're missing by much more on the inflation side than we're missing on the employment side." **– Aug 1**
A Paulson	Phil Fed		X	- **Became President after Patrick Harker retired end-June, No commentary on monetary policy yet**
N Kashkari	Minn. Fed		X	- **On the rate outlook:** Says that his outlook for two rate cuts by year-end is still "reasonable" (he said in June that this implied a "possible first cut in September") though suggests that the Fed could reverse course if it turns out tariffs are too inflationary for comfort. - "I would love to not have to [backtrack on cuts], but I'm realizing that these tariff effects are going to take a lot longer to really become clear. And if virtually all the other economic data is pointing to a cooling economy and a slowing economy, how long can we wait until the tariff effects become clear? That's just weighing on me right now. And so if the best of all the options is we make some adjustments, and then we have to pause, or even then we have to reverse course. That might be better than just sitting here on hold until we get clarity on tariffs." **– Aug 6** - **On the labor market:** "if you want to look at supply and demand in any market, look at the price. The price of labor is wages, and wage growth is declining. It's been declining for some time. That tells me, yes, the labor market is cooling." **– Aug 6** - **On the BLS data:** "I have had no reason to doubt the integrity of the BLS data...Ultimately, you cannot fake economic reality, even if, in the worst case scenario, imagine that numbers are being faked for anybody's political benefit. People are going to feel what they feel. Companies are either going to be hiring or they're not. And so Americans are going to feel the economy and so convincing them that inflation is not real is not a very effective strategy. Convincing somebody that the jobs number are better than they really are, I don't think it's actually going to work. So I don't even see the point of [manipulating the data]." **– Aug 6** - **On Gov Kugler's replacement:** "There's... 19 of us at the table all making our best case about what's happening in the economy, and you have to persuade your colleagues. And if this person comes in and makes great arguments that we all find very persuasive, they can have a lot of influence." **– Aug 6**
L Logan	Dall. Fed		X	- **On the Fed balance sheet:** Sees "more room to reduce reserves" and anticipates market participants will use the standing repo facility if necessary in September. "That will allow us to continue gradually bringing reserves to a more efficient level with market rates close to, but perhaps slightly below, interest on reserves on average over time…while we have made strides in enhancing the effectiveness of the discount window and Standing Repo Facility, it would be worthwhile to consider further steps, such as increasing or removing limits on the SRF's size or centrally clearing those transactions." **– Aug 25** - She suggests that the Fed could shift to overweighting Treasury bills in its portfolio, over time: "it makes sense for the FOMC to hold primarily Treasuries in the long run, as we've repeatedly said we intend to do" and suggests that the Fed could in the long run "make its asset purchases proportional to Treasury issuance. In the medium term, overweighting Treasury bills in our purchases could more expeditiously move our current mix of holdings closer to matching the market." However, "the FOMC has made no decisions on the long-run composition of its Treasury holdings, and I look forward to continuing to discuss this topic with my colleagues". **– Aug 25**
T Barkin	Rich. Fed			- **On the rate outlook:** "modest movement in the economy" implies a "modest adjustment in rates". That said, "I don't know that there will be modest movement in the economy. That's what we're going to have to see when we get there. So, that's my forecast, but the forecast could change." **– Aug 26** - On the September decision: "I know I have three-and-a-half weeks before our next meeting... I make the best call I can on the day, with all the information." **– Aug 26** - While he says the "the fog" of uncertainty in multiple areas "is lifting", he appears to suggest that more time and data is still needed before making any decisions: "at our July meeting, with the labor market near most estimates of maximum employment and inflation above target, the FOMC continued to hold the fed funds rate at a modestly restrictive level. We may well see pressure on inflation, and we may also see pressure on unemployment, but the balance between the two is still unclear. As the visibility continues to improve, we are well positioned to adjust our policy stance as needed." **– Aug 12** - "I am getting a smell of a stronger July on the consumer side…if you look at weekly credit-card data, for example, it looks a lot healthier… the underlying dynamics still feel very healthy to me. People have jobs. Real wages are going up." **- Aug 14**
R Bostic	Atl. Fed			- **On the rate outlook:** "For the rest of this year, I still have one cut on my outlook… that also is predicated on the notion that labor markets stay solid. If they weaken considerably, that balance of risks starts to look differently and the appropriate path will look different as well." **– Aug 13** - **"**Today, I think my strategic approach would be 'move and wait.' It might be that it will take some time for the economy to evolve after a move that we do, in ways that make clear sort of what the next step would need to be." **-Aug 17** - **On tariff inflation:** "This has not been a one-time thing where you wake up on one day and everybody knows what all the tariffs are…I think more and more that we will still be seeing strategic adjustments into 2026." **– Aug 7**

Member	Role	Voter		Monetary Policy Commentary Since July FOMC
		‘25	‘26	
M Daly	S.F. Fed			- **On the rate outlook:** “It will soon be time to recalibrate policy to better match our economy. Congress has given the Fed two goals: full employment and price stability. Both are in tension at the moment, with tariffs pushing inflation higher and the labor market showing signs of slowing. But as I said in a recent speech, I think tariff-related price increases will be a one-off. It will take time before we know that for certain. But we can't wait for perfect certainty without risking harm to the labor market.” **– Aug 29** - Says her base case of 2 cuts by year-end is reasonable but 3 could be appropriate depending on labor market deterioration. "Policy is likely to be too restrictive for where the economy is headed. So for me, that calls for recalibration” including moving to neutral “over the next year or so." **– Aug 14** - “I would lean to thinking that every meeting going forward is a live meeting to think about these policy adjustments.” **– Aug 4** - “The labor market has softened. And I would see additional slowing as unwelcome. All this means that we will likely need to adjust policy in the coming months.” **– Aug 6** - **On the labor market:** “not bad right now [but] … you know the direction of change is going the wrong way… we can't simply ignore that it is softening." **– Aug 14** - **On a 50bp cut:** “Fifty sounds, to me, like we see an urgent-I’m worried it would send off an urgency signal that I don’t feel about the strength of the labor market. I just don’t see that. I don’t see the need to catch up.” **-Aug 14**

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

The Fed's latest Beige Book pointed to a slightly improved assessment of current economic activity in August versus the prior edition in July, with selling price pressures remaining modestly/moderately to the upside. However, expectations were for future price increases (in part due to tariffs), and the latest edition suggests that labor market conditions have weakened. The table below summarizes the region-by-region findings.

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

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

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

July FOMC Minutes: Cautious On Inflation Risks

In keeping with a divided Committee, the **July meeting minutes** contained slightly mixed messages about the FOMC's view of the outlook for inflation, labor market, and ultimately policy. But overall the minutes were more cautious about inflation than the labor market, and the key passage - which appears to have generated a slightly hawkish market reaction - is "participants generally pointed to risks to both sides of the Committee's dual mandate, emphasizing upside risk to inflation and downside risk to employment. A majority of participants judged the upside risk to inflation as the greater of these two risks, while several participants viewed the two risks as roughly balanced, and a couple of participants considered downside risk to employment the more salient risk."

- Given that, it's no surprise the minutes more broadly paint a cautious outlook on inflation, though it's not far removed from what we've heard from various members including Chair Powell at the press conference. Per the minutes: "with regard to the outlook for inflation, participants generally expected inflation to increase in the near term. Participants judged that considerable uncertainty remained about the timing, magnitude, and persistence of the effects of this year's increase in tariffs. In terms of timing, many participants noted that it could take some time for the full effects of higher tariffs to be felt in consumer goods and services prices."
- In these minutes, "a couple" almost certainly refers to dissenting Governors Bowman and Waller. They also saw inflation trends as more benign than the majority ("Many" participants saw inflation remaining "somewhat above" target with tariffs becoming "more apparent in the data"), and close to target ex-tariffs. So this small minority saw little to worry about on the inflation front, but plenty to be concerned about on the jobs front.
- Same as in the June meeting, only "a few" had a "transitory" base case view of tariffs' impact on inflation.
- But compared with June's meeting minutes, which said "**most** participants noted the risk that tariffs could have more persistent effects on inflation", the outlook on inflation persistence appeared to be a little more mixed in July. For instance, "a few participants stressed that current demand conditions were limiting firms' ability to pass tariff costs into prices." And just "a few" remarked "that tariff-related factors, including supply chain disruptions, could lead to stubbornly elevated inflation and that it may be difficult to disentangle tariff-related price increases from changes in underlying trend inflation."
- Despite that seemingly more mixed set of opinions, overall there clearly was concern by the majority over longer-term inflation issues stemming from tariffs that kept many on the Committee cautious: "Several participants emphasized that inflation had exceeded 2 percent for an extended period and that this experience increased the risk of longer-term inflation expectations becoming unanchored in the event of drawn-out effects of higher tariffs on inflation....Regarding upside risks to inflation, participants pointed to the uncertain effects of tariffs and the possibility of inflation expectations becoming unanchored."

Little Concern Over Labor Market; Rates: At the same time, the July minutes suggested labor market concerns were relatively muted for most on the FOMC: "participants observed that the unemployment rate remained low and that employment was at or near estimates of maximum employment".

- To be sure, "regarding the outlook for the labor market, some participants mentioned indicators that could suggest a softening in labor demand" and "a number of participants noted that softness in aggregate demand and economic activity may translate into weaker labor market conditions, as could a potential inability of some importers to withstand higher tariffs."
- But there was no panic evident in the minutes, and "some participants" noted (in line with comments by Powell and others) "that slower output or employment growth was not necessarily indicative of emerging economic slack because a decline in immigration was lowering both actual and potential output growth as well as reducing both actual payroll growth and the number of new jobs needed to keep the unemployment rate stable."
- The weak July employment data released 2 days after this meeting are seen as a key reason to expect a September cut, so that's an important line of reasoning that - if repeated by Chair Powell on Friday - could signal that it will take more conclusive evidence of labor market deterioration for a majority to decide on a rate cut.
- On that front, the minutes repeated the June minutes' line that "several participants commented that the current target range for the federal funds rate may not be far above its neutral level", and noted that "almost all participants agreed that, with the labor market still solid and current monetary policy moderately or modestly restrictive, the Committee was well positioned to respond in a timely way to potential economic developments."
- We had wondered whether the minutes would include any insight at all on rate cut timing, though here the language was as vague as expected, pointing to potential for an informed assessment of the tariff situation to be made in the coming months. Participants "noted that it would take time to have more clarity on the magnitude and persistence of higher tariffs' effects on inflation. Even so, some participants emphasized that a great deal could be learned in coming months from incoming data, helping to inform their assessment of the balance of risks and the appropriate setting of the federal funds rate; at the same time, some noted that it would not be feasible or appropriate to wait for complete clarity on the tariffs' effects on inflation before adjusting the stance of monetary policy."
- Echoing what Chair Powell has said, participants saw policy as well-positioned, allowing the Committee in the case of tariff-related inflation / expectation pressures to "maintain a more restrictive stance of monetary policy than would otherwise be the case, especially if labor market conditions remained solid". Though they could also "establish a less

restrictive stance" "if labor market conditions were to weaken materially or if inflation were to come down further and inflation expectations remained well anchored". And as previously stated, were both sides of the dual mandate to be at risk simultaneously, participants would assess the distance of each from target and act accordingly.

Reserves "Abundant", Quarter-End SRF Takeup Eyed: The July meeting devoted some discussion to the ongoing drawdown in reserves amid the Treasury cash rebuild. Overall, the Committee seem to be comfortable with the trajectory of reserves, despite some caution that reserves could be headed into "ample" from the current "abundant" territory.

- With regard to near-term funding pressures, namely potential for the mid-September tax date and Q3 quarter-end posing risks, the minutes suggest that while there may be some temporary acute liquidity issues, they can be resolved by takeup of the standing repo facility.
- As such, there was no real discussion of a shift in balance sheet management policy, particularly with QT proceeding "smoothly" and rerserves remaining "abundant", though vigilance of money market conditions would continue to be important.
- **SOMA Manager Perli:** "Market indicators continued to suggest that reserves remained abundant; however, ongoing System Open Market Account (SOMA) portfolio runoff, a substantial expected increase in the TGA balance, and the depletion of the ON RRP facility were together likely to bring about a sustained decline in reserves for the first time since portfolio runoff started in June 2022. Against this backdrop, the staff would continue to monitor indicators of reserve conditions closely. The manager also noted that there would be times—such as quarter-ends, tax dates, and days associated with large settlements of Treasury securities—when reserves were likely to dip temporarily to even lower levels. At those times, utilization of the SRF would likely support the smooth functioning of money markets and the implementation of monetary policy."
- **And the broader FOMC:** "Several participants remarked on issues related to the Federal Reserve's balance sheet. Of those who commented, participants observed that balance sheet reduction had been proceeding smoothly thus far and that various indicators pointed to reserves being abundant. They agreed that, with reserves projected to decline amid the rebuilding of the TGA balance following the resolution of the debt limit situation, it was important to monitor money market conditions closely and to continue to evaluate how close reserves were to their ample level. A few participants also assessed that, in this environment, abrupt further declines in reserves could occur on key reporting and payment flow days. They noted that, if such events created pressures in money markets, the Federal Reserve's existing tools would help supply additional reserves and keep the effective federal funds rate within the target range. A couple of participants highlighted the role of the SRF in monetary policy implementation—as reflected in increased usage at the June quarter-end—and expressed support for further study of the possibility of central clearing of the SRF to enhance its effectiveness."

MNI Policy Team Insights

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

MNI INTERVIEW: Fed To Cut Faster After Weaker Jobs - English

By Evan Ryser (Sept 5, 2025)

WASHINGTON – The August U.S. jobs report is likely to amplify the Federal Reserve's concerns about a cooling labor market, prompting the central bank to cut interest rates as many as three times this year, former director of the Fed Board's division of monetary affairs William English told MNI.

"There's no doubt the labor market report was soft, and that causes them to lean in the direction of easier policy," he said in an interview Friday. "It leans in the direction of easing policy further, faster than maybe the Fed had been inclined to."

The latest Bureau of Labor Statistics report confirmed a labor market that's cooling, with revisions showing the economy had lost jobs in June for the first time in nearly four years. The jobless rate rose to 4.3%, the highest since 2021.

FASTER

"The economy is slow and it's time to to cut rates some if what you're trying to do is balance the risks to the inflation outlook and to the employment outlook," said English, now at Yale University. "The risk to the employment outlook look bigger now." (See: MNI POLICY: Fed Takes Measured Approach To Post-September Cuts)

A 50 bp cut in September may be considered but looks unlikely at the moment. However, next week's CPI report and labor data revisions will factor importantly, he said. "I could imagine they could get there, but it's not what I expect at this point."

English suggested the FOMC's June forecasts remain a decent guide for how policymakers likely see the economy, with a weaker labor market and higher inflation. In June, the median official saw two 25 basis point cuts this year. The median policymaker also saw weaker GDP growth of 1.4% this year, unemployment rising to 4.5%, and core PCE reaching 3.1%.

"My best guess at this point is still they are something like where they were in June, but with the labor market having softened a bit more, they may well end up with three cuts rather than two this year," English said.

INDEPENDENCE

The Federal Reserve's monetary policymaking freedom from political interference is at serious risk, English warned. "The last time there seemed to be this sort of really, really strong pushing and shoving was maybe back around the time of the Treasury-Fed Accord." (See: MNI INTERVIEW: Trump Missed Window For Significant Fed Change)

Stephen Miran, Trump’s pick for the Fed board and the White House Council of Economic Advisors Chair, said this week he plans to keep his White House job while at the Fed.

"There's no question that it weakens the independence of the institution to have people on the Fed Board who are also in senior positions in the administration," English said. "The Congress got rid of that back in 1935 when they set up the modern Fed, and the Secretary of the Treasury and the Controller of the Currency were moved off the board."

"I do worry that the Fed's independence could be really undermined, and I think we know that that would be a bad thing. There's a lot of evidence that independent central banks deliver lower inflation on average and just better economic outcomes on average."

MNI INTERVIEW: Fed Framework Preserves Full Employment Lessons

By Evan Ryser (Sep 3, 2025)

WASHINGTON - The Federal Reserve's 2025 framework revision largely retained the 2020 shift to support a broad-based view of maximum employment so long as inflation appears to be under control, retaining the experience of the economy's long recovery from the financial crisis, Preston Mui, senior economist at Employ America, told MNI.

The Fed eliminated all three mentions of mitigating “shortfalls” in employment from its framework as expected. But rather than reverting to its earlier focus on symmetric risks to maximum employment, it now explicitly states that employment "may at times run above real-time assessments of maximum employment without necessarily creating risks to price stability."

"They did add language that really codified some of the lessons that they learned in the 2010s about the potential costs of underestimating where full employment can go," said Mui of Employ America, a labor market advocacy and research group.

"What they've done has preserved their wider use of labor market indicators beyond the unemployment rate," Mui said. "When you listen to the Fed talk, it is definitely thinking about the labor market in very broad terms. Not just between the household survey and the establishment survey, but also people are always talking about quit rates, layoff rates, hiring rates, job openings."

NOT PREEMPTIVE

Since 2012, the FOMC has used the consensus statement as a quasi-constitutional document to describe the major issues it will consider when setting monetary policy. Fed Chair Powell set a benchmark to revisit the document every five years, with the 2020 revision taking the view that a robust job market can be sustained without causing an outbreak of inflation.

In the late 2010s, the Fed had a lot of trouble over the years deciding how hot to let the job market run before raising interest rates.

Against expectations, the Fed did not walk away from that view and won’t automatically raise interest rates when the job market is hot. Additionally, the Fed will continue to rely on a broad suite of labor market indicators, Mui said.

"Interpreting where full employment is, its a moving target, and trying to figure out where it is and where it should be is almost more art than science, and it requires a lot of judgment in thinking about when to use various indicators and when to not use it," he added.

Relying on more than just the unemployment rate has served the Fed well in recent years, Mui said. "The framework changes don't do away with that. They preserve that impulse and I think that's good."

SUPPLY HEADWINDS

The biggest misstep in the 2025 framework is that it lacked any changes around the way that the Fed intends to deal with supply shocks that look to become more frequent, Mui said. (See: [MNI: Fed To Examine If Framework Robust To Any Scenario])

Chair Powell in May said the U.S. may be entering a period of "more frequent, and potentially more persistent, supply shocks — a difficult challenge for the economy and for central banks." Central bankers around the world have noted the increased likelihood of supply headwinds that can boost inflation and suppress growth at the same time.

The Fed now brought back 2012 language on taking a "balanced approach" when its employment and inflation goals are in conflict, saying it will take into account the extent of departures from the goals and the potentially different time horizons over which each is projected to return to goal.

"There's a missed opportunity to think harder about the way that they're going to deal with supply driven inflation, which will probably be relevant over the next few years," Mui said. "The effect of monetary policy on the supply side is underrated and kind of a dynamic thing that they have to take into account."

MNI INTERVIEW: Tariff Inflation Impact Broadens- ATL Fed Study

By Jean Yung (Aug 29, 2025)

WASHINGTON - Price pressures from President Donald Trump's tariffs show signs of broadening as businesses tell the Federal Reserve they plan to raise prices faster over the next year whether or not they're directly affected by tariffs, Brent Meyer and David Wiczer of the Atlanta Fed told MNI.

The results of some 1,000 firms surveyed by the Atlanta Fed indicate the vast majority of executives expect faster price growth over the next year. Firms directly exposed to tariffs increased their year-ahead price growth expectations by 0.7 ppt. But even companies not directly affected but still operate in industries that are highly exposed to tariffs anticipated 0.3 pp higher price growth, according to Meyer and Wiczer's analysis of Atlanta Fed's Survey of Business Uncertainty.

"It's evidence of a broadening out of impact beyond those directly impacted," Meyer said in an interview, warning the trend is reminiscent of early 2021, when price spikes on products subject to shipping bottlenecks quickly spread everywhere.

"That's the first red flag you'd wave if you're looking into whether there's an inflationary impulse."

EVERYONE'S DOING IT

Since the end of last year, firms' expectations for prices and costs have climbed meaningfully, Wiczer said.

"What one worries about is firms that are not themselves experiencing cost shock from tariffs but knowing their competitors had a price shock, might take that as leeway to raise their own prices. That would be the way in which some companies increasing prices affects overall inflation," he said.

A recent anecdote from a domestic cheese manufacturer neatly illustrates the effect, Meyer said. A supermarket selling both domestic and Swiss cheeses spread the 39% tariff on the latter across its products, as it said it wouldn't be able to pass along a dramatic cost increase on just one product range.

MARKET SHARE CONCERN

A thought experiment comparing the tariff effect on import-reliant firms in relatively unexposed industries with firms not themselves exposed but in an industry that imports heavily found a 0.2 pp gap in price growth expectations.

"It's sizeable in the sense that competitive pressure is restraining tariff price growth a little bit, but exceeding that is everyone having this cost pressure," Wiczer said. "If my neighbors did, then I can raise prices."

Compared to Covid, the price and cost expectations boost from tariffs is on a much smaller scale, and the question of how reluctant firms may be to implement price hikes with consumers less well off than a few years earlier remains unknown, Meyer said, adding that so far firms surveyed haven't reported a meaningful decline in demand.

"There's a lot of uncertainty. This on-again-off-again imposition of tariffs means what feeds through won't be a one-time level shift, and we could get drips and drabs over a long period of time before we see the fulsome tariff impact," Meyer said.

"It's easy to ignore an outsize one-month increase. When we see these things pile up over time, it looks a lot like inflation." (See: MNI POLICY: Fed Takes Measured Approach To Post-September Cuts)

MNI INTERVIEW: Inflation Too High For Fed Rate Cuts - Hoenig

By Pedro Nicolaci da Costa (Aug 28, 2025)

WASHINGTON - The Federal Reserve's rush to cut interest rates next month looks premature given still-elevated inflation rates and an economic and employment picture that is largely stable, former Kansas City Fed President Thomas Hoenig told MNI.

The FOMC "should not be cutting given the stability in the economy generally – unemployment very stable, inflation well above the 2% target and well above price stability – and that's both PCE and CPI," Hoenig said in an interview Thursday.

"This is a steady state. Real interest rates are pretty close to neutral. I think you are risking a less stable market if you lower rates."

Coupled with threats to Fed independence, that volatility could manifest itself in the form of higher longer-run borrowing costs even if the Fed does push short-term rates down, as the White House has relentlessly pressured the central bank to do.

"They want to lower interest rates so you can lower mortgage rates. But the effect would be, I think, to increase the demand for housing, increase the demand for capital. To do that, I don't know that would bring interest rates down especially in the long end. We saw what happened a year ago," said Hoenig, now a senior fellow at the Mercatus Center.

DEFICIT INFLATION

Hoenig said there will be additional inflation from tariffs, which he would have been willing to look through as a policymaker. However, he's worried about a ballooning budget deficit accentuated by the latest tax cut legislation.

"To me the real issue is the government is spending USD7 trillion and taking in revenues of USD5 trillion. So there's a new USD2 trillion of debt added, and that tends to be inflationary, especially around the subsidies and the tax cuts and so forth," he said.

Savings from cuts to Medicaid and increased tariff revenues pale in comparison with the extent of the budget hole, he said.

"So you've got an expansionary fiscal policy in place right now that's going to have more effect on inflation than the tariffs longer term."

FED INDEPENDENCE

Like many others in the central banking community, Hoenig is concerned about threats to Fed independence given unprecedented public attacks on the institutions from President Donald Trump.

Trump will get to appoint Fed Chair Jerome Powell's replacement next year and has already nominated Council of Economic Advisors Chair Stephen Miran as his first second-term appointee to the Fed Board of Governors.

"If you get a majority of the Board listening to Trump as a policymaker, then you really do have an issue with inflationary expectations becoming unbound and uncertainty rising. That would have a major effect on the bond market," Hoenig said.

He said there's a "high probability" the administration will try to control not only the Board but the regional Fed banks as well, by using board members' veto powers on the reappointment of Fed presidents early next year.

"The board of directors of Fed banks will probably put their names in, but the Board of Governors can reject that," he said.

MNI INTERVIEW:Low Inflation Ex-Tariffs Support Fed Cuts-Haslag

By Pedro Nicolaci da Costa (Aug 28, 2025)

WASHINGTON - Federal Reserve officials have room to reduce interest rates starting next month because inflation is already at or below target if not for the one-time tariff shock, but borrowing costs are just two or three quarter point cuts away from neutral so any further easing will be cautious, former Dallas Fed economist Joseph Haslag told MNI.

"It'll be interesting to see September. I can't imagine it would be anything other than 25 basis points, but I could imagine a 50, and that would still leave us in a position where we're probably a little smidgen tight in terms of the stance of monetary policy," said Haslag in an interview.

After that, he sees a "50-50 chance that we have another 25 basis point cut before 2025 ends."

Haslag, also a former Kansas City Fed visiting scholar, thinks the Fed is well-advised to begin cutting in September even though he thinks key inflation measures will hover between 2.5%-3.5% in coming months.

That's because he believes underlying inflation is moderating and that the hit from tariffs will be fleeting, an argument also made by Fed Governor Chris Waller after dissenting in favor of a July cut.

"If it weren't for the whole tariff business, I think we'd already be in the 2% or maybe even a little bit below stage. I think what we're seeing now is the slow trickle of the pass through of tariffs," he said. (See: MNI POLICY: Fed Takes Measured Approach To Post-September Cuts)

LACKLUSTER GROWTH

Seeing little catalyst for a short-term burst of renewed economic expansion, Haslag expects GDP growth to hover near the soft first half clip of 1.5%, perhaps a bit weaker, for the remainder of the year.

"I don't think we're going to be at 5% unemployment before the end of the year, but I think we're going to move up from 4.2% and it's going to be edging up over the next six to nine months," he said.

Fed Chair Jerome Powell appeared to put a September rate cut on the table in last week's Jackson Hole speech, and his case was based importantly on perceived downside risks to the labor market after major revisions to recent data.

Haslag said he's concerned about the quality of economic data based on the scale of recent revisions.

"Data quality is pretty questionable," he said. "Maybe the BLS is a little bit behind by doing phone surveys the way they do. It's fair to say that it's time to ask is there a better method? Because this one doesn't seem to be working all that well."

MNI POLICY: Fed Takes Measured Approach To Post-September Cuts

By Jean Yung (Aug 28, 2025)

WASHINGTON - Federal Reserve Chair Jerome Powell has signaled the central bank is ready to cut interest rates in September, but a divided FOMC will carefully weigh the need for and timing of any subsequent reductions because inflation remains too high for the Fed's comfort.

Some FOMC members are sufficiently worried about the labor market to support more aggressive cuts, while others remain cautious about direct and second-round effects of tariffs-driven price hikes, which have boosted core PCE inflation to an estimated 2.9% in July, above its year-ago level.

Middle ground could be found in a measured pace of rate reductions, as officials watch how higher costs flow through the supply chain and take stock of further cooling in the labor market as demand weakens. Uncertainty within the FOMC about the destination for borrowing costs – including just how far they are from neutral – provides further grounds for gradualism.

“The stability of the unemployment rate and other labor market measures allows us to proceed carefully as we consider changes to our policy stance,” Powell said in his speech at the Kansas City symposium. "Nonetheless, with policy in restrictive territory, the baseline outlook and the shifting balance of risks may warrant adjusting our policy stance."

INFLATION TOO HIGH

The price effects of tariffs have been somewhat muted so far, as firms pulled forward purchases and delayed having to raise prices. Now that demand has cooled in the second half, business leaders are keen to preserve market share, knowing consumers are feeling stretched.

Still, surveys and anecdotal evidence signal prices will rise further, and some firms not directly affected by tariffs also anticipate raising prices along with their competitors – mechanisms that could see price pressures spreading.

Core non-housing services CPI spiked 0.5% in July after coming in at a three-month average rate of 0.25%, setting off concerns among some Fed officials that tariff effects aren't staying in their lane. A record high 2.6% jump in dental services prices in the month may be traced partly to the higher cost of imported dental supplies, for example. (See: MNI INTERVIEW: Fed Inflation Woes Extend Beyond Tariffs-Lacker)

RISKS MORE BALANCED

Views differ among FOMC officials over whether a still-low U.S. unemployment rate of 4.2% masks more weakness in the labor market.

Some employers are allowing attrition to whittle their payrolls, and some are choosing to invest in technology instead of hiring. That the supply of workers has slowed at the same time due to immigration curbs and retirements has kept the labor market in what Powell called a "curious" balance. (See: MNI POLICY: Job Revisions Pressure Fed To Cut In September)

Quits rates and vacancies continue to look reasonably healthy, assuaging fears of an imminent deterioration in jobs. At the same time, a less tight labor market creates fewer conditions for wages-driven inflation.

"We can cut now and see how the data evolves," Fed Governor Chris Waller said after dissenting in favor of a cut in July. "If the tariff effects do not lead to a major shock to inflation, the Committee can continue reducing the rate at a moderate pace. If we do get significant upside surprises to inflation and employment, we can pause."

MNI INTERVIEW: Fed Inflation Woes Extend Beyond Tariffs-Lacker

By Pedro Nicolaci da Costa (Aug 27, 2025)

WASHINGTON - The Federal Reserve has not yet finished the job of taming inflation and cutting interest rates now could reignite price pressures, especially at a time when the central bank's credibility is under threat from attacks on its independence, former Richmond Fed President Jeffrey Lacker told MNI.

"I think they've got an inflation problem apart from the tariff effects. When they started cutting rates last year, inflation stopped falling and they haven't had any disinflation since," Lacker said in an interview Wednesday.

"The underling ex-tariff inflation rate has not come down, it's around 3%. It just seems like they ought to be leaning against the inflation pressures more than worrying about downside risks" to employment and growth, he said.

Instead, Lacker noted that Fed Chair Jerome Powell's Jackson Hole speech last week all but cemented the prospect of a September rate cut, though uncertainty about the path of policy after that remains.

"It seems pretty clear they're headed towards a cut in September," he said. "They've signaled they're going to take it as the data indicate after that. It's not clear how they'll play it." (See MNI POLICY: Job Revisions Pressure Fed To Cut In September)

JOBS IN BALANCE

The former policymaker took issue with Powell's focus on downside risks to employment, a shift from the chair's earlier description of the job market as solid.

"The chair's observations were puzzling to me. He noted that the labor market seemed in balance, because while employment growth was lower, it looks like the demand was growing more slowly and supply was growing more slowly. And that's obviously demonstrated by the stability of the unemployment rate," Lacker said.

"But a downside risk is a departure from the steady state that you're on, and if you're in some steady path where demand is growing at the same rate of supply, it's not obvious the risks are any higher. If that growth rate is low and if both of them are growing at a high rate, if the unemployment rate is stable, I'm not sure why lower supply growth would signal downside risk."

DOLLAR RISK

President Donald Trump's strong-arming of the Fed to lower interest rates, including public pressure on Powell and most recently the attempt to fire Fed Governor Lisa Cook, is putting the credibility of the American financial system on the line, Lacker said. (See MNI: Experts Say Fed's Cook Will Prevail Against Trump)

"I do think the value of the dollars is at stake. I think that the role of the Treasury market as the market that people pile into whenever there's uncertainty, even if it's uncertainty about the United States, that's in question going forward," he said. "A replay of something that maybe rhymes with the 1970s if it doesn't replicate it exactly, is a scenario people are going to start taking more seriously if the Fed independence crumbles."

Lacker noted how then-Chair Arthur Burns famously lacked the political will to raise interest rates when it was needed, as Burns himself later confessed.

"After he left office, he expressed, in his famous speech about the anguish of central banking, that he just didn't feel like he had the political cover, that it would have been politically acceptable for the Fed to do what it needed to do," said Lacker. "I think we could find ourselves in the same situation – guided by leaders who either aren't willing to do what they need to do to bring inflation under control or don't want to – and that would be a really disturbing outcome, a disturbing place for our country to be in."

MNI INTERVIEW: US Growth, Jobs Poised For Rebound - Miran

By Pedro Nicolaci da Costa (Aug 26, 2025)

WASHINGTON – The U.S. economy and job market are set for a bounceback in coming months as fading uncertainty surrounding trade and tax policies leads to renewed investment and hiring, Stephen Miran, chair of the White House Council of Economic Advisers, told MNI Tuesday.

Recent downward revisions to payroll employment data were a disappointing sign that job growth had slowed more sharply in the first few months of the year than previously believed, but that's set to reverse, Miran said.

“I do think the labor market in the first half of the year was weaker than we thought it was, and it was weaker than I would like it to have been, but I do think there are material tailwinds to growth now that obviate a lot of those concerns,” he said in an interview in his office.

Now that a number of key trade deals have been struck and the administration’s signature tax legislation has been made into law, hiring could pick up again, he said.

“Not only has that uncertainty been resolved, it has also turned into a tailwind,” said Miran. “There’s all sorts of things in the ‘Big Beautiful Bill’ that are quite expansive for the supply side economy.”

TRADE CERTAINTY

He said a similar virtuous cycle is underway regarding trade.

“We now have trade deals that cover almost 60% of global GDP, including the U.S. Just like the tax, not only has the uncertainty resolved, but it's been replaced with tailwinds in the form of the investment commitments that other countries have made as means to secure the tariff rates that they secure,” he said.

Miran was recently nominated by President Donald Trump to the role of Federal Reserve governor. Because of a pending confirmation process, Miran said he could not comment on matters related to the central bank or monetary policy. His nomination comes amid relentless pressure from the White House on the Fed to lower interest rates.

Asked if he’s still confident in a forecast for second half growth of 3% made to MNI back in June, Miran said: “I do think there’s reasons for expecting growth to perform quite well as we look forward to what’s changing.” (See MNI INTERVIEW: Miran Sees 3% H2 Growth, Flurry Of Trade Deals)

NO TARIFF INFLATION

Miran is vindicated by what he sees as evidence that tariffs have not thus far proved inflationary as many economists had predicted, even as they are generating a significant amount of revenue that can help reduce the budget deficit.

“We don’t see any evidence that tariffs are inflationary in a meaningful sense,” he said. “Could that happen down the line? I don’t know. I'm sort of like a ‘never say never’ kind of person. So obviously you have to allow for some possibility that there is some increase in prices at some point."

"However, I don't see any evidence to date, and I think the track record is pretty clear on this, because we ran this experiment in 2018 and we know what happened,” he said.

He said the rise in good prices is tough to pin on U.S. tariffs because it has also been experienced by other economies. In addition, Miran believes disinflation is likely to persist because of ongoing declines in housing inflation.

“There's actually pretty strong arguments that rent disinflation is going to continue to actually be a meaningful contributor to lower inflation,” he said.

These include the catch-up of rent-listed prices with the official measures of housing inflation, as well as lower rent costs from declining immigration because of Trump's deportations and immigration restrictions, he said, adding: “I view the border policies as extremely disinflationary."

MNI INTERVIEW: Powell Leaning Toward September Cut - Blinder

By Jean Yung (Aug 22, 2025)

JACKSON HOLE, WYO. - Federal Reserve Chair Jerome Powell suggested he's leaning toward resuming interest rate cuts at the September meeting, but he's hedging his bets on data and issuing a warning that the Fed won't be pushed around by political pressure, former Fed Vice Chair Alan Blinder told MNI.

"It wouldn't surprise me or many other people if there was a cut at the next meeting. And if I were a trader, I would bet on a cut at the next meeting," Blinder said in an interview on the sidelines of the Kansas City Fed's annual Jackson Hole conference. (See MNI POLICY: Job Revisions Pressure Fed To Cut In September)

Powell in his hotly anticipated keynote said early Friday: "The baseline outlook and the shifting balance of risks may warrant adjusting our policy stance."

He stopped short of stating the timing – or direction – of that move, Blinder noted. "He didn't even lock in the notion that the next move would be a cut," he said.

The context of the speech – particularly the weak July jobs report and significant downward revisions to the two previous months – suggest cuts. "So it's very, very likely, but if you just listen to what he said, I don't think you would get that," Blinder said.

DATA DEPENDENT

Higher tariffs will translate to a one-off move higher for prices, but it will happen slowly, as Powell correctly put it, Blinder said.

"I suspect it will dribble out over a substantial amount of time. I wouldn't be surprised if over a year."

The Fed must stay data dependent, and one more jobs report and inflation report will come before the FOMC meets in September.

"Suppose the payrolls numbers turn around. Inflation looks like it's getting a little worse, but only a very little worse, but maybe it gets a little less than little worse, so any of those things are still possible," Blinder said.

After months of being harangued by President Trump to drop interest rates, Powell pointed added the FOMC will "never deviate" from making policy decisions based solely on data and implications for the economic outlook and the balance of risks.

"That was aimed at anyone who though the Fed was going to cave politically," Blinder said.

MNI INTERVIEW: Fed Should Hold, Focus On Inflation – Emmons

By Evan Ryser (Aug 14, 2025)

WASHINGTON – The Federal Reserve should hold rates steady at its next meeting in mid-September despite signs of a softer economy, with inflation yet to reach the 2% target, former St. Louis Fed economist William Emmons told MNI, adding that a cut was probable anyway.

Any September cut would likely be framed in cautious terms, with a meeting-by-meeting approach and no commitment to additional reductions, Emmons said, adding that this would nonetheless feed speculation of further easing.

"Don't make a move until you're ready to commit to a series of moves. And that's the way the Fed has operated in the past," he said. "If they cut in September, they've committed to further cuts."

"Being 'well-positioned' in this case probably means doing nothing, because the Fed is famously reluctant to reverse direction. If they were to cut in September, which seems likely, the likelihood that they would then reverse and go back up seems very slight."

INFLATION RISING

July CPI data were a mixed bag, but the 0.32% monthly increase in core CPI was strong, and growth in core service prices accelerated to an annualized 4.5% in July, the worst in six months. (See: MNI INTERVIEW: Fed September Cut Not Assured - Rosengren)

"It's kind of a mystery to me why people now are still talking about all these interest rate cuts from the Fed when the evidence is very clear that inflation is rising," Emmons said. "The confidence that this is transitory or a one-time effect of the tariff shock is a gamble, because people are so sensitized to inflation."

The economy is a little softer but, of the Fed's dual mandate goals, inflation appears to be the metric that is on track to be further from target for longer, he said, noting that the Fed's own projection is for it to rise this year.

"If they were truly data dependent, there would be very little case for a cut, let alone making three cuts in succession right now. The data are not that dire, even with the jobs data revisions," he said.

"The idea that some people have of dismissing the inflation side of the mandate right now seems pretty dangerous to me. Looks to me like the disinflation has ended and it never got back down to the 2% level. That's a failure, and the fact that the inflation expectations process has been unanchored."

NEUTRAL RATE

A resilient economy and persistent inflation might mean policy is not very restrictive, said Emmons, who spent nearly three decades at the St. Louis Fed. (See: MNI INTERVIEW: Inflation Could Stifle 2025 Fed Cuts-George)

Emmons pointed to 10-year Treasury forward rates. "This market-based measure is saying, 'Oh, things have changed again. The neutral level is probably closer to 4.5 to 5%.'"

"If this is true, that the neutral level has actually moved up substantially from the Covid lows, then the Fed is mischaracterizing monetary policy. It's not restrictive at all. If anything it's neutral, maybe even a little bit accommodative," he said. "If they now cut they're going to be moving further into accommodative territory."

MNI INTERVIEW: Trump Missed Window For Significant Fed Change

By Evan Ryser (Aug 7, 2025)

WASHINGTON – The Trump administration is unlikely to score any major reforms of the Federal Reserve because there is no clear effort to pressure Capitol Hill for the kind of legislative changes that would be needed, Gary Richardson, the Fed system's first official historian, told MNI.

"By Trump spending his time in jawboning the Fed, he probably missed the window to go to Congress, at least the window before the mid-terms," said Richardson in an interview, adding that there are limits to what systemic changes a new Federal Reserve chair, which Trump will get to appoint soon, could obtain.

The President and his advisers have asserted that they will reshape monetary policymaking and that is unlikely to happen, unless Congress acts.

“Trump doesn't have much time before the mid-term elections, maybe a year. To have Congress change a major piece of legislation takes a lot of debate. That would also come up against a huge amount of lobbying and pressure from businesses and Wall Street that have interests in this," said Richardson.

CONGRESSIONAL INTENT

Trump has promised to nominate someone who backs lowering the Fed's benchmark overnight interest rate, which he wants slashed as low as 1% from the current 4.25%-4.50% range.

Congressional intent concerning the independence of the Fed matters because it protects the public from the politicization of monetary policy. In 1935, the Senate and House designed the Fed's leadership structure to limit the President's influence on monetary policymaking, which Richardson describes in a recent paper, along with former Fed research director David Wilcox.

"The Banking Act of 1935 is the foundation for Fed independence, not the Fed-Treasury accord" of 1951, said Richardson, who served at the first official historian of the Federal Reserve System from 2012 to 2016. "Congress, the bankers and the businessmen understood this before economists did."

Perhaps the closest parallel to today were the events before the 1951 accord when President Truman wanted long-end Treasury yields pegged at low rates, Richardson said. "The order of magnitude between what people worry about with Arthur Burns or William McChesney Martin and what Trump's been talking about today is really different."

"Trump is saying he wants rates 3 percentage points lower. He really wants to change the cost of government borrowing," he said. "No president has really asked the Fed for this much since Truman." And even then "Truman asked for a lot more because he asked for the Fed, not to peg the short term rate, but to peg the interest rate on long term government bonds and dramatically expand the balance sheet."

"No one's ever asked the Fed for that much since then and I assume the system's response is going to be the same. It's too big an ask," he said, noting inflationary risks. (See: MNI INTERVIEW: FOMC To Go Own Way If Chair Lacks Credibility)

Current federal law does not support such a request and any presidential demand for FOMC members to resign if they do not agree with the president would be shirking statutory obligations, he said, citing former New York Fed President Allan Sproul.

"The Congressional Record is very clear that what Truman asked the Fed to do, it should not do, and what Trump is asking the Fed to do, it should not do."

REGIME CHANGE

National Economic Council Director Kevin Hassett, ex-Fed governor Kevin Warsh, and Fed Governor Christopher Waller have emerged as top contenders to be the next chair. Hassett and Warsh have advocated "regime change" at the Fed. (See: MNI POLICY: Regional Fed Banks Could Face Revamp Under Warsh)

"It may be useful to rethink the Fed and its structure and the leadership, but to do that you have to go to Congress. The Fed and its structure is set in law, and the objectives of the Fed are set in federal law."

"Can they get things changed by just changing some personnel? Probably not," said Richardson, an economics professor at the University of California, Irvine. "The wholesale change that Warsh and others have advocated, that's only been done by getting Congress to intervene and change the law."

MNI POLICY: Job Revisions Pressure Fed To Cut In September

By Pedro Nicolaci da Costa, Jean Yung and Evan Ryser (Aug 7, 2025)

WASHINGTON – The Federal Reserve looks increasingly likely to cut interest rates in September after weaker-than-expected July jobs data and major downward revisions to May and June painted a less sanguine picture of the labor market, despite inflation also starting to pick up from tariffs.

Still, because most FOMC members expect inflation to head higher over the next few months, policymakers are likely to take cuts one at a time and at a measured pace.

The worsening jobs outlook raises the bar on the kind of near-term inflation shock from tariffs that would be required to tilt the Fed away from the prospect of a September rate cut, which is now more than fully priced into financial markets.

“This is concerning,” Fed Governor Lisa Cook said at a panel at the Boston Fed Wednesday. “These revisions are somewhat typical of turning points.”

While Fed Chair Jerome Powell emphasized the unemployment rate as the most crucial jobs indicator for the FOMC to consider, the downward revisions painted a much darker picture of employment conditions in the economy, which are likely to unite previously-divided policymakers around the need for rate reductions.

"We have to look at the panoply of" employment indicators, said Cook.

SLOW AND STEADY

Still, hopes for a more aggressive 50 basis point cut might be overdone for now, barring yet another major downward surprise in employment. Officials are not yet worried about a downturn in the economy, but rather focused on catching up to a recent slowdown — GDP growth averaged just 1.5% in the first half of the year.

Indeed, because Fed officials are quite unsure as to where the neutral rate of interest ultimately lies, with estimates ranging from 2.5-3.9%, they would prefer to move slowly toward that uncertain destination.

Nonfarm hiring came in at 73,000 for July, below estimates for 104,000 new jobs added, but large downward revisions to the previous two months took away a total of 258,000 jobs, pulling down the three-month average to just 35,000 and the six-month average to 81,000, the lowest pace of job growth since 2020.

The three-month average, if excluding Covid, is the worst in 12 years. The revisions resulted from additional responses from businesses and government agencies and the recalculation of seasonal factors, BLS said. The unemployment rate edged up a tenth to 4.248%.

Two Fed governors, Miki Bowman and Chris Waller, dissented in favor of cutting rates a quarter point at the July meeting because they believed worrisome cracks in the labor market warranted preemptive support from the monetary authorities. The Fed has kept rates steady at 4.25-4.5% all year as progress on inflation stalled and policymakers worried tariffs might boost price pressures further.

MNI INTERVIEW: Nimble Fed Needed To Tackle Slowdown -Koenig

By Jean Yung (Aug 6, 2025)

WASHINGTON – Federal Reserve officials must be willing to entertain more aggressive easing amid new signs of slowing nominal demand growth and restrictive monetary policy, Evan Koenig, former senior aide to the president of the Dallas Fed, told MNI.

Last week's second quarter GDP report showed a marked slowdown in nominal demand measures to rates more consistent with 2% inflation over the long run. It is indicative of monetary policy that has shifted to a restrictive stance after months at neutral, and the FOMC should be prepared to take action to keep demand from further decelerating, Koenig said.

"In a way this is encouraging to see the slowing in demand growth, but it could easily get out of hand and policymakers need to up the level of vigilance right now. We're in a dicey situation and you have to be prepared to be nimble on policy," he said in an interview.

"That does mean the outlook is more uncertain. You could see a larger-than-expected move. It's certainly within the realm of possibilities." (See: MNI INTERVIEW: Fed September Cut Not Assured - Rosengren)

NEUTRAL RATE FALLING

Until recently, Koenig deemed monetary policy to be approximately neutral, with the economy running at full employment, steady demand growth and inflation hovering above target in a 2.6%-2.8% range.

But a likely fall in the short-run neutral real interest rate as uncertainty over President Trump's tariffs froze consumer and business decision-making alike has rendered policy restrictive, in spite of the FOMC keeping rates on hold this year, Koenig said.

Growth in nominal final sales to private domestic purchasers, a core measure of demand that strips out government spending, inventories and net exports, fell back to 4.7% (annual percent change) in the second quarter after holding steady in a 5.25%-5.5% range over the past year, while the more volatile nominal GDP growth measure dropped to 4.5% from 5%-plus.

That slowdown has primarily occurred over the first two quarters of 2025, which saw 4.1% growth in both nominal GDP and nominal private domestic final purchases, Koenig noted. (See: MNI INTERVIEW: Tariffs Pushing Services Into Contraction - ISM)

"There' was no reason to be happy with where we had been, but there was some stability there. What we may be seeing are the first signs of a policy shift to a restrictive policy stance," he said. "Holding the funds rate constant is by no means the same thing as holding the stance of policy constant."

EMPLOYMENT IN GOOD SHAPE

The FOMC is in a tricky situation also because policymakers can't be sure whatever reduction in the neutral real rate that has occurred could be transitory – lasting only as long as trade uncertainty persists, Koenig said.

"That would be a justification for the wait-and-see attitude that the FOMC has taken, hoping that enough uncertainty will resolve itself that by the next FOMC meeting they'll have a better idea of what to do," he said.

And despite a July jobs report showing the worst three months of hiring since the pandemic, the labor market continues to be in good balance, Koenig said.

Measure of slack – the unemployment rate and unemployed-to-vacancies ratio – have varied within very narrow ranges over the past year, and we have yet to see a surge in layoffs or initial claims for jobless benefits, he said.

"All of these things suggest we're not past the tipping point."

MNI INTERVIEW: Inflation Could Stifle 2025 Fed Cuts-George

By Pedro Nicolaci da Costa (Aug 1, 2025)

WASHINGTON – The elevated risk of inflation from tariffs, bloated fiscal deficits and threats to central bank independence could make it hard for Federal Reserve officials to cut interest rates this year, especially if price pressures persist or even ratchet higher in coming months, former Kansas City Fed President Esther George told MNI.

“The credibility of the central bank, its independence, has long been viewed, certainly for the United States, as being an important anchor. So when I look at inflation and inflation expectations, I do look at our fiscal situation right now and say, boy, that's an upside risk for the rate environment, for inflation,” George said in an interview.

This could reduce the impetus for any reductions in borrowing costs this year at all even though as of June policymakers had penciled in two cuts.

“If I were doing a personal forecast myself, that's the camp I would be in,” she said of the prospect of no cuts. “I just think it's going to take some time. I think we will see persistence in that inflation. And even if it doesn't pop up beyond where it is, it's going to keep the Fed on the edge of saying we can't turn loose of our 2% goal here very easily.” (See MNI INTERVIEW: Fed Should Stay Extra Cautious On Cuts-Sinclair)

SKEPTICAL OF SEPTEMBER

George thinks Fed Chair Jerome Powell mostly tried to distance himself from the prospect of a rate cut at the central bank’s next meeting in September during his post-meeting press conference this week. The Fed held rates steady at 4.25-4.5% but two governors dissented for the first time since 1993 – Miki Bowman and Chris Waller.

“I am a little skeptical of September. I thought he didn't lean toward September. He still leans toward rate cuts, for sure, but he was trying to say, let's wave off of thinking September as the big announcement, as opposed to there being a lot of things in play,” she said.

George said it was premature to argue that the expected inflation related to tariffs will not materalize, in part because inflation numbers have stagnated for much of this year. She said the latest PCE figures, which showed a gain of 2.8% on core in the year to June, serve as a reminder that the Fed’s battle to bring inflation back to target is not over.

“I do expect it to come. When people are so relieved that they haven't seen it, I'm a little bit more cautious. People anticipated it, so they ramped up their inventories and we got a lot of imports. That has sort of faded now, but we are seeing it in goods, and I expect we will see it more over the next few months, because it just takes a while,” she said.

“It's not like we're seeing the disinflation. So the real point is, the Fed is trying to hold the line on inflation.”

NOT RESTRICTIVE

Moreover, the backdrop of a resilient economy and persistent inflation might well mean policy is not very restrictive in the first place – perhaps not at all, said George.

“For some time I have not thought this policy was restrictive. I think even to try to characterize it as mildly or modestly restrictive misses the point too. I heard the chairman say, 'well, we don't know what neutral is.' Right, and we all keep saying that. And yet there is a strong sense that we're trying to drive back towards something,” she said.

"The committee has shifted its estimates of the long run R-star when it puts out its dot plot. There’s an acknowledgement that neutral has probably shifted up and, watching how the economy performed, I don't think interest rates are a drag on the economy.

MNI INTERVIEW: Fed September Cut Not Assured - Rosengren

By Evan Ryser (Aug 1, 2025)

WASHINGTON – A quarter-point interest rate cut is still not the most likely outcome of the Federal Reserve's September meeting despite a weaker-than-expected jobs report, because next month's decision will be heavily dependent on additional inflation and employment data to come out before then, former Boston Fed President Eric Rosengren told MNI.

"It's probably too soon to expect a September cut to be the most likely outcome," he said in an interview. "It's still kind of a coin toss whether they do anything in September at all, but if the next employment report indicated a significant decline in payrolls, if firms start cutting back very substantially and that appears in the data, then the Fed will react if they think that we're actually going into a recession."

The market's estimated probability of a rate cut surged on Friday to 80% after the Bureau of Labor Statistics reported hiring fell to a trickle in the last three months.

"I think it's a bit of a overreaction," said Rosengren. "It may turn out that that's what happens if the labor market data continues to weaken. But I could also imagine a situation where the labor market continues to have an unemployment rate not that much different than where we are and the inflation data becomes more of a concern."

FEDERAL POLICIES

Economic data is in the early stages of showing the impacts from the Trump administration's policy changes. "The stagflation that many economists were worried about as a result of the variety of policy shocks looks like it is showing up in the data that we are seeing this week," Rosengren said. (See: MNI INTERVIEW: Inflation Could Stifle 2025 Fed Cuts - George)

"If you were worried that tariffs were going to start causing prices to increase, the areas that you would expect it to be showing up are in goods prices, particularly things like durable goods, furnishings, household appliances, and if you look at the PCE report, that's exactly where it was showing up," added Rosengren, now at the MIT Sloan School of Management.

"I'm expecting we'll continue to see more as businesses find that the level of tariffs would hurt earnings too much and they'll be forced to raise prices over the next few months."

The former Boston Fed chief attributed recent payroll employment weakness to a combination of federal government policy shocks as well.

"If you look since May, there have been significant declines in the federal workforce. If you look at areas where deportation of labor would have a big impact, you'd expect that construction employment in houses and commercial real estate would be an area that has significant number of immigrants. That number also is negative. And finally, manufacturing is being distorted by a variety of tariff shocks," he said.

CHALLENGING FOR FED

He expects both the inflation and employment pictures to deteriorate at the same time, forcing the Fed to make a judgement on which side of the dual mandate requires more immediate attention.

"Putting the inflation data and the employment data together, it's particularly challenging for the Fed because it looks like the inflation data is going to continue to be higher than what the Fed wants," said Rosengren. "I don't think the two dissents [at this week's FOMC meeting] are particularly indicative of what's going to happen in September," he added.

"For the Fed, it matters what the relative magnitudes of the impact on inflation versus the impact on labor markets, and that's going to take more data. I don't expect more clarity from the Fed until probably Jackson Hole, where there will probably be a signal which way they're leaning."

September 2025 FOMC Analyst Views: 2 Or 3 Cuts This Year

By Tim Cooper– September 15, 2025

All but 2 analysts expect a 25bp cut at the September FOMC, based on 32 sell-side previews MNI saw.

- Standard Chartered and Societe Generale expect the FOMC to cut by 50bp.
- Most analysts who expressed an opinion believe that Gov Miran (if confirmed in time for the decision) will dissent in favor of a 50bp or greater cut, with potential for 2 or 3 total dovish dissents (Waller/Bowman).
- Risks of a dissent toward a hold are seen as limited (candidates: Schmid, Goolsbee, Musalem).
- **SEP/Dot Plot:** Analysts see a slightly lower "dot" profile in the Fed funds medians vs the last edition in June. For 2025 the median is narrowly in favor of a 3.9% (unchanged) end-year median, though many see 3.6%. For 2026 most see 3.4% (down from 3.6% in June), moving to 3.1% by end 2027 (down from 3.4% in June). No analyst sees the longer-run rate changing (3.0%).
- Analysts see the macroeconomic projections remaining relatively unchanged.
- **Statement:** The statement is widely expected to revise the language around the characterization of the labor market, to reflect the rise in unemployment and slowdown in payrolls growth.
- There are no expectations that the Fed will change the language re the description of inflation, or the 2nd paragraph's balance of risks. However we saw one expectation that the Fed could alter the forward guidance sentence (Citi: To remove "and timing").
- **Future action:** Expectations for total easing in 2025 (including September's rate cut) ranges from 25bp (ABN Amro, Rabobank, Nordea) to 100bp (UBS). However, the median is 62.5bp, implying a split between 50 and 75bp of easing in 2025 – mirroring expectations of the Dot Plot.
- The median for total cuts by end-2026 is 125bp, ranging from 25bp to 200bp.

Table sorted in order starting with the most to the least aggressive rate cutting outlooks (first in terms of basis points by year-end 2026, where Fed outlooks for both 2025 and 2026 could be ascertained from their FOMC meeting preview. Where MNI hasn't seen an updated rate view in the month preceding the September meeting, we have left them out of the table. For further details see analyst note summaries in following section.

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Analyst Expectations For September 2025 FOMC Dot Plot And Future Rate Path

	2025	2026	2027	2028	L-R	Analyst Expectations For...		Analyst Rate Path View
						2025 Cuts (bp)	2026 Cuts (bp)	
Actual Fed Jun 2025	3.9	3.6	3.4		3.0			
Analyst Median	3.9	3.4	3.1	3.1	3.0	62.5	50	
Commerzbank						75	125	25bp cuts in Oct and Dec, 2.50% by summer of 2026
TD	3.9	3.4	3.1	2.9	3.0	75	100	25bp cuts in Oct and Dec, quarterly cuts through 2026.
BMO						50	100	25bp of cuts every other meeting until end-2026.
RBC						50	100	25bp cut in Q4, 100bp in 2026
Scotiabank	3.6					75	75	25bp consecutive cuts at 6 meetings to Q2 2026
SEB	3.6	3.1	2.9	2.9	3.0	75	75	75bp of cuts in both 2025 and 2026
ABNAMRO	3.9	3.4				25	100	Cuts resume in 2026: per quarter to end-2026 (3.00-3.25%).
BofA	3.9	3.4	3.1	3.1	3.0	50	75	25bp cut in Dec, then in Jun, Sep, Dec 2026 (under new Fed chair).
Danske						50	75	25bp cuts quarterly to 3.00-3.25% in Sept 2026
Goldman Sachs	3.9	3.4	3.1	3.1	3.0	75	50	25bp cuts in Oct and Dec, 2 more in 2026 to 3-3.25%
ING	3.6	3.4	3.1	3.1	3.0	75	50	25bp cuts in Oct, Dec, Jan, Mar
Rabobank						25	100	25bp cuts in Mar, Jun, Sep, Dec 2026
Swedbank						50	75	25bp cut in Q4, 75bp in 2026.
UBS	3.6	3.4	3.1		3.0	100	25	100bp total cuts in 2025, 25bp in 2026.
Wells Fargo	3.6	3.1	3.1	3.1	3.0	75	50	25bp cuts in Oct, Dec, Mar, Jun
CIBC	3.9				3.0	50	50	25bp cut in October, two more 25bp cuts in 1H 2026.
Desjardins						50	50	A further 50bp cuts rest of 2025, 50bp in 2026.
Societe Generale						75	25	50bp cut in Sep, 25bp in Dec, 25bp in 2026
Deutsche	3.6	3.4	3.1	3.1	3.0	75	0	25bp cuts in Sep, Oct, Dec, Hold In 2026
JPMorgan	3.9	3.4	3.1	3.1	3.0	75	0	25bp cuts in Oct and Dec, before "indefinite" pause
NatWest	3.9	3.4	3.1	3.1	3.0	50	25	25bp cuts in Dec and Mar
Unicredit						50	25	25bp cuts in Dec and Jun.
Wrightson ICAP	3.9					75		25bp cuts in Oct and Dec
Nordea						25	0	No further cuts
Citi	3.6	3.4	3.1	3.1	3.0			
Jefferies	3.6	3.4	3.1	3.1	3.0			
Standard Chartered								50bp cut in Sep

SOURCE: MNI, Analyst Previews

Analysts' Key Comments

All analysts expect the Fed to cut by 25bp in September, with two exceptions: Standard Chartered and Societe Generale. Summaries in alphabetical order of institution.

ABN Amro: Recalibration

- ABN Amro thinks the 25bp rate cut "will be communicated as a recalibration on the back of evolving risks, and to keep the Fed better positioned to respond to changes in the outlook."
- **Statement:** Dissents "likely in both directions".
- **SEP/Dot Plot:** Median rate dot unch for 2025 (3.9%), 2026 3.4%. "We again expect two camps, with roughly half the participants putting in no cuts this year and the other half expecting two cuts this year."
- **Future action**: After September, cuts resume in 2026: per quarter to end-2026 (3.00-3.25%).

BMO: Low-Drama Cut

- BMO expects a "low-drama 25 bp rate cut".
- **Statement:** "strong possibility" of at least one and as many as 3 dissents in favor of a 50bp cut.
- **Future action:** 25bp of cuts every other meeting until end-2026.

BofA: Policy Adjustment Or Capitulation?

- BofA will be attentive to Powell's press conference for hints about the expected pace of cuts.
- **Statement:** To remove reference to net exports but still refer to moderation in growth; to keep inflation language unchanged but re labor market "Job gains have slowed, and the unemployment rate has moved up but remains low."
- Miran likely to dissent in favor or 50bp cut; Bowman and Waller are close calls. No dissent for a hold but if there is, most likely Schmid or Musalem.
- **SEP/Dot Plot:** 2025 rate median unchanged at 3.9%, but "close call" as could be 3.6%. 2026 at 3.4%, 2027 at 3.1%.
- Largely unchanged macro forecasts.
- **Press Conference:** Powell's comments likely to be similar to his remarks at Jackson Hole. However his "characterization of the labor market and inflation will give us hints about whether he's leaning toward cuts at every meeting. On the labor market, it would be dovish if Powell were to focus on the slowdown in payrolls and extrapolate from the preliminary benchmark revisions to conclude that the job market has probably been contracting in the last few months… On inflation, investors should pay attention to whether Powell argues that tariff pass-through has been smaller (dovish) or slower (more hawkish) than initially expected, and if he notes the recent firming in services inflation (hawkish)."
- **Future action:** 25bp cut in Dec, then in Jun, Sep, Dec 2026 (under new Fed chair).

CBA: One-In-Four Chance Of 50bp Cut

- CBA thinks "there is a one in four chance the FOMC cuts by 50bp" at this meeting.

CIBC: Difficult To Justify Consecutive Cuts

- CIBC writes that "the most persuasive economic argument for the Fed to cut rates now is to bring rates closer to neutral, but the inflation outlook and the bending-but-not-breaking state of the economy would suggest doing so gradually. It's difficult to justify consecutive rate cuts without factoring in politics."
- **Statement:** "Wouldn't surprise us" to see 1 or 2 dissents for a larger cut.
- **SEP/Dot Plot:** 2025 rate median unchanged. 2026 to show neutral reached "a year earlier".
- **Future action:** 25bp cut in October, two more 25bp cuts in 1H 2026.

Citi: Risks Skew Dovish

- Citi writes that "risks skew dovish" for the September FOMC meeting.
- **Statement:** Revised first paragraph to include "Recent indicators suggest growth of economic activity has moderated, but continues to expand at a solid pace" and "The unemployment rate remains low, but job gains have slowed."
- To remove "and timing" from the forward guidance sentence.
- Miran and Bowman to dissent in favor of 50bp cut.
- **SEP/Dot Plot:** 2025 Dot Median lowered to 3.6%; 2026 and 2027 to each show one cut (3.4% / 3.1%).

- **Press Conference:** "Powell is likely to guide toward a series of further rate cuts, noting that downside risk to employment has increased further following recently softer jobs data….to indicate that rate cuts at upcoming meetings are likely given the shifting balance of risks."
- **Future action:**

Commerzbank: 200bp Of Cuts To Summer 2026

- Commerzbank notes re the signal from the Dot Plot that if it "still shows an average of 50 basis points of cuts for the current year, this would be a strong signal that the Fed now intends to cut interest rates at each of its next meetings. Further significant interest rate cuts in 2026 would indicate that the Fed now considers the inflation risks, which are not least a result of higher tariffs, to be minor."
- **Future action:** 25bp cuts in Oct and Dec, 125bp cuts by summer of 2026 to 2.25-2.50%.

Danske: Still Risks Of More Persistent Price Pressures

- Danske writes that "while Powell is likely to repeat his earlier view that tariff-driven inflation will remain temporary in nature, the still elevated level of inflation expectations increases the risk of more persistent price pressures."
- **Future action:** 25bp cuts quarterly to 3.00-3.25% in Sept 2026

Deutsche: Back To Risk Management School

- Deutsche says that "lower rates are likely to be motivated by risk management considerations."
- **Statement:** To state "Job gains have slowed, and the unemployment rate has moved up but remains low."
- Scope for 3 50bp dissents (Miran, Bowman, Waller) and 2 holds (Schmid, Goolsbee). "it could be the first meeting where three governors dissent since 1988 and the first with dissents on both sides since September 2019."
- **SEP/Dot Plot:** 2025 median rates Dot lowered to 3.6%; 2026 3.4%; 2027 3.1%. "The distribution of dots is likely to remain wide for 2025, with some officials potentially keeping zero cuts and other projecting as
- much as 100bps of total reductions."
- Limited changes to macro projections.
- **Press Conference:** "In terms of signals, we expect Powell will emphasize the data dependence of upcoming policy decisions. However, we anticipate he will also not actively undermine the signal from the median dot for this year that the most likely scenario is for 25bp reductions at the following two meetings."
- **Future action:** 25bp cuts in Sep, Oct, Dec, Hold In 2026

Desjardins: Fed Can Afford To Cut

- "While inflation remains above target and tariff-related risks are still in the picture, we nevertheless feel that the Fed can afford to [cut]. One of the main arguments in favour of a rate cut is the labour market's evident weakness over the last few months", writes Desjardins.
- **Future action:** A further 50bp cuts rest of 2025, 50bp in 2026.

Goldman Sachs: Supporting the Labor Market

- Goldman analysts say "the key change since the last FOMC meeting in late July is the softening in the US labor market".
- **Statement:** To acknowledge the slowdown in job growth, but no change to policy guidance.
- **SEP/Dot Plot:** 2025 rate dot median 3.9%, 2026 3.4%, 2027 3.1%, longer-run 3.0%.
- Macro projections not likely to change much.
- **Press Conference: "**Powell might acknowledge that the Committee discussed" ending QT.
- "Even just indicating that the reason that the FOMC cut was to support the labor market might be taken by investors as signaling that another cut is likely in October because "insurance cuts" have come as a consecutive series in the past and it would be unnatural to space out cuts that are meant to address an immediate problem."
- **Future action:** 25bp cuts in Oct and Dec, 2 more in 2026 to 3-3.25%. "A 50bp cut is also possible at an upcoming meeting if the labor market deteriorates more quickly than we have assumed in our forecast. On a probability-weighted basis, our Fed forecast remains a bit more dovish than market pricing."
- Fed ends QT at the October meeting.

ING: Labor Market The Clear Concern

- ING says that "Evidence of cooling consumer demand and a weakening jobs market is becoming more obvious. Inflation remains above target and tariffs are likely to keep it elevated in the near term, but the balance of risks are tilted towards the need for more support for the economy."

- **Statement:** Likely that Bowman, Waller and Miran vote for 50bp, Miran could vote for something larger.
- **SEP/Dot Plot:** 2025 rate dot median 3.6%, 2026 3.4%, 2027 3.1%, longer-run 3.0%.
- **Press Conference:**
- **Future action:** 25bp cuts in Oct, Dec, Jan, Mar

Jefferies: Getting Ahead of Being Very Behind

- Jefferies expects the FOMC to "continue to highlight downside risks to the labor market, and flag the end of QT, if they don't end it all together."
- **Statement:** "We expect a marked downgrade in the description of growth and the outlook as well. Additionally, it is hard to see how the Committee would repeat the statement that labor market conditions remain solid, given the downward revisions to payrolls."
- "It is possible that they also decide to cease the reduction in Treasury holdings. They will likely continue to reduce holdings of agency debt and agency mortgage-backed securities, but if/when they do, we expect that the Fed will start purchasing Treasury bills in order to offset the reserve draining from the reduction in MBS holdings."
- Edits to the final paragraph are possible: "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" will have to be edited to reflect the fact that these risks have emerged, in relation to the labor market, and to reflect the fact that they are adjusting the stance of policy, rather than standing "prepared to adjust"."
- **SEP/Dot Plot:** Rate dot medians: 2025 3.6%, 2026% 3.4%, 2027 3.1%, longer-run 3.0%.

JPMorgan: Centrists And Hawks Shape Guidance

- JPMorgan does "not expect that [September meeting] communications will give firm forward guidance on cuts; with the dovish members dissenting, the centrists and hawks will sway in shaping the forward guidance."
- JPMorgan writes that "we do expect" 2 or 3 "dissents for a 50bp cut, and perhaps for something even larger", with Miran in that camp and Bowman, Waller could join. No hawkish dissents (to hold).
- **Statement:** To describe growth as solid but downgrade labor market to say that conditions have softened.
- **SEP/Dot Plot:** 2025 rate dot median 3.9%, 2026 3.4%, 2027 3.1%. A risk that longer-run dot moves to 3.1%. No major revisions to economic forecasts.
- "We suspect that Powell, the Board, and perhaps even the Committee, would expect two further cuts. However, the dots are submitted by all meeting participants, and we think in that grouping the median participant will look for one further cut this year. While that may be hawkish relative to market expectations, the dovish dissents may help to offset that signal."
- **Press Conference:** Lack of forward guidance in the press conference.
- **Future action:** 25bp cuts in Oct and Dec, before "indefinite" pause

NatWest: Powell Till Try To Balance Expectations Of Easing Without Sounding Too Dovish

- NatWest writes that while some further cuts are expected beyond September, "in light rising core inflation from tariffs officials will be a bit more challenged than usual in moving rates back closer to neutral."
- **Statement:** "the language will lean more dovish than the previous edition from July, with the most notable change reflecting that given the cut in rates, officials acknowledge that the balance of risks around the employment side of the dual mandate points to the downside."
- Miran to dissent in favor of a 50bp cut.
- **SEP/Dot Plot:** 2025 rate dot median 3.9%, 2026 3.4%, 2027 3.1%; longer-run 3.0%
- Not many changes to economic projections.
- **Press Conference:** "Powell will try to thread the needle to by suggesting the committee expects additional easing later this year without sounding too dovish given the inflation backdrop in his press conference… Powell will make clear that policy is not on a preset course"
- **Future action:** 25bp cuts in Dec and Mar

Nordea: No Further Cuts Beyond September

- Nordea's outlook is more hawkish than consensus: "We lean toward a resilient economy with the unemployment rate staying stable and inflation staying elevated well above the Fed's 2% target, but acknowledge the huge uncertainty about the economic outlook given significant changes in trade, immigration and fiscal policy. In our baseline, we expect the Fed to only cut its rate once, but we do acknowledge the risk that we are wrong on the economy and that the Fed could cut because it is focused on payrolls over unemployment and under significant political pressure."
- **Future action:** No further cuts.

Rabobank: Under Pressure
- Rabobank sees the Fed as “in a difficult position as it faces an economic outlook with hints of stagflation.”
- **Future action:** 25bp cuts in Mar, Jun, Sep, Dec 2026

RBC: Resumption Of Normalization
- According to RBC, “the next cutting cycle can be viewed as a resumption of rate “normalization” back towards more “neutral” levels rather than a move into accommodative territory.”
- **Future action:** 25bp cut in Q4, 100bp in 2026.

Scotiabank: Dot Plot Could Be Fadeable
- Scotiabank notes that “Because of the high potential for meddling with the functioning of the Federal Reserve, markets may be wise to fade the dot plot that is offered at this meeting and not just because the further out one goes, the worse the dot plot performs.”
- **SEP/Dot Plot:** “More likely than not” that 2025 rate median drops to 3.6%.
- **Future action:** 25bp consecutive cuts at 6 meetings to Q2 2026

SEB: 50bp Cut Not Out Of Question
- SEB “do not think that a larger [50bp] cut is excluded but see it as unlikely this time.”
- **SEP/Dot Plot:** 2025 median rate dot 3.6%; 2026 3.1%; 2027 2.9%.
- **Future action:** 75bp of cuts in both 2025 and 2026

Societe Generale: Fed To Cut 50bp
- SocGen analysts expect the Fed to cut 50bp in September, a prediction that they don’t see “as outlandish. Having held off for a while, it seems to us that some forceful Fed action would be appropriate, given the rapid labour market deterioration. Hence, we favour a 50bp cut over 25bp. It would also reduce pressure for another cut in October, giving the FOMC and the Fed staff breathing space to evaluate the apparently rapidly evolving economic data and allowing FOMC members to focus on their new economic and policy rate projections to be discussed at the December meeting.”
- **Future action:** 50bp cut in Sep, 25bp in Dec, 25bp in 2026

Standard Chartered: 50bp Cut
- Standard Chartered expects a 50bp cut at this meeting: “We think the August labor-market data has opened the door to a ‘catch-up’ 50-basis point rate cut at the September FOMC meeting just as it did this time last year”.

Swedbank: Resuming Rate Cuts
- Swedbank writes “while tariffs remain a clear upside risk to inflation, downside risks to the labour market have now materialised as evident by the two most recent employment reports, which is what will prompt the Fed to lower interest rates.”
- **SEP/Dot Plot:** 2025 rate dot median maintained at 3.9%.
- **Future action:** 25bp cut in Q4, 75bp in 2026.

TD: Majority Not Convinced on 50bp Cut
- TD expects “the FOMC's guidance is likely to lean dovish as a result of the recent unfavorable evolution of labor market conditions, but not overly so given an inflation overshoot remains an important risk in the near to medium term.”
- “While we believe that a couple of Fed officials might make the case for a larger rate reduction next week, we do not think the majority of the Committee is convinced.”
- **Statement:** To note job gains have slowed, unemp rate has moved higher but remains low.
- Miran to dissent in favor of 50bp cut (risk that Bowman does too). Risk that Schmid or Musalem dissent in favor of a hold.
- **SEP/Dot Plot:** 2025 rate dot median 3.9%, 2026 3.4%, 2027 3.1%, 2028 2.9%, longer-run 3.0%.
- **Future action:** 25bp cuts in Oct and Dec, quarterly cuts through 2026.

UBS: Shift In Risks Sparks FOMC Easing
- UBS writes “Since April we have been expecting weak July and August employment reports to motivate a shift in the risks and conversation on the FOMC to lower rates this year, starting with a 25 bp rate cut at the September FOMC meeting”.

- **Statement:**
- **SEP/Dot Plot:** 2025 rate dot median 3.6%, 2026 3.4%, 2027 3.1%, longer-run 3.0%.
- **Press Conference:** "We expect the general message of the Chair to reiterate that the risks had shifted since June and July, and downside risks to the labor market had increased, even if the projections display little change."
- **Future action:** 100bp total cuts in 2025, 25bp in 2026.

Unicredit: 50bp Cut Unwarranted

- Unicredit writes that while job growth data will spur a September cut, "on the other hand, a 50bp rate cut seems unwarranted.
- **Future action:** 25bp cuts in Dec and Jun.

Wells Fargo: Cuts to Begin Again

- Wells Fargo note that "With the labor market on shakier ground, more members appear ready to join Governors Waller and Bowman in support of reducing the fed funds rate even as inflation remains above target."
- **Statement:** To "mark down the Committee's current assessment of the labor market. We expect the characterization of "solid" to be abandoned and for the statement to note that the unemployment rate has moved up while hiring has slowed."
- Miran could dissent for a 50bp cut (possible Bowman and Waller too but less likely), while possible Schmid dissents in favor of a hold.
- **SEP/Dot Plot:** 2025 rate dot median 3.6%, 2026-28 3.1%, longer-run 3.0%.
- **Future action:** 25bp cuts in Oct, Dec, Mar, Jun

Wrightson ICAP: Unusually Wide Range Of Policy Views

- Wrightson ICAP thinks "Fed communications this week are likely to display an unusually wide range of policy views."
- **Statement:** Conceivable there will be dissenting votes in both directions, would not be surprised if Miran voted for 50bp, Waller and Bowman might also be persuaded.
- **SEP/Dot Plot:** 2025 rate dot median 3.9%.
- **Press Conference:** "Powell can plausibly blame the divisions on (1) varying assessments of the relative risks of persistent inflation and stagnant employment growth and (2) the differing weights that individual committee members assign to disappointments on each of those two fronts."
- **Future action:** Further 50bp of cuts in 2025.