No Surprises in FOMC Minutes, but Risks Remain Elevated

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The minutes from the May 7 FOMC meeting, released this afternoon, contained no real surprises. The key takeaway is that tariffs have contributed to an uncertain economic outlook, suggesting that monetary policy will likely remain on hold until there is greater clarity on government actions.

Committee members expressed unusually pessimistic views. They anticipate a significant weakening in the labor market and consider the likelihood of a recession nearly equal to the baseline scenario. Tariffs are expected to drive prices higher this year, and many members believe inflation could remain persistently elevated. This inflation risk is likely to keep the Federal Reserve on the sidelines, even as economic growth slows.

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