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# Previewing Next Week's Fed Meeting

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The Federal Open Market Committee (FOMC) is scheduled to meet next week, with its rate decision and press conference set for Wednesday afternoon. It is widely expected that the committee will maintain the overnight target range at 4.25% to 4.50% for the fifth consecutive meeting.

A key point of interest is whether the vote will be unanimous. Fed Governors Michelle Bowman and Chris Waller have both indicated that a July rate cut may be appropriate. If they dissent, it will mark the first time in over 30 years that two sitting governors cast dissenting votes.

Waller's dovish stance is particularly notable given his previously hawkish reputation. Both he and Bowman were appointed by President Trump, who is reportedly considering Waller as a potential successor to Jerome Powell.

The Fed's dual mandate—price stability and maximum employment—offers mixed signals. The unemployment rate fell to 4.1% in June, less than a percentage point above a six-decade low, making a poor argument for immediate rate cuts. Most inflation measures have eased significantly from their peak three years ago. However, global tariff policies have recently rerouted the path to the Fed's 2.0% inflation target.

From the Fed's perspective, it's still wait-and-see. Not only is there no historical precedent for the scope and magnitude of the proposed tariffs, but the timing of the implementation has been nearly impossible to anticipate. It's been widely assumed that the ever-evolving trade war will result in weaker domestic growth, but that has yet to happen.

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The Fed's counterpart, the European Central Bank (ECB), opted to hold rates steady this week, following a year of steady cuts. ECB President Christine Lagarde cited trade-related uncertainty and near target inflation as reasons for a more cautious approach.

President Trump has sharply criticized Powell, repeatedly calling for his resignation and demanding aggressive rate cuts. On Tuesday, Mohamed El-Erian, chief economic advisor at Allianz, suggested Powell should step down to protect the Fed's independence—a surprising opinion given the more common belief among economists that Powell should serve out the remaining 10 months of his term.

While there will be no immediate policy change announced next Wednesday, Fed officials are expected to open the door for a rate cut as soon as the next meeting on September 17. Between now and then, two inflation reports and two employment updates will help shape the decision.

## Market Indications as of 9:43 A.M. Central Time

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|---|---|
| DOW | Up 110 to 44,804 (HIGH: 45,014) |
| NASDAQ | Up 43 to 21,101 (NEW HIGH) |
| S&P 500 | Up 12 to 6,376 (NEW HIGH) |
| 1-Yr T-bill | current yield 4.10%; opening yield 4.09% |
| 2-Yr T-note | current yield 3.92%; opening yield 3.91% |
| 3-Yr T-note | current yield 3.87%; opening yield 3.86% |
| 5-Yr T-note | current yield 3.97%; opening yield 3.95% |
| 10-Yr T-note | current yield 4.42%; opening yield 4.39% |
| 30-Yr T-bond | current yield 4.96%; opening yield 4.93% |