

Fed Minutes Show Cautious Easing as Gold Hits New Highs

The Federal Open Market Committee's (FOMC) September meeting minutes landed this afternoon, and while markets barely blinked, the message inside was more cautious than outright dovish. The Fed is shifting toward easier policy, but with one eye still firmly on inflation. While the labor market is showing signs of softening, the minutes revealed that many officials remain concerned about persistent inflation risks.

At its September meeting, the FOMC delivered a 25-basis-point cut, lowering the target range to 4.00%–4.25%, its first move in nine months. Eleven of twelve voting members supported the cut, with newcomer Stephen Miran dissenting in favor of a bolder 50 bp reduction. The rationale, as Chair Powell framed it, was “risk management,” an early adjustment to cushion against a softening labor market rather than a reaction to crisis. Unemployment has crept up to 4.3%, and job gains have slowed to what the Fed called “stall speed” in the minutes.

The minutes revealed a growing internal divide. While most participants judged that further easing would likely be appropriate this year, some favored holding rates steady, emphasizing upside risks to inflation. This underscores the Fed’s delicate balancing act, inflation is cooling, but not enough to dismiss concerns. The dot plot now points to two additional cuts before year-end, likely at the meeting later this month and again in December, with a year-end median rate near 3.50%–3.75%. Nine participants expect one more cut, ten expect two, and one (Miran) expects three or more. Miran, aligned with more aggressive easing views, has suggested the Fed may need five cuts in 2026 and believes the neutral rate may be lower than the Fed’s current estimate of 3.0%.

The long-run neutral rate remained at 3.0%, and the minutes made clear that the balance of risks has tilted toward employment rather than inflation control. While the Fed avoided any mention of quantitative easing, it’s important to note that quantitative tightening (QT) remains in motion, with the balance sheet continuing to shrink at a measured pace.

Gold is in the headlines this week, hitting fresh all-time highs as investors weigh declining real yields, fiscal uncertainty, and political noise. The surge in gold, alongside rising talk of AI over-investment and frothy valuations in mega-cap tech, suggests a market split between optimism and caution, with some reallocating toward hard assets as a hedge against current and future policy missteps.

Adding to the complexity is ongoing dysfunction in Washington. The government shutdown, now more than a week old, has already sidelined critical economic releases, including last Friday’s jobs report, and threatens to delay upcoming data on CPI, retail sales, and industrial production. That means the Fed will head into its October 29–30 meeting with a partial and outdated picture of the economy, a handicap for a committee that emphasizes “data dependence.” Without the usual cadence of official releases, policymakers are increasingly reliant on private-sector indicators, market signals, and anecdotal evidence to gauge real-time conditions.

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The Fed's upcoming communication schedule may help fill some of the void. Chair Powell speaks next week, followed by several regional presidents whose remarks will likely serve as trial balloons for October policy leanings. The market is pricing roughly 45 basis points of additional cuts in 2025, consistent with a slow, measured normalization rather than a panic pivot.

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The September minutes confirmed what markets already suspected, the Fed is easing, but carefully. With inflation slowly cooling, labor data softening, and political noise at a high level, policymakers are trying to steer a middle course. For now, investors appear content with a Fed that moves methodically and cautiously and aims to make policy and market reaction as smooth as possible.

Market Indications as of 3:24 P.M. Central Time

DOW	Down -1 to 46,602 (HIGH: 46,758)
NASDAQ	Up 255 to 23,043 (NEW HIGH)
S&P 500	Up 39 to 6,754 (NEW HIGH)
1-Yr T-bill	current yield 3.65%; opening yield 3.63%
2-Yr T-note	current yield 3.59%; opening yield 3.57%
3-Yr T-note	current yield 3.60%; opening yield 3.58%
5-Yr T-note	current yield 3.72%; opening yield 3.71%
10-Yr T-note	current yield 4.13%; opening yield 4.13%
30-Yr T-bond	current yield 4.72%; opening yield 4.73%

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