

June FOMC Minutes Reaffirm Fed's Wait-and-See Approach

The minutes of the June 16–17 FOMC meeting, released yesterday afternoon, revealed Fed officials remain firmly in a wait-and-see mode while increasingly divided over future interest rate policy. Although committee members unanimously voted to hold the overnight funds target range steady at 3.50%–3.75%, internal discussions made it clear policymakers are balancing two competing risks: inflation that could prove more persistent than expected and economic activity that may gradually soften as tighter financial conditions work through the economy. While there was widespread agreement that policy is currently restrictive, there was considerably less agreement about whether the next move should be a rate cut or a rate hike.

Committee members generally characterized economic activity as *continuing to expand at a solid pace*. Consumer spending remained resilient, labor market conditions were viewed as healthy, and business investment continued to benefit from ongoing spending related to artificial intelligence and other technologies. At the same time, officials acknowledged that growth had moderated and restrictive monetary policy was continuing to restrain rate sensitive sectors of the economy.

However, *inflation remained the principal focus of the discussion*. Participants noted that price pressures were higher than desired and recent developments, including tariff effects and the ongoing conflict in the Middle East complicated the inflation outlook. While near-term inflation expectations had eased as oil prices retreated and geopolitical concerns moderated, Fed officials mostly agreed that additional data would be required before concluding that inflation was on a sustainable path back to the Fed's stated +2.0% target. Longer-term inflation expectations were thought to be *reasonably well anchored*.

Perhaps the most important takeaway from the June minutes was the amount of disagreement over the appropriate rate path for the remainder of 2026. Many participants believed the overnight rate could be at or slightly below its current level by year-end *if inflation continued to improve and economic growth moderated*. However, *many* other participants believed rates may need to move higher if inflation proves more persistent or if demand remains stronger than expected.

From the investor standpoint, the June minutes reinforce the message that the Fed no longer has a meaningful easing bias. Instead, committee members appear focused on incoming data rather than any predetermined rate path. Unless inflation shows clear and steady signs of moving lower, the committee appears prepared to maintain a restrictive policy *for longer than markets expected earlier in the year*.

Scott McIntyre, CFA
HilltopSecurities Asset Management
Co-Head of Investment Management
Managing Director
512.481.2009
scott.mcintyre@hilltopsecurities.com

Greg Warner, CTP
HilltopSecurities Asset Management
Co-Head of Investment Management
Managing Director
512.481.2012
greg.warner@hilltopsecurities.com

Matt Harris, CFA
HilltopSecurities Asset Management
Senior Portfolio Advisor
Senior Vice President
512.340.1845
matt.harris@hilltopsecurities.com

Although committee members unanimously voted to hold the overnight funds target range steady at 3.50%–3.75%, internal discussions made it clear policymakers are balancing two competing risks: inflation that could prove more persistent than expected and economic activity that may gradually soften as tighter financial conditions work through the economy.

Market Indications as of 8:46 A.M. Central Time

DOW	Up 36 to 52,384 (HIGH: 53,056)
NASDAQ	Down 161 to 26,031 (HIGH: 27,094)
S&P 500	Up 6 to 7,489 (HIGH: 7,610)
1-Yr T-bill	current yield 4.04%; opening yield 4.04%
2-Yr T-note	current yield 4.18%; opening yield 4.21%
3-Yr T-note	current yield 4.22%; opening yield 4.25%
5-Yr T-note	current yield 4.29%; opening yield 4.32%
10-Yr T-note	current yield 4.56%; opening yield 4.58%
30-Yr T-bond	current yield 5.07%; opening yield 5.08%

The paper/commentary was prepared by HilltopSecurities Asset Management (HSAM). It is intended for informational purposes only and does not constitute legal or investment advice, nor is it an offer or a solicitation of an offer to buy or sell any investment or other specific product. Information provided in this paper was obtained from sources that are believed to be reliable; however, it is not guaranteed to be correct, complete, or current, and is not intended to imply or establish standards of care applicable to any attorney or advisor in any particular circumstances. The statements within constitute the views of HTS and/or HSAM as of the date of the document and may differ from the views of other divisions/departments of Hilltop Securities Inc. and its affiliates. In addition, the views are subject to change without notice. This paper represents historical information only and is not an indication of future performance. Sources available upon request.

HilltopSecurities Asset Management is an SEC-registered investment advisor. Hilltop Securities Inc. is a registered broker-dealer, registered investment adviser and municipal advisor firm that does not provide tax or legal advice. HTS and HSAM are wholly owned subsidiaries of Hilltop Holdings, Inc. (NYSE: HTH) located at 717 N. Harwood St., Suite 3400, Dallas, Texas 75201, (214) 859-1800, 833-4HILLTOP.