July Minutes Highlight Hawkish Undercurrents at the Fed

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This afternoon, the minutes from the July 29 FOMC meeting showed Fed officials were primarily focused on inflation risks, with less attention on employment and economic conditions. While the committee vote was 9-3 three weeks ago to hold the overnight target range steady for the fifth consecutive meeting, the minutes indicate the decision was far from unanimous with a surprising number of committee members believing a rate hike could be justified.

A reoccurring theme was concern that price pressures could prove more persistent than previously anticipated. Participants mentioned several upside risks, including pass-through effects of tariffs, higher energy prices resulting from tensions in the Middle East and ongoing demand associated with AI infrastructure buildout. Participants generally viewed the inflation outlook as highly uncertain, with risks to the upside.

Although Cleveland Fed President Beth Hammack, Minneapolis Fed President Neel Kashkari and Dallas Fed President Lorie Logan had voted for an immediate 25 basis point increase last month, the minutes suggest a willingness to tighten policy extends beyond the three regional presidents. Several members indicated that higher rates would likely be necessary if inflation failed to moderate, and some argued that preemptive tightening could avoid the need for more aggressive rate increases in the future.

By contrast, committee members expressed relatively little concern at the July meeting about the labor market. Employment conditions were seen as stable, with unemployment around 4.2% and payroll growth expected to outpace last year's meager gains.

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Market Indications as of 4:00 P.M. Central Time

DOW	Up 120 to 53.463 (HIGH: 54,349)
NASDAQ	Up 141 to 26,331 (HIGH: 27,094)
S&P 500	Up 16 to 7,708 (HIGH: 7,799)
1-Yr T-bill	current yield 3.96%; opening yield 3.96%
2-Yr T-note	current yield 4.16%; opening yield 4.17%
3-Yr T-note	current yield 4.24%; opening yield 4.25%
5-Yr T-note	current yield 4.34%; opening yield 4.37%
10-Yr T-note	current yield 4.65%; opening yield 4.71%
30-Yr T-bond	current yield 5.19%; opening yield 5.29%