

**AUGUST 4, 2025**

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## Difference of opinions at the Fed

The Federal Reserve's July Federal Open Market Committee (FOMC) meeting revealed a growing divide about the path of monetary policy. Most officials, including Chair Jerome Powell, still view inflation as a threat. Though it has fallen since the four-decade highs seen in 2022, they worry it could re-accelerate if rates are cut. Others think that the current restrictive stance—tighter than other major central banks—hurts the US economy. In July, the latter outnumbered the former, as the FOMC kept rates in the 4.25-4.5% target range. But Fed Governors Christopher Waller and Michelle Bowman dissented in favor of a 25 basis-point cut. It's been more than thirty years since two sitting Governors dissented.

The FOMC statement acknowledged a moderation in growth, but Powell stood his ground at the press conference, maintaining the wait-and-see stance. At issue, of course, is whether the new tariffs prove inflationary and, if so, will that prove temporary or long-term. While pressure appears to be showing up in prices of some consumer goods, it is still early days. Before convening in September, the data-dependent FOMC will have a slew of economic information, including two nonfarm payroll reports. It's anyone's guess if they will lower the target range. It's probably best to evaluate it after Powell's keynote address at the Fed's monetary policy symposium in Jackson Hole, Wyo., later this month. After all, last year he primed the markets by saying "the time has come" for a cut.

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G40461-19 (8/25)