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## Powell goes from confident to unsure

Only a month after Federal Reserve Chair Jerome Powell seemed to have exerted control of the Open Market Committee (FOMC) he seems to have lost it. In September, he managed to limit the dissents to the policy move of a 25 basis-point cut to just the expected one by White House economist turned Governor Stephen Miran for a half-point cut.

At last week's FOMC gathering, the vote to take the fed funds target range down another 25 basis points to 3.75-4% came with dissents on both sides of the decision: Kansas Fed president Jeffrey Schmid's call for no change countered a repeat by Miran. In response, an unconfident Powell threw considerable doubt on the likelihood of another ease in the December FOMC gathering in his press conference.

He waffled between dismissing the lack of government data due to the shutdown — claiming private data and the Fed's own surveys were sufficient — and suggesting the lack of clarity (he called it "fog" at one point) could slow the Fed down. He seemed to be setting the stage for a humdinger of a meeting in December. The markets have responded with confusion, seen in the drastic drop of expectations for a cut.

One additional note about the government shutdown. While the longer it drags on, the more the markets will depend on a limited amount of stale data, the financial machine itself has not changed. The US Treasury functions are not impacted; new debt is being auctioned and there are no constraints on trading with the Fed. The liquidity markets are working smoothly.

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