

# U.S. FOMC Review

- FOMC Minutes: no specifics on magnitude of future rate increases...  
...but clear signals on direction and hints on duration

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## The July FOMC Meeting

Chair Powell noted in his July 27 press conference that officials anticipated further increases in the federal funds rate, but policymakers did not have particular leanings on magnitude – the magnitudes of upcoming changes would depend on the nature of incoming information. Naturally, that view was evident in the minutes from the meeting. However, the policy discussion suggested that officials intend to remain aggressive in hiking interest rates.

The minutes noted that Fed officials had seen little evidence that inflation pressures were subsiding, and policymakers felt that a restrictive stance was essential to limit inflation and to contain inflation expectations. Most officials judged that policy would be in a neutral position after their July policy adjustment, but some still saw policy as accommodative. Those judging policy to be neutral no doubt would be planning more rate hikes; those viewing policy as still below neutral would be planning even more.

Market participants also are expecting more tightening from the Fed, but many investors and traders believe the Fed will begin to unwind its restrictive stance next year. That view was not present in the minutes. In fact, the only indication of a shift involved tempo rather than direction – that is, a possible slowing in the pace of rate increases; no mention of rate cuts. In addition, officials felt that a restrictive stance would need to remain in place “for some time” to ensure that inflation was on a path back to two percent.