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Weekly Commentary

The path not taken

The minutes from the June Federal Open Market Committee meeting suggest the vote might have been different had it not been for tradition. Historically, the FOMC members show support for a new Federal Reserve leader with a unanimous vote for monetary policy. The June meeting was Kevin Warsh's first as chair, and he got just that: a 12-0 vote to hold the fed funds target range at 3.50-3.75%. It was a far cry from the Committee's March meeting, which saw the most dissent to a final decision/statement in more than three decades.

Or was it? The minutes, which the Fed released last week, showed quite a of difference in opinion. With inflation on the rise, a "few participants" indicated they would have supported raising rates at that moment. But more tellingly, two camps have formed about how price pressures might progress. One group projected that inflation will decline naturally and the other felt it will need a push. This was reflected in the dot plot of the Summary of Economic Projections, in which half of participants penciled in a rate hike by the close of this year.

This could mean that the July FOMC meeting, typically an uneventful one, might have some post-Independence Day fireworks in store.

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