

DECEMBER 15, 2025

## Paige Wilhelm

*Senior Vice President*

*Senior Portfolio Manager*

*Federated Investment Counseling*

## Fed ends the year with a rate cut

As expected, the Federal Open Market Committee (FOMC) lowered the fed funds target range by 25 basis points, to 3.50-3.75%. In his press conference, Chair Jerome Powell said this put monetary policy as “plausibly neutral.” The language in the statement was tweaked slightly but meaningfully for those who dissect FedSpeak. In particular, the FOMC added “extent and timing of” to a sentence discussing the potential for additional policy adjustments. The last time the Fed qualified the path forward in this manner was last December, when the Fed pivoted to a wait and see approach that lasted nine months. The big question is whether we will see a similar result.

The meeting was the most contested one in a long time, with three dissents: Governor Stephen Miran preferred a 50 basis-point reduction while Kansas City Fed President Jeffrey Schmid and Chicago Fed President Austan Goolsbee did not want to make any move. The new Summary of Economic Projections’ (SEP) “dot plot” reflected the disagreement with a wide dispersion. Out of 19 total FOMC participants, only 12 dots were in line with the outcome and six preferred no action, with the other being Miran. Powell described the discussion as “good” and “respectful,” saying that the differing views reflected the balance of risks. It was probably more of a spirited debate.

As was the case in September, the SEP forecasted 25 basis points of easing in each of the next two years, with a terminal range for this cycle between 3-3.25% and a long run policy rate of 3%. The unchanged nature of the dot plot is consistent with the Fed not having seen reliable economic data over the interim period to change their views. That could change this week with the release of the nonfarm payrolls report for part of October and all of November.

Views are as of the date above and are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security or sector.

Federated Investment Counseling

G40461-19 (12/25)