

SEPTEMBER 22, 2025

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Once more, a September start

The parallel between last week's Federal Reserve policy-setting meeting and the one taking place one year ago are close enough to feel like déjà vu. Then, as now, Chair Jerome Powell had hinted that a rate cut could come soon, and that turned out the case in both years. While we didn't get a large, 50 basis-point reduction this time, the Fed clearly has resumed its easing cycle with a quarter-point cut. That action took the Fed Funds Target Range to 4–4.25%. The market had expected the move, and while there was potential for drama, the meeting delivered few surprises.

Chair Powell described the cut as “risk management,” citing a weakening labor market. Officials, of course, remain concerned about inflation, but felt that is the less concerning of the two mandates. The updated Summary of Economic Projections dot plot displayed a median year-end rate of 3.6%, implying two more cuts this year. The 2026 median dot was 3.4%, though the range was quite large: from 2.6% to 3.9%.

The end of next FOMC meeting is more than a month away, on Oct. 29. The markets anticipate another reduction, but more will be known as new data flows in.

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G40461-19 (9/25)