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More fireworks for the Fed

President Trump might not want to look at the federal funds futures market. Traders are pricing in a nearly 100% chance that the Federal Reserve will not change rates when it meets next week. That was the case before the Bureau of Labor Statistics released June's Consumer Price Index (CPI) last week. At an annualized 2.7%, the headline measure didn't change much from May's 2.4%, but it is going in the wrong direction. After hitting a 41-year high of 9.1% in 2021, nominal CPI has fallen under 3%. That's good news, but it is still above the Fed's target of 2%. It sure seems to be the persistent/sticky inflation that policymakers fear. And if the bump-up has anything to do with the Trump administration's nascent trade war, watch out. Tariffs tend to be inflationary.

Which brings us back to Trump. He again attacked Fed Chair Jerome Powell last week, first suggesting that the increase in the cost of the renovations of the Fed's Washington, D.C., headquarters might be a reason to oust him. Then came a leak that Trump had drafted a letter saying he would find a way to fire Powell. But within an hour, the president said that was "highly unlikely." The gamesmanship, one-sided as it is, still seems to have little effect on Powell or other policymakers. If they hold pat at the next Federal Open Market Committee meeting on July 30, we are likely — very likely — to get more criticism from the White House.

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