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### The rate debate

Typically, the markets and financial media give cursory attention to the speeches by Federal Reserve officials and the minutes from the most recent Federal Open Market Committee (FOMC) meeting. For most observers, they become part of forecasts for the likely path of monetary policy, but don't drive it. But with the government shutdown preventing crucial data, comments last week and the release of the minutes of the September FOMC meeting have received more interest. Policymakers lowered the federal funds target range by a quarter point to 4-4.25% in that meeting, with newly confirmed Fed Governor Stephen Miran preferring a half-point cut.

Unsurprisingly for a meeting with dissent, the discussion apparently was robust, even perhaps a debate. While "Most judged that it likely would be appropriate to ease policy further over the remainder of this year," the minutes suggest considerable angst about the path of inflation. It's worth noting that only in the last few months have policymakers started to worry more about the labor market's apparent weakening than inflation. But price stability has not been reached, with the inflation rate still well above the Fed's 2% target, and it won't take much to put that back to top of mind. Some Fed officials' comments last week fleshed out this difference of opinion.

Fed Governor Michael Barr said fellow policymakers, "should be cautious about adjusting policy so that we can gather further data, update our forecasts, and better assess the balance of risks." Neel Kashkari, President of Minneapolis Fed, worries that additional cuts to interest rates could reignite inflation. Miran, representing the White House view that rates are too elevated, said he expects tariffs to have little impact on inflation and that cutting rates should continue.

For now, the markets are expecting another quarter-point reduction in the late October meeting.

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