

WILL THE FED LOWER INTEREST RATES LATER THIS MONTH

Federal Reserve Chair Jerome Powell may be under increasing pressure from the White House to lower interest rates later this month.

Wealth Management Financial Advisors are largely in agreement with the broader market consensus that the Federal Reserve is **unlikely to lower interest rates** at its upcoming meeting later this month (July 29-30, 2025), despite concerns about the real estate market and some business layoffs. Their insights often highlight the Fed's primary focus: **inflation control and maintaining price stability**.

Here's a summary of their reasoning:

1. Stubborn (and Rising) Inflation is the Priority:

- **Tariff Impact:** The recently implemented tariffs are a significant factor. Marie Deary and other financial advisors point out that while these tariffs might slow growth in the long run, their immediate impact is often *inflationary* as imported goods become more expensive. The Fed anticipates that inflation might even rise further over the summer months due to these tariffs.
- **Inflation Expectations:** Consumers' and businesses' inflation expectations have increased. The Fed is highly attuned to these expectations, as they can become self-fulfilling prophecies. If people expect prices to keep rising, they might demand higher wages, leading to a wage-price spiral.
- **Above Target:** Even with some recent mixed data, overall inflation (like the recent 2.7% CPI) remains above the Fed's 2% target. The Fed wants to see clear, sustained evidence that inflation is moving back down to target before considering rate cuts. They are in "no hurry to act preemptively" when inflation concerns are elevated.

2. The Labor Market Remains Resilient (for now):

- **Dual Mandate:** The Fed has a dual mandate: maximum employment and price stability. While there are reports of some business layoffs, the overall labor market data, such as job growth and the unemployment rate (currently around 4.1% in June), is still considered relatively healthy.
- **Weakening Signals Not Strong Enough:** While some incremental signs of softening have emerged, financial advisors generally believe the labor market isn't "crying out for a rate cut" yet. The Fed typically needs to see a more significant and sustained weakening of the job market (e.g., 2-3 months of data showing a clear deterioration in employment figures) before it would consider cutting rates based on the employment side of its mandate.
- **Immigration Impact:** Some analysts note that tighter immigration controls could lead to lower labor force growth, making it harder to push the unemployment rate higher even if the economy slows. This again suggests that the Fed might see more inflation before a weaker labor market.

3. Real Estate Market Coldness is a Known Consequence:

- **Restrictive Policy's Intent:** Financial advisors recognize that a "cold" real estate market with buyers walking away is a direct and intended consequence of higher interest rates. The Fed raised rates precisely to cool down demand across the economy, including housing, to bring inflation under control.
- **Mortgage Rate Disconnect:** While the Fed's policy rate directly influences short-term rates, mortgage rates are more closely tied to longer-term Treasury yields and market expectations for inflation and future Fed policy. Even with some Fed cuts in late 2024, mortgage rates haven't always fallen as much as homebuyers would like, indicating other market forces at play.
- **Affordability vs. Inflation:** While a cold housing market signals affordability challenges, the Fed views this as a symptom of its inflation fight, not necessarily a reason to immediately pivot if inflation remains elevated. Lowering rates too soon could reignite demand and push prices (including housing) higher again, undoing their previous efforts.

4. Political Pressure vs. Independence:

- **Fed's Independence:** Financial advisors emphasize the Fed's independence from political pressure, even with vocal calls from figures like President Trump for lower rates. Undermining its credibility, especially when inflation is a concern, could be more detrimental to the economy in the long run.
- **Data Dependence:** The Fed has consistently reiterated its "data-dependent" approach. They will assess incoming data, the evolving economic outlook, and the balance of risks. Currently, the balance seems to lean towards keeping rates steady to ensure inflation is truly defeated.

In summary, wealth management advisors understand that while a stagnant real estate market and some layoffs are concerning, the overriding factor for the Fed is **inflation**. Until they see convincing and sustained evidence that inflation is firmly on its path back to 2%, they are highly likely to maintain current interest rate levels, prioritizing their price stability mandate. The current consensus is that any rate cuts are more probable in the latter part of 2025, likely starting in September or later, provided inflation continues to cool and the labor market shows more significant signs of weakening.

but both markets and experts say a dovish move from the central bank is likely months away.

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WEALTH MANAGEMENT FINANCIAL ADVISORS' INSIGHTS ON WHY THE FED
WILL NOT LOWER interest rates later this month DISPUTE, REALSTATE MARKET BEING
COLD WITH BUYERS WALKING AWAY, SOME BUSINESS LAYING OFF WORKERS

WILL THE FED LOWER interest rates later this month MAY BE NOT