

PREVIEW: FOMC Minutes due Wednesday 8th July 2026

PREVIEW

The June FOMC minutes will be scrutinised for further insight into policymakers' appetite for additional rate hikes and the thinking behind the Committee's hawkish shift at last month's meeting. The minutes are an account of the June 17th meeting and therefore will not reflect subsequent developments, including the softer-than-expected June nonfarm payrolls report or Chair Warsh's appearance at the ECB's Sintra Forum.

Nonetheless, the June meeting, Warsh's first as Fed Chair, marked a significant shift under his leadership. The Committee unanimously overhauled the policy statement, removing all forward guidance and placing greater emphasis on its commitment to price stability. While the statement changes were unanimous among voting members, it will be interesting to see whether non-voting participants also supported the removal of forward guidance and the stronger inflation-focused language.

On forward guidance, Waller spoke about the tool on July 6th - after the FOMC. He noted that it can speed the impact of monetary policy, calling it a valuable tool. However, it can be a hindrance if it is too strong or rigid, and also problematic when policy makers expect different economic outcomes all with a significant probability of occurring, adding in some cases, it is best not to use it at all. We will be looking to see the views among the whole FOMC around the use of forward guidance.

Traders will also be watching for any discussion surrounding the broader policy reviews announced by Warsh. During the FOMC press conference, he revealed plans to establish five task forces covering Fed communications, the balance sheet, data sources, productivity and jobs, and the Fed's inflation framework. While the reviews are not expected to conclude until year-end, the minutes may provide an early indication of how policymakers view these topics, although it may still be too early for any meaningful discussion. As this is the first set of minutes under Chair Warsh, there is also some scope for changes to the presentation or structure of the document, given the broader changes already made to the FOMC statement.

MEETING RECAP

Kevin Warsh's debut as Fed Chair delivered a clear hawkish shift. While the Committee left rates unchanged at 3.50-3.75%, as widely expected, the policy statement was significantly revised, removing all forward guidance and reaffirming the Fed's commitment to restoring price stability.

The statement reiterated that inflation remains elevated but updated its description to reference supply shocks affecting specific sectors, including energy. The Committee also upgraded its assessment of the labour market, noting that job gains were keeping pace with workforce growth rather than remaining subdued. Economic activity continued to be described as expanding at a solid pace despite uncertainty surrounding the Middle East, while policymakers added new language highlighting strong productivity growth and capital investment.

Regarding the Summary of Economic Projections, inflation forecasts were revised higher, GDP growth projections for 2026 were trimmed modestly, and the unemployment rate was revised lower. Warsh did not submit his own forecasts due to his distaste for forward guidance, but he made it clear he is focused on price stability.

The dot plot shifted materially, representing a hawkish shift. The median 2026 projection rose to 3.8% from 3.4%, implying one 25bp rate hike compared with March's median projection for one rate cut. The 2027 median increased to 3.6% from 3.1%, while the 2028 projection rose to 3.4% from 3.1%. The distribution of projections was equally notable: nine participants now expect at least one rate hike this year (one sees three hikes, five see two hikes and three see one hike), compared with none in March. Meanwhile, eight participants now expect rates to remain unchanged through year-end (previously seven), while only one still projects a rate cut (previously seven).

Following the meeting, analysts broadly concluded that the statement, economic projections and Warsh's press conference reinforced the view that policymakers are placing greater emphasis on inflation risks than labour market concerns.

Since then, Warsh has reiterated many of those themes during his appearance at the ECB's Sintra Forum. He again rejected the use of forward guidance, stressed that interest rates should remain the Fed's primary policy tool and reaffirmed the Committee's commitment to price stability. He acknowledged that inflation expectations had eased during his first month as Chair but maintained that inflation running above the Fed's 2% target remains unacceptable.

On the balance sheet, he again avoided providing specific guidance, reiterating only that he favours a smaller balance sheet and that the newly established review committees will inform future discussions.

Although subsequent data will not feature in these minutes, it is worth adding that the softer June payrolls report has led markets to pare some of the hawkish repricing seen after the June meeting. Money markets now fully price one 25bp rate hike by December rather than October, meaning traders will be assessing the minutes against a policy outlook that has evolved modestly since the meeting took place.

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