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FOMC Update

As summarized by Smith Shellnut Wilson

October 29, 2025

Fed Cuts Rates Quarter Point, Sets End to Balance-Sheet Runoff

The Federal Reserve lowered its benchmark interest rate by 25 basis points for the second consecutive meeting, a move intended to provide support for a softening labor market. Fed officials also announced plans to halt the shrinking of the central bank's balance sheet effective December 1. This marks a shift in the Fed's quantitative tightening strategy, as policymakers seek to preserve liquidity in financial markets amid signs of tightening conditions.

In Wednesday's post-meeting statement, Fed policymakers repeated their assessment that "job gains have slowed" and said "risks to employment rose in recent months." Officials characterized economic growth as "moderate" and said inflation "has moved up since earlier this year and remains somewhat elevated."

The Federal Open Market Committee voted 10-2 to lower the target range for the federal funds rate by a quarter percentage point to 3.75-4.00%. Fed officials on both ends of the policy spectrum opposed the decision, with one dissenting in favor of a half-point reduction and the other preferred not to cut rates at all. Fed officials remain divided over how much more to ease. Several policymakers have cautioned against lowering borrowing costs too rapidly within inflation still running above the Fed's 2% target.

The Fed's statement acknowledged that an ongoing government shutdown has limited their access to economic data. In describing the labor market, officials referenced the unemployment rate 'through August." Policymakers did, however, receive a delayed report last week on CPI, which showed underlying inflation rising in September at the slowest pace in three months. The figures were likely welcomed by officials worried about price pressures, but still showed core inflation rose 3% from a year earlier, well above the Fed's target.

Updated CME Fed Funds Rate Probabilities

	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES									
MEETING DATE	175-200	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425
10/29/2025					0.0%	0.0%	0.0%	0.0%	88.2%	11.8%
12/10/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	82.1%	17.1%	0.8%
1/28/2026	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	41.8%	49.0%	8.8%	0.4%
3/18/2026	0.0%	0.0%	0.0%	0.0%	0.0%	18.1%	44.9%	31.6%	5.2%	0.2%
4/29/2026	0.0%	0.0%	0.0%	0.0%	4.3%	24.4%	41.7%	25.3%	4.0%	0.2%
6/17/2026	0.0%	0.0%	0.0%	2.3%	15.2%	33.8%	32.9%	13.8%	1.9%	0.1%
7/29/2026	0.0%	0.0%	0.7%	6.2%	20.8%	33.5%	27.2%	10.2%	1.4%	0.1%
9/16/2026	0.0%	0.3%	2.7%	11.5%	25.4%	31.2%	21.0%	7.0%	0.9%	0.0%
10/28/2026	0.0%	0.7%	4.2%	13.8%	26.4%	29.5%	18.7%	6.0%	0.8%	0.0%
12/9/2026	0.1%	1.2%	5.7%	15.8%	26.9%	27.8%	16.6%	5.1%	0.6%	0.0%
1/27/2027	0.2%	1.5%	6.3%	16.5%	26.9%	27.1%	16.0%	4.9%	0.6%	0.0%
3/17/2027	0.2%	1.5%	6.2%	16.2%	26.7%	27.1%	16.2%	5.1%	0.7%	0.0%
4/28/2027	0.6%	3.0%	9.5%	19.7%	26.8%	23.5%	12.5%	3.7%	0.5%	0.0%
6/9/2027	0.4%	2.2%	7.2%	16.0%	24.3%	24.7%	16.5%	6.9%	1.6%	0.2%
7/28/2027	0.4%	1.8%	6.3%	14.5%	22.8%	24.6%	18.0%	8.6%	2.6%	0.4%
9/15/2027	0.4%	1.8%	6.3%	14.5%	22.8%	24.6%	18.0%	8.6%	2.6%	0.4%

Side-by-side comparison of the U.S. Federal Open Market Committee statements from October 29, 2025 and September 17, 2025.

October 29, 2025	September 17, 2025
Available indicators suggest that economic activity has been expanding at a moderate pace. Job gains have slowed this year, and the unemployment rate has edged up but remained low through August; more recent indicators are consistent with these developments. Inflation has moved up since earlier in the year and remains somewhat elevated.	Recent indicators suggest that growth of economic activity moderated in the first half of the year. Job gains have slowed, and the unemployment rate has edged up but remains low. Inflation has moved up and remains somewhat elevated.
The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. Uncertainty about the economic outlook remains elevated. The Committee is attentive to the risks to both sides of its dual mandate and judges that downside risks to employment rose in recent months.	The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. Uncertainty about the economic outlook remains elevated. The Committee is attentive to the risks to both sides of its dual mandate and judges that downside risks to employment have risen.
In support of its goals and in light of the shift in the balance of risks, the Committee decided to lower the target range for the federal funds rate by 1/4 percentage point to 3-3/4 to 4 percent. In considering additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee decided to conclude the reduction of its aggregate securities holdings on December 1. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.	In support of its goals and in light of the shift in the balance of risks, the Committee decided to lower the target range for the federal funds rate by 1/4 percentage point to 4 to 4-1/4 percent. In considering additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.
In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.	In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.
Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michael S. Barr; Michelle W. Bowman; Susan M. Collins; Lisa D. Cook; Austan D. Goolsbee; Philip N. Jefferson; Alberto G. Musalem; and Christopher J. Waller. Voting against this action were Stephen I. Miran, who preferred to lower the target range for the federal funds rate by 1/2 percentage point at this meeting, and Jeffrey R. Schmid, who preferred no change to the target range for the federal funds rate at this meeting.	Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michael S. Barr; Michelle W. Bowman; Susan M. Collins; Lisa D. Cook; Austan D. Goolsbee; Philip N. Jefferson; Alberto G. Musalem; Jeffrey R. Schmid; and Christopher J. Waller. Voting against this action was Stephen I. Miran, who preferred to lower the target range for the federal funds rate by 1/2 percentage point at this meeting.
SOURCE: Federal Reserve Board	SOURCE: Federal Reserve Board

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