

TRENDMACRO LIVE!

On the September FOMC: It's Chaos I Tell You, It's Chaos!

Wednesday, September 17, 2025

Donald Luskin

Well, other than Miran's "dot plot" for a 2-7/8% funds rate at year end, it was pretty normal.

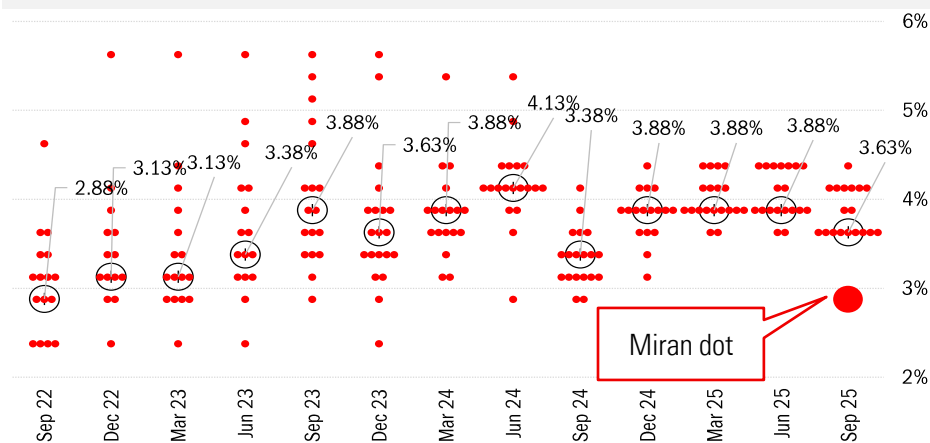
We'll dive right into today's FOMC, but be sure to look at the end of this report where we do a surprising summation of this Fed easing cycle on its first anniversary.

The lead-up to today's meeting was certainly dramatic, but the results were not. Exactly as we predicted Monday (see ["FOMC Preview: A Cut and So What"](#) September 15, 2025), *we got a 25 bp rate cut, and all the "dot plots" moved down by one rate cut, across 2025, 2026 and 2027. The We can expect two more by year end, presumably one at each of the October and December FOMC's.*

All the attention was on the [11th hour Senate confirmation](#) of [Stephen Miran as a governor](#), allowing him scarcely hours to fail to demonstrate his independence of the White House by dissenting (see ["On Miran's Senate Banking Hearing: Triumph of the Weasel"](#) September 5, 2025). He wanted 50 bp today, not 25 bp. Within hours, he had his staff improvise his contribution to the 2025 "dot plot" in the [Summary of Economic Projections calling for a 2-7/8% funds rate by 2025! Yes, you read that correctly. He wants another 1.25% in rate cuts by year-end](#) (please see the chart on the previous page).

Miran's was the dot at the margin. Without it, the median funds rate would

"Dot plots" – appropriate funds rate at year-end 2025, per FOMC meeting



Source: ["Data Insights: Federal Reserve,"](#) TrendMacro calculations

Update to strategic view

FEDERAL RESERVE, US MACRO, US BONDS, US STOCKS: All exactly as predicted. A 25 bp rate cut, and the "dot plots" move down one additional rate cut for 2025, 2026 and 2027. Miran's absurdist 2025 "dot plot" at 2-7/8% for 2025 was what moved the median down (but it doesn't explain the other years). Market expectations coming in, and as of this writing, expect much deeper cuts in 2026 and 2027 than given in the "dot plots." Powell specifically disavowed any blessing of those expectations. Today's cut was explained as triggered by a shift in the balance of risks toward jobs, but that is contradicted in the "dot plots" for unemployment, which actually improved. At the one-year mark of the onset of this easing cycle, when the consensus was that it would ring in a recession, economic and market performance have in fact been excellent.

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have been unchanged at 3-7/8%. But all he had to do to tip the scale was to be the lowest dot, that is, as much as 3-1/2%. The absurdist gesture of 2-7/8% was unnecessary. Miran's dot, assuming in all cases it was the lowest, did not have a similar necessary marginal impact in 2026 or 2027.

- The other governors with their hats in the ring for Powell's job, Christopher Waller and Michelle Bowman, did not dissent (they both did at the July FOMC – see [“On the July FOMC”](#) July 30, 2025). Nor did they put up any insane dots. Apparently 25 bp today was enough for them. Or perhaps they've been told they aren't in the running – so they don't have to engage in any shows of loyalty.
- Or perhaps they wanted, by not dissenting, to preserve their place at the table in shaping the [meeting's statement](#). Miran doesn't care. He's all about the show.
- So as with so many things under the sway of master showman Donald J. Trump, we have to be careful about what is [kayfabe](#) and what is [shoot](#).

What's real here is that for all the showmanship, nothing happened here today. The slight easing of the “dot plots” – remember, it's just one additional rate cut across three years versus what we were told at the June FOMC – which means the extra one now expected in 2025 is the only extra one, which ripples across the next two years.

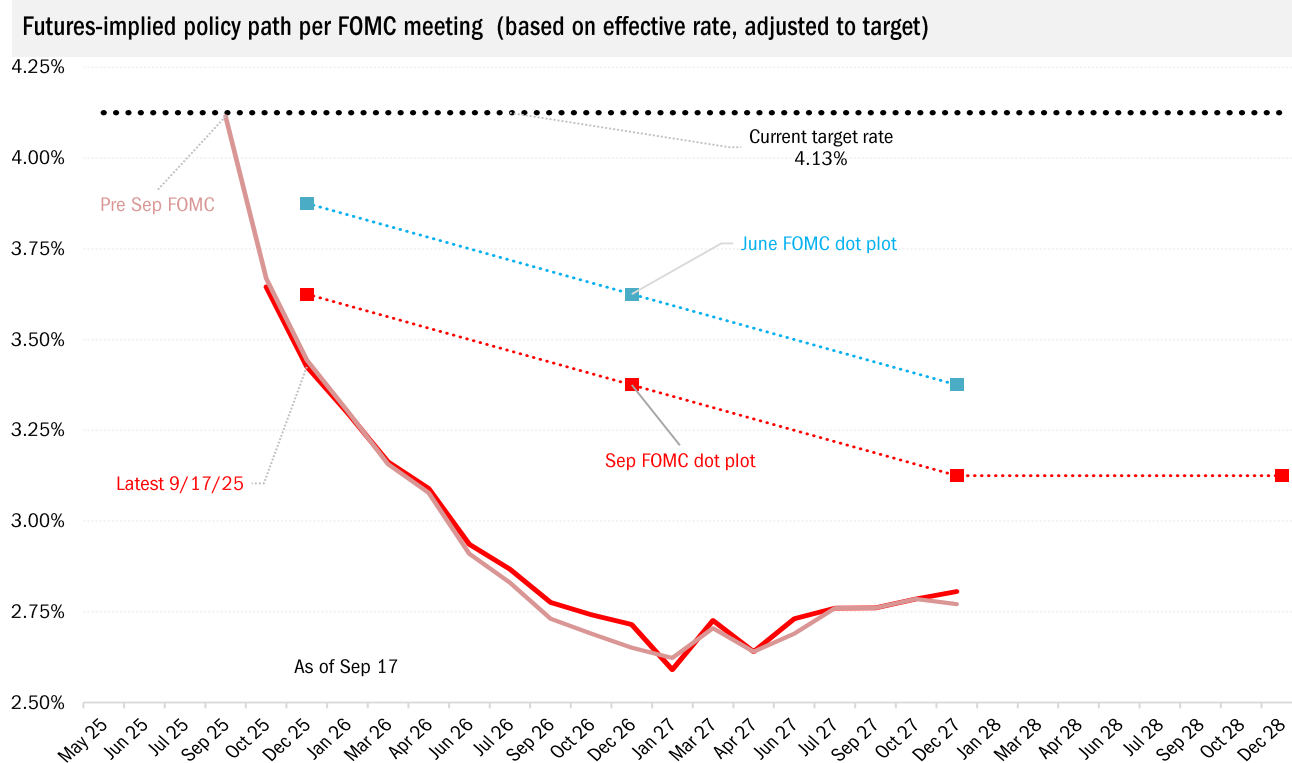
- Markets were expecting much more. The “dot plot” for 2026 was moved from 3-5/8% to 3-3/8%, but the fed funds futures curve has

AI podcast version



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Remember – AI can be funky. This is still experimental. Check it out and let us know what you think.



Source: Bloomberg, TrendMacro calculations

been expecting below 3% at that tenor (please see the chart on the previous page). Nothing today did anything of substance to ratify that expectation.

- Indeed, in the [post-meeting press conference](#), Powell snubbed the market by saying,

“the market is also pricing in at a rate path. I'm not blessing what the market is doing at all.”

- Yet as of this writing, that expectation isn't really changed at all (again, please see the chart on the previous page)

In [today's FOMC statement](#), the language changes tipped the hat to rising inflation, but emphasized risk to the labor market:

Recent indicators suggest that growth of economic activity moderated in the first half of the year. The Job gains have slowed, and the unemployment rate has edged up but remains low, and labor market conditions remain solid. 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 have risen.

In support of its goals and in light of the shift in the balance of risks, the Committee decided to maintain lower the target range for the federal funds rate at 4- by 1/4 percentage point to 4- to 4-1/24 percent.

In the [post-meeting press conference](#), Chair Jerome Powell said repeatedly that inflation was still a concern, but not a *new* concern. The risk to the jobs market is new, and has driven today's rate cut.

- No mention of the fact that the “dot plots” have been calling for a rate cut at about this point in 2025 anyway, three times in a row in the “dot plots” in the Summary of Economic Projections at the December 2024, March 2025 and June 2025 FOMC's.
- And odd, then, that in the [Summary of Economic Projections](#) the median forecast for the unemployment rate was unchanged for 2025, and actually improved by 10 bp in both 2026 and 2027.

So probably the simplest and truest way to sum all this up is to say that for all the Miran fireworks, this is just the same old “wait and see” Powell Fed.

A QUICK REVIEW OF THIS EASING CYCLE, ONE YEAR IN For all the *sturm und drang* around this FOMC meeting, it's worth contextualizing it as the first anniversary of the first rate cut in this easing cycle, which began with a dramatic 50 bp cut (see [“On the September FOMC”](#) September 18,

Contact TrendMacro

On the web at
trendmacro.com

Donald Luskin
Dallas TX
214 550 2020
don@trendmacro.com

Thomas Demas
Charlotte NC
704 552 3625

tdemas@trendmacro.com
Michael Warren
Houston TX
713 893 1377
mike@trendmacro.energy

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2024). That cut was seen at the time as the Fed panicking, and it inflamed the consensus for a coming recession as a delayed reaction to the scorched-earth hiking regime that began in 2002. And it launched a great deal of bogus scholarship about the inevitability of recessions after easing cycles begin.

We correctly predicted that there would be no recession. We pointed out at that of the eleven easing cycles since 1974, the majority – six – were not followed by recession onset within a year. Of the minority that did – five – in two cases the economy was already in recession when the easing cycle began (see [“Video: What you’re not hearing about what happens \(and what doesn’t\) when the Fed starts cutting rates”](#) September 16, 2024). So the case for recession would have to have been made on something better than just the fact that a Fed easing cycle had begun. The same is true now, as this easing cycle – on pause for nine months – begins again.

In terms of markets, the median year following the beginning of an easing cycle shows a rise in the 10-year yield of 2.4% above its starting yield (that is, a starting yield of 5.00% would have ended the year at 5.12%). In this instance, the 10-year yield rose more – 10.9% – that is, from 3.64% to 4.04%, but not even close to the catastrophe consensus expected. The S&P 500 has risen 17.4%, versus an historical median of 6.8%, hardly the bear market the consensus expected.

Say what you will about Jay Powell – and we do! But in an important sense you can’t argue with success.

Bottom line

All exactly as predicted. A 25 bp rate cut, and the “dot plots” move down one additional rate cut for 2025, 2026 and 2027. Miran’s absurdist 2025 “dot plot” at 2-7/8% for 2025 was what moved the median down (but it doesn’t explain the other years). Market expectations coming in, and as of this writing, expect much deeper cuts in 2026 and 2027 than given in the “dot plots.” Powell specifically disavowed any blessing of those expectations. Today’s cut was explained as triggered by a shift in the balance of risks toward jobs, but that is contradicted in the “dot plots” for unemployment, which actually improved. At the one-year mark of the onset of this easing cycle, when the consensus was that it would ring in a recession, economic and market performance have in fact been excellent.

