Fed Members Split on Rate Cuts

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Week of July 7, 2025 in Review

The Fed's June meeting minutes revealed differing opinions on the future path for rate cuts. Additionally, the latest data on home prices and unemployment claims offer crucial clues about the housing and job markets. Read on for the full breakdown.

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Fed Minutes Reveal Division on Rate Cuts

Fed officials have been holding steady with a cautious "wait and see" approach this year, keeping their benchmark interest rate (the Fed Funds Rate) unchanged at 4.25% to 4.5%. Reminder: this rate influences overnight lending between banks, which then impacts broader interest rates across the economy, though it doesn't directly set long-term rates like mortgages.

The Fed's cautious stance reflects ongoing economic uncertainties, including the impact of new tariffs.

However, minutes from the Fed's June 18 meeting revealed differing opinions among members regarding the timing of future rate cuts. Some favored a more immediate cut at the upcoming July meeting, while others preferred to wait until later in the year. A third group felt it might be best to postpone cuts until next year.

What's the bottom line? Essentially, the Fed is balancing its two main goals: keeping prices stable and promoting maximum employment. This is tricky, especially with potential inflation risks from new tariffs. Generally, persistent inflation makes rate cuts less likely, while signs of an economic slowdown would encourage the Fed to consider lowering rates.

A solid job market has been a key reason for the Fed's cautious stance. While there are some signs of cooling, the surprisingly strong June jobs report (+147,000 new jobs, beating the 110,000 forecast) reinforces the likelihood that the Fed will maintain its current rate at the July 30 meeting.

Looking ahead, future decisions will hinge on incoming economic data. Current market expectations lean towards a rate cut at the September 17 meeting, and most Fed officials still project two interest rate cuts later this year.

Homeownership Remains a Solid Investment

According to Cotality (formerly CoreLogic), home prices saw a 0.3% increase from April to May and were up 1.8% compared to May of last year. This trend is also supported by ICE data, showing similar 1.6% year-over-year gains for May.

What's the bottom line? While the pace of appreciation has moderated, experts are still optimistic. Cotality forecasts another 0.8% jump in June and expects values to appreciate a solid 4.2% over the next year.

These numbers highlight why buying a home remains a smart way to build wealth. For perspective: a $500,000 property appreciating at 4% would gain $20,000 in value in just one year. This demonstrates the significant potential return on your investment through homeownership.

Continuing Unemployment Claims Point to Slower Hiring

While initial jobless claims saw a slight dip last week, falling by 5,000 to 227,000, the more telling figure continues to be continuing claims – the number of people receiving unemployment benefits for more than one week. These rose by 10,000, reaching a new cycle high of 1.965 million.

What's the bottom line? The dip in initial claims might be partly due to the July 4 holiday falling within the reporting week, as people sometimes delay filing when traveling or busy. However, continuing claims data covers the prior week, making it less likely impacted by the holiday.

More importantly, continuing claims have been elevated for a long time. They've held stubbornly above 1.8 million for over a year and are now consistently above 1.9 million for seven straight weeks.

This sustained high level suggests people are taking longer to find new jobs. Even as some individuals reach the typical 26-week limit for benefits, the total number of people still collecting remains high. This indicates underlying weakness in the job market and hiring that isn't keeping pace with the number of people looking for work.

Family Hack of the Week

In honor of peach season and National Peach Ice Cream Day (July 17), try this delicious No-Churn Peach Ice Cream recipe from Food Network. This easy homemade treat yields approximately 6 cups.

Begin by pureeing 1 pound of peeled and chopped ripe peaches (about 7-8 small peaches) in a food processor. Transfer the puree to a large bowl and whisk in one 14-ounce can of sweetened condensed milk, 1 teaspoon vanilla bean paste (or 1/2 teaspoon vanilla extract), 1 teaspoon kosher salt, and 3/4 teaspoon ground ginger.

In a separate bowl, beat 2 cups of heavy cream until stiff peaks form. Stir 1/3 of the whipped cream into the peach mixture to lighten it, then gently fold in the remaining whipped cream in 2-3 batches until fully incorporated with no streaks. Pour the mixture into a loaf pan and press plastic wrap directly onto the surface of the ice cream. Freeze for at least 6 hours or overnight before serving.

What to Look for This Week

Inflation reports kick off the week, with the June Consumer Price Index (CPI) due Tuesday, followed by the Producer Price Index (PPI) on Wednesday.

Thursday features June Retail Sales and the latest Jobless Claims. Housing data is also prominent, including homebuilder confidence on Thursday and June new construction figures on Friday.

Technical Picture

Mortgage Bonds tested a key support level at their 25-day Moving Average on Friday. If that level doesn't hold, the next support is the nearby 100-day Moving Average. Meanwhile, the 10-year Treasury yield broke above its 50-day Moving Average. We need to stay cautious, as there's significant potential for yields to move higher from here.