

Federal Open Market Committee Meeting | December 10, 2025

All eyes on incoming economic data after today's rate cut

The Federal Reserve lowered interest rates today by another 0.25%, its third cut in recent months and bringing the total amount of rate cuts to 1.75% since the start of the easing cycle in September 2024. Today's rate cut was widely expected, but Fed policymakers were less aligned than usual on the economic outlook and path for monetary policy from here. Most policymakers see the Fed cutting rates again next year, and financial market pricing implies a similar base case. However, the next move will largely depend on the release of economic data, some of which has not been released in full since September. Markets appeared to react favorably to Fed Chair Powell's press conference, with the S&P 500 rising 0.7% and Treasury yields declining modestly.

In their quarterly economic projections, Fed policymakers expressed a slightly better outlook for GDP growth – supported by consumer spending and technology investment – and an expectation for inflation rates to moderate further. However, they also see risks to employment as skewed to the downside. If the labor market weakens further and inflation behaves as the Fed expects, markets will likely price additional rate cuts into the outlook.

Market attention will likely shift away from the Fed and toward the incoming economic data, particularly on employment and inflation. Both Fed policymakers and professional forecasters see risks to both sides of the Fed's dual objectives of 2% inflation and maximum employment. This continues to pose awkward challenges for policymakers using what they concede is a blunt policy tool as they navigate a foggy economic outlook.

In sum, markets now appear to expect the Fed will wait and see how the economy and risk profile evolve before signaling its next interest rate move. As a result, upcoming economic data releases next week and into January will receive substantial attention from financial markets.

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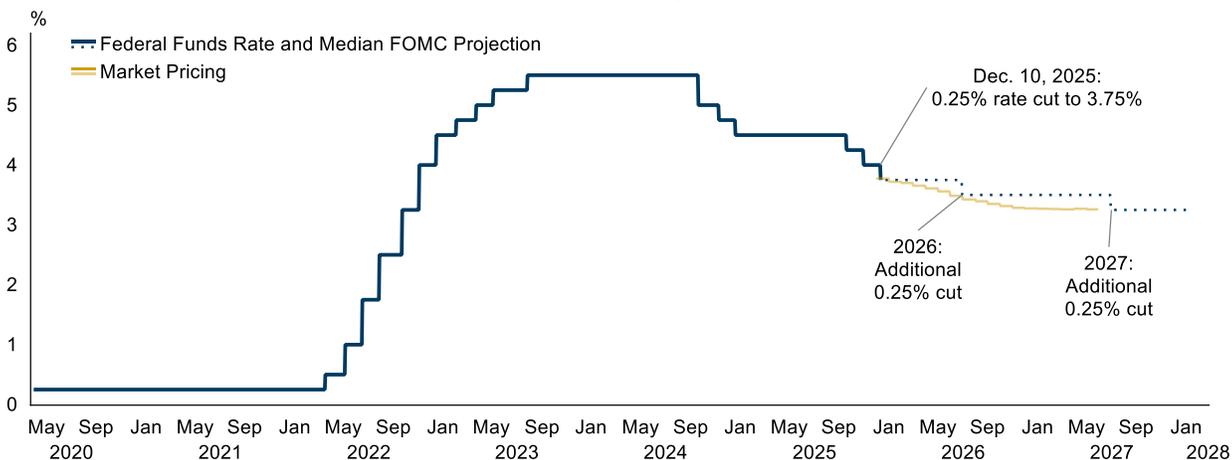
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Federal Funds Target Rate



Source: Federal Reserve, First Citizens Bank
Data as of December 10, 2025



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