



FOMC Meeting: Key Takeaways

December FOMC meeting

December 10, 2025

Policy announcement

The Federal Open Market Committee (FOMC or the Committee) reduced the federal funds rate by 25 basis points (100 basis points equal 1%) to 3.50% – 3.75%, the third 25 basis point cut this year. The FOMC stated that available indicators suggest economic activity has been expanding at a moderate pace while job gains have slowed this year. The Federal Reserve (Fed) officially ended the runoff of its balance sheet beginning on December 1 and will initiate purchases of shorter-term Treasury securities in a few days to maintain an ample supply of reserves.

Stated reasons

- 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 to 4.4% through September. More recent indicators are consistent with these developments. Inflation has moved up since earlier this year and remains somewhat elevated.
- In support of its goals, the Committee lowered the target range for the federal funds rate by 25 basis points to 3.50%-3.75%. Uncertainty about the economic outlook remains elevated. The Committee is attentive to the risks to both sides of its dual mandate (price stability and full employment) and judges that downside risks to employment rose in recent months.

Looking forward

- In considering the extent and timing of 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'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.

What else?

- A cut to the federal funds rate at today's meeting was expected by markets. There was one Fed governor that dissented: Stephen Miran, who would have preferred to lower the rate by 0.50%. There were also two Fed Presidents who dissented: Jeffery Schmid and Austan Goolsbee, who would have preferred to keep rates unchanged. The large divergence of opinions in the FOMC is evidenced in the wide set of expectations for rate policy into the new year. The FOMC also raised its median gross domestic product forecasts for 2026 by 0.5%, to 2.3%, while keeping its unemployment projection unchanged at 4.4% and with inflation moving lower by 0.2% to 2.4%.
- We believe there is potential for the Fed to deliver two additional cuts in early-2026 as the Fed still attempts to reach a neutral policy rate, that is a policy that is neither restrictive nor stimulative, but there continues to be considerable disagreement from individual members on the appropriate target range for rates.
- The threat of having both inflation and unemployment rising simultaneously continues to create a big headache for the Fed's interest rate policy. While the Fed is somewhat inclined to continue with rate cuts, there is a possibility that a better than expected economic environment could force an early end to the cutting cycle. We believe intermediate (3-7 year maturities) and long-term (maturities of 10 years or more) yields may rise from current levels but remain within our year-end 2026 target range. Our expectations indicate a widening spread that is a historically common environment for a growing economy.
- The Committee judges that reserve balances have declined to ample levels and will initiate purchases of shorter-term Treasury securities as needed to maintain an ample supply of reserves on an ongoing basis.

Upcoming meeting schedule:

- January 28 | March 18* | April 29 | June 17* | July 29 | September 16* | October 28 | December 9*
- *Indicates the meeting is associated with a summary of economic projections. In addition, every meeting will be accompanied by a press conference.

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