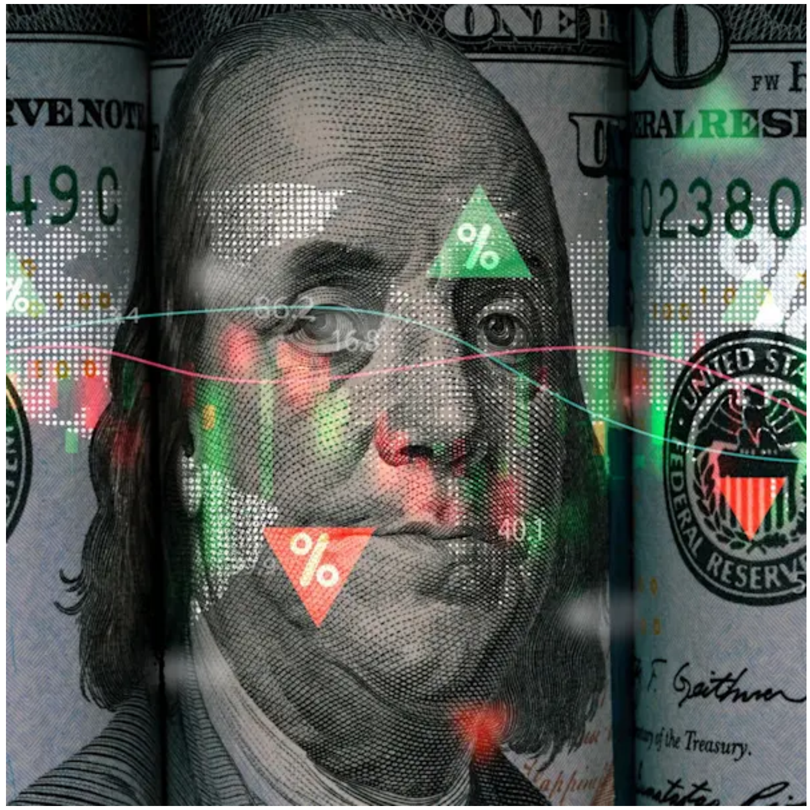

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BY THE NUMBERS

Little consensus on rate cuts this year

More members of the Federal Reserve are talking about interest rate cuts, with some pushing for action soon and others concerned about tariff impacts.

Dave Gallagher

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The chatter about interest rate cuts is continuing, with more members of the Federal Reserve system speaking out about what they'd like to see — and when.

One rate cut in 2025? Federal Reserve Bank of Atlanta President Raphael Bostic reiterated his belief on June 30 that at least one cut is coming this year, according to Reuters, but he didn't signal whether it would happen at the next Fed meeting in July. He expects more rate adjustments in 2026, however, forecasting three cuts next year.

Speaking at an event hosted by Market News International, Bostic continued to express concern that the impact of trade tariffs has yet to be felt, and he believes businesses will pass any price increases onto consumers. "I think there is actually more pricing to come, and it is more a question of time, of when and not if," he said.

In the meantime, Bostic says the Fed has some leeway to wait and see what happens. "I think we actually have some luxury to be patient because labor markets are actually quite solid," he noted.

Or two cuts? Neel Kashkari, president of the Minneapolis Federal Reserve Bank, is expecting inflation to cool despite tariff policy changes. He is forecasting two rate cuts in 2025, starting in September. In a June 27 essay, Kashkari suggested that tariff impacts may be muted as the markets find paths around economic barriers.

"We have heard from some business contacts that they are rapidly adjusting their supply routes to find lower effective tariff paths," Kashkari wrote. "Monetary policy should respond to the actual shock being experienced by the economy, not simply the headline announcement."

Others want to see action sooner: Two members of the Fed's Board of Governors — Christopher Waller and Michelle Bowman — have expressed interest in cutting rates as soon as July, noting that it may be better to act now to avoid a job market slowdown. The next Fed meeting is scheduled for July 29-30.

"Why do we want to wait until we actually see a crash before we start cutting rates?" Waller asked in a recent CNBC interview. "So I'm all in favor of saying maybe we should start thinking about cutting the policy rate at the next meeting, because we don't want to wait till the job market tanks before we start cutting the policy rate."

What it means for mortgages: Even if the Fed does cut short-term interest rates, there's no guarantee that mortgage rates will go down. That was evident last year when the Fed made a series of rate cuts but mortgage rates remained elevated.

Mortgage rates are more closely tied to changes in the 10-year Treasury note, which reflects the market's perception of the overall economy and inflation.

Investors appear to be pricing in a rate 2025 cut, as mortgage rates have drifted downward in recent weeks. That could lead to more activity this summer, with the latest data showing a rise in pending sales and mortgage applications.

Write to Dave Gallagher.