

Markets Slip as Fed Holds Rates, Dollar Strengthens on Hawkish Tone

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U.S. stocks ended mostly lower on Wednesday, while the U.S. dollar advanced, after the Federal Reserve opted to keep interest rates unchanged and offered no clear signal of an upcoming rate cut. Investors had been hoping for more dovish guidance, but Federal Reserve Chair Jerome Powell emphasized that future policy decisions will be driven by economic data.

As expected, the Federal Reserve left its benchmark interest rate steady, resisting persistent calls from President Donald Trump to begin lowering rates. During a press briefing, Powell stated that the central bank would remain data-dependent, without committing to a timeline for potential rate reductions. This cautious stance dampened market sentiment and shifted expectations. Following the announcement, futures markets slightly lowered the odds of a rate cut in September, reflecting the Fed's more restrained position.

"Powell sounded more hawkish than what markets were hoping for," noted Angelo Kourkafas, a strategist at Edward Jones. "It was not a huge surprise, but markets had been rallying in part due to hopes of easing by September."

European markets posted modest gains earlier in the day. Indices in Paris and Frankfurt rose on news that the eurozone economy unexpectedly grew in the second quarter. Optimism was also supported by a recent trade agreement between the United States and the European Union (EU). Meanwhile, the U.S. economy rebounded in the second quarter with gross domestic product (GDP) expanding by 3.0 percent, following a contraction in the first quarter.

However, much of the movement in GDP was tied to changes in import behavior, likely influenced by President Trump's assertive trade policies. Powell acknowledged the uncertain global outlook, particularly regarding ongoing trade negotiations. "It's been a very dynamic time for these trade negotiations," he told reporters, adding that the outcome of several deals remains unresolved.

While the U.S. has recently struck trade agreements with major partners such as Japan and the EU, several negotiations are still underway with an August 1 deadline approaching. Among the notable developments, President Trump signed an executive order on Wednesday imposing an additional 40 percent tariff on Brazilian goods, raising the total to 50 percent. The decision was reportedly in response to what Trump called political retaliation in Brazil against former President Jair Bolsonaro, a close ally, who faces legal challenges over alleged election misconduct.

Markets are also preparing for additional U.S. economic data later this week, with inflation figures due Thursday and a jobs report expected Friday. These will be key indicators for investors watching the Fed's next move.

Earnings season also continued to influence trading. Meta Platforms, the parent company of Facebook, saw its stock rise sharply in after-hours trading after reporting a 22 percent increase in quarterly revenue, reaching \$47.5 billion. Microsoft similarly outperformed expectations, buoyed by strong results in its cloud computing and artificial intelligence segments.

Market Snapshot (as of 2130 GMT):

- **Dow Jones Industrial Average:** Down 0.4% at 44,461.28
- **S&P 500 Index:** Down 0.1% at 6,362.90
- **Nasdaq Composite:** Up 0.2% at 21,129.67
- **FTSE 100 (London):** Flat at 9,136.94
- **CAC 40 (Paris):** Up 0.1% at 7,861.96
- **DAX (Frankfurt):** Up 0.2% at 24,262.22
- **Nikkei 225 (Tokyo):** Down less than 0.1% at 40,654.70
- **Hang Seng Index (Hong Kong):** Down 1.4% at 25,176.93
- **Shanghai Composite:** Up 0.2% at 3,615.72

Currency and Commodities:

- **Euro/U.S. Dollar:** Down to \$1.1409 from \$1.1547
- **British Pound/U.S. Dollar:** Down to \$1.3239 from \$1.3351
- **U.S. Dollar/Japanese Yen:** Up to 149.50 yen from 148.46 yen
- **Euro/British Pound:** Down to 86.15 pence from 86.48 pence
- **West Texas Intermediate (WTI) Crude:** Up 1.4% at \$7.18 per barrel
- **Brent Crude (North Sea):** Up 1.1% at \$72.47 per barrel

The broader picture reflects investor caution amid a wait-and-see approach from the Federal Reserve and evolving trade dynamics. As key economic reports roll out in the coming days, markets will be looking for clearer signs on the direction of U.S. monetary policy.