The Fed's View of a Resilient Economy

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The most complete economic report you're likely to get from any source is actually delivered routinely by the Federal Reserve Board when they explain whether they're going to raise or lower the Fed Funds rate or stand pat. The Fed decided not to make any changes this time around, and its economic explanation was mildly negative about America's prospects for the remainder of the year.

For example? In the last policy report six weeks ago, Fed Chair Jerome Powell told us that the economy "has continued to expand at a solid pace." In this one, he said that "growth of economic activity moderated in the first half of the year." The Dallas branch of the Fed has noted that manufacturing order volume is declining, and transportation equipment manufacturers are implementing layoffs. Overall, the Labor Department reported a 3.3% hiring rate in June, below the pre-Covid average of 3.9% and in line with levels generally associated with recessions.

The Central Bank wants to bring the inflation rate down to 2%; with rates at 2.7% the report noted that they could go either way from here, depending on the impact of the ever-shifting tariff regime. One worrisome sign is that even with moderate rates near the Fed target, personal consumption—which makes up about two-thirds of the U.S. economy, came in at the worst six-month stretch for spending since the last half of 2022.

There's always a temptation to respond to the shadow of a recession, both for investors and policymakers. But the Fed's action is a good example of prudence in the face of uncertainty. For the Fed Chairperson, fine-tuning the economy requires him to see a clear trend that requires it. For corporations, maintaining profitability requires constant adjustment to new markets, new government initiatives, new realities—and there is evidence that they're managing quite well under the circumstances. So far this year, about 83% of the companies that have reported their earnings have exceeded analysts' profit estimates—the highest share of 'beats' since the second quarter of 2021.

For investors, the best course has been to ride out the economic turbulence, trusting that the companies they're invested in are each, in their own way, adjusting our ever-shifting economy—for their benefit and ours. As the market hits new highs seemingly every week, we are reminded of this resilience; like the Fed, Corporate America seems to know what it's doing.

Sources:

https://www.advisorperspectives.com/articles/2025/07/31/dovish-fed-nothing-cheer

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