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What to watch

Fed minutes reveal 'caution' on interest rates

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Caution remains the new buzzword for the Federal Reserve, which is hesitant to hike interest rates because of risks ranging from the fallout from the Brexit vote to a drop off in U.S. job gains.

That's the takeaway from Bank of America Merrill Lynch after reading through the minutes of the June Fed meeting, a get-together that ended with the Janet Yellen-led Fed not raising rates as forecast, as well as dialing back the number of planned hikes in 2017 and 2018.

"The June minutes revealed a fair bit of caution by Fed officials," Michael Hanson, global and U.S. economist at BofA Merrill Lynch, said in a report.

The June Fed meeting, of course, came more than a week before the surprise vote by Britain to exit the European Union, an outcome that shocked and rocked markets and continues to rattle investors.

BofA doesn't see the Fed hiking rates until December at the earliest. "And they could wait longer," Hanson wrote.

Fed members are split on what to make of the weak U.S. jobs reports the past two months. Many said May jobs were "understated," while others thought it might be signaling "a broader slowdown in growth."

Global uncertainty, weak growth and sinking government bond yields also continue to worry the Fed, according to the BofA economist

The bottom line: It "should keep the Fed cautiously on the sidelines, awaiting a clearer signal," Hanson concluded.