



PREDICTED FED DECISION **HOLD**

5.50%

OPENFED OPTIMAL RATE **HOLD**

5.50%

KEY TAKEAWAY

The Committee expects the real Federal Reserve to hold at 5.5% and independently judges that hold optimal, its framework netting a lone rule's -25 bps against three rules' +25 bps to a loss-minimizing zero.

STATEMENT

The defining feature of this meeting is how little separated the two questions before the Committee. Every member independently opened at hold, and every member closed there, with the predictive read and the framework's own optimal recommendation converging on no change to the 5.5% target. Core PCE at 1.97% sits essentially at the 2.0% objective, giving no member a case for tightening on realized inflation and none for easing either. The tension that did exist ran beneath that contained reading: unemployment at 4.8% is well below the 5.24% estimate of its natural rate, and the Beige Book confirmed tightening labor markets with some wage increases across districts. Several members treated this as the one genuine argument for leaning toward tightening, while others weighed against it the softening in consumer spending noted in many districts and the robust competition restraining final-goods prices.

On the predictive question, the Committee judged that the real Federal Reserve will hold. Members pointed to the 3-month T-bill trading 0.56 below the funds rate as a market vote against any near-term hike, to a 10y-2y curve at +0.39 that is modestly positive rather than inverted, and to benign credit conditions, with the financial stress index at 0.1089, the Baa spread at 1.51, and the VIX at 20.74 all reading as calm rather than distressed. With inflation at target, no labor deterioration in initial claims of 316,000, and above-trend growth signaled by a CFNAI of 0.38, members saw no data forcing a move in either direction. The judgment was that markets have already absorbed the labor-market tightness and still price steady policy, so a move of any size would surprise rather than reassure.



On the Committee's own optimal determination, the conclusion was likewise 0 bps, and it was earned rather than assumed because the reference rules genuinely disagreed. The Taylor rule pointed to -25 bps, leaning on inflation sitting just below target; the Balanced Approach, First-Difference, and ELB-adjusted rules all pointed to +25 bps, reflecting the sub-natural unemployment rate and above-trend activity. With the reference rules flagged as reliable, the framework netted that three-to-one split into a loss-minimizing hold, a result members found fitting precisely because no single rule dominated. The loss-function terms reinforced the case for standing pat: inflation momentum was only mildly positive at 0.025 and unemployment momentum was -0.2, describing gradual rather than accelerating pressure. With an estimated r^* of 2.982 implying a neutral nominal rate near 5%, members read 5.5% as modestly restrictive and roughly appropriate to current conditions.

The Committee therefore views current policy as well-calibrated on both counts, but not without a directional lean worth stating plainly. Those most focused on inflation characterized their support as a hawkish hold rather than comfort with the stance, noting that the three hiking rules validate a bias toward tightening should wage pressures begin feeding into final prices. Those most focused on employment characterized the same hold as protecting labor-market gains and preserving optionality to ease only if unemployment turns up. Holding at 5.5% keeps policy modestly restrictive while inflation remains benign, and the Committee will be watching whether the tight labor market feeds into wages and prices before acting.

COMMITTEE VOTE

The predictive vote was unanimous at 0 bps, 5-0. On the optimal side, all five members endorsed the framework's 0 bps recommendation as-is, a 5-0 endorsement with no declines or partial agreements.

NOTES

No member dissented on either question, though the endorsement was not without tension: inflation-focused members endorsed the hold as an explicitly hawkish one, citing the three rules pointing to +25 bps and the tight labor market as grounds for a tightening bias in reserve, while labor-focused members read the identical hold as safeguarding employment and retaining room to ease.