



PREDICTED FED DECISION **HOLD**

0.00%–0.25%

OPENFED OPTIMAL RATE **HOLD**

0.00%–0.25%

KEY TAKEAWAY

The Committee expects the real Federal Reserve to hold the target range at 0.0% to 0.25%, and its own framework independently arrives at the same optimal call of 0 bps, both bound by the effective lower bound.

STATEMENT

What defined this meeting was less a debate than a constraint. With the federal funds target range already at 0.0% to 0.25%, participants across every mandate perspective began from the same place: conventional rate policy has reached its floor, and the deep contraction evident in the data offers no case for moving off it. Unemployment stands at 8.5%, well above the 5.05% natural rate the Committee references, and the associated indicators point the same way—initial claims of 639,000 and a Chicago Fed National Activity Index of -1.61 confirm activity running deeply below trend. The Beige Book showed contraction continuing, though five Districts noted some moderation in the pace of decline, which participants read as tentative stabilization from a very low base rather than the beginning of recovery.

In more ordinary circumstances the tension at this table would run between the inflation-focused and employment-focused seats, but that tension did not materialize here. Core PCE is 1.48%, below the 2.0% target, and the framework's inflation momentum term of -0.24 confirms prices are decelerating rather than accelerating. Participants weighting inflation risk most heavily acknowledged that their usual caution against easing is simply not triggered when inflation is running below target and the Beige Book reports downward price pressure across all Districts with easing wage pressures; the risk, they judged, is disinflation, not overheating. Participants weighting employment most heavily wanted maximum accommodation given the size of the labor gap and an unemployment momentum reading of 0.7 that suggests conditions still deteriorating—but recognized the funds rate cannot be cut into negative territory. Those attentive to financial conditions pointed to a stress index of 0.7566, a VIX of 38.1, and a Baa spread of 5.33, alongside bank reports of tight credit, rising delinquencies, and strained



commercial real estate financing, all of which argued firmly against any hint of tightening. Market-based signals reinforced the same conclusion: a 3-month bill spread of just 0.015 shows short rates flush against the current range with no move priced in, while a steeply positive 10y-2y spread of +1.98 is consistent with markets expecting eventual recovery rather than deeper cuts.

On the predictive question—what the real Federal Reserve is expected to do—the Committee's judgment was that the target range will be maintained at 0.0% to 0.25%, with further accommodation carried through the already-committed balance-sheet asset purchases rather than the rate itself. The Committee then turned to its own framework to determine what the optimal policy would be, independent of that forecast. Here the reference rules were unusually unanimous: the Taylor rule, the balanced-approach rule, the first-difference rule, and the ELB-adjusted rule all returned 0 bps, computed against an r^* of 1.675. Because the reference rules were flagged as unreliable at the bound this meeting, participants leaned most heavily on the ELB-adjusted logic, which explicitly recognizes that the lower bound binds and that no conventional cut is available. The framework's loss-minimizing recommendation was therefore 0 bps.

The predictive forecast and the framework's optimal recommendation coincide, and participants noted that this coincidence is itself informative: it indicates the current stance is already at maximum accommodation on the rate dimension, with the loss function's employment term pulling toward more easing than the funds rate can deliver. The Committee's conclusion is that holding the range steady is both the expected outcome and the optimal one, and that whatever additional support the economy requires must run through balance-sheet channels rather than the rate lever.

COMMITTEE VOTE

The predictive vote was unanimous at 5-0 for holding the target range at 0.0% to 0.25%, and on the optimal side all five members endorsed the framework's 0 bps recommendation, 5-0, with no declines or partial agreements.