


PREDICTED FED DECISION **HOLD**
0.00%–0.25%

OPENFED OPTIMAL RATE **HOLD**
0.00%–0.25%

KEY TAKEAWAY

The Committee unanimously expects the target range held at 0.0% to 0.25%, and its own framework independently finds that same 0 bps optimal despite three level-based rules calling for 75 bps.

STATEMENT

Information reviewed at this meeting described an economy still operating far below its potential, but one where the acute phase of the downturn had clearly passed. Core PCE inflation stood at 1.22%, well beneath the Committee's 2.0% objective, while the unemployment rate remained at 10.0%, far above the estimated natural rate of 5.04%. The Beige Book pointed to modest and broadening improvement from a low base, with persistent reluctance among businesses to add to payrolls and initial jobless claims still elevated at 444,000. Financial conditions were judged calm without being complacent: the financial stress index at 0.24 and the VIX at 18.68 signaled no acute pressure, the Baa spread at 2.48 was contained, and the yield curve was steeply positive at 2.76 with no sign of inversion. Against this backdrop, participants converged quickly and completely on the view that the real Federal Reserve will leave the federal funds target range unchanged at 0.0% to 0.25%. With inflation subdued, slack enormous, and the rate already at its effective floor, there was neither a case to tighten nor conventional room to ease further.

Although participants reasoned from different mandates, their conclusions reinforced one another rather than pulling apart. Those most attentive to price stability observed that even weighting inflation heavily, there was simply nothing to lean against; inflation momentum registered only +0.17, firming gradually rather than accelerating. Participants focused on employment stressed the roughly five-point gap between unemployment and its natural rate as the dominant fact, arguing that holding at the floor is the maximally accommodative stance available and that any tightening would be firmly opposed. Participants weighing financial stability flagged genuine soft spots the calm headline readings could obscure: declining loan demand, deteriorating credit quality, and commercial real estate



weak nearly everywhere, with rising vacancies. In their view, premature tightening could destabilize credit conditions still in the process of healing, especially with emergency facilities already set to wind down. Participants attentive to market pricing noted that the slightly negative T-bill spread of -0.065 confirmed markets had internalized a continued low-rate stance and were pricing no change in either direction.

The Committee then turned to its own deterministic framework to determine what the optimal policy would be, independent of any prediction about the real Federal Reserve. Here the material presented a genuine tension worth stating plainly. Three of the reference rules pointed sharply higher: the Taylor rule, the balanced-approach rule, and the ELB-adjusted rule all recommended 75 bps, each driven by an estimated neutral real rate r^* of 1.476 applied against the large resource gap. The first-difference rule, by contrast, returned 0 bps, and the framework's loss-minimizing recommendation was likewise +0 bps. Participants judged the first-difference logic the more persuasive guide in present circumstances, precisely because it responds to the change in conditions rather than to an absolute level target the effective lower bound cannot deliver. With inflation momentum at 0.17 and unemployment momentum at 0.15 both small, there was no impetus to move in either direction. Participants read the gap between the 75 bps level rules and the 0 bps outcome not as a call to tighten but as the measure of deliberately accommodative policy: the level rules assume a stance below neutral is a shortfall, when in fact the lower bound binds and deep slack suppresses the inflation risk those rules are built to guard against.

Taken together, the same body of evidence supported both of the Committee's conclusions. Its predictive judgment is that the real Federal Reserve will hold the target range at 0.0% to 0.25%. Its independent optimal determination, arrived at through the same deliberation, is that 0 bps is itself the loss-minimizing choice, with the framework's reference rules judged reliable and the first-difference reading fitting a rate already pinned near zero. Participants noted that the calm-but-fragile financial picture and the still-severe employment shortfall both argued for preserving accommodation while credit markets continue to mend, and several stressed that vigilance would remain warranted should inflation momentum begin to accelerate toward the signals the level rules are sending.

COMMITTEE VOTE

The predictive vote was unanimous, 5 to 0, in expecting the target range held at 0.0% to 0.25%; on the optimal-policy side, all five members endorsed the framework's 0 bps recommendation as-is, a full 5-0 agreement.