



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 policy framework independently reaches the same conclusion, with every reference rule prescribing 0 bps.

STATEMENT

Information reviewed at this meeting pointed in a single, unusually consistent direction. Core PCE inflation registered 1.14 percent, well below the 2.0 percent objective, and the Beige Book characterized price pressures as 'mostly limited.' Against this, the labor market remained deeply slack: unemployment stood at 9.7 percent, far above an estimated natural rate near 5.04 percent, with initial jobless claims still elevated at 469,000. Participants generally read the economic backdrop as one of modest, weather-hampered, and uneven expansion, with weak loan demand and tight lending standards noted across most Districts. Financial conditions, by contrast, had stabilized considerably, with a financial stress index of 0.216, a VIX of 17.92, and a Baa spread of 2.61 all pointing to calm rather than distress, and a steeply positive 10-year to 2-year spread of 2.82 giving no recession signal.

In deliberating on what the Committee expects the real Federal Reserve to do, participants converged quickly on maintaining the 0.0 percent to 0.25 percent target range. Those most attentive to inflation risk observed that with core PCE nearly a point under target, there was simply no overheating to lean against, and that holding at the existing floor does not amount to fresh accommodation. Those focused on employment emphasized that a jobless rate of 9.7 percent leaves the labor market far from healed, so the practical expression of continued support, given rates already at the floor, is to hold. Participants weighing financial stability cautioned that the impaired credit channel — weak loan demand, tight standards, soft commercial real estate — argues against any premature withdrawal that could re-stress still-healing markets. And participants tracking market signals noted that a 3-month T-bill spread of just 0.025 shows markets pricing essentially no near-term move. None of these considerations pulled toward action; the Committee's predictive judgment is that the real Federal Reserve will hold at 0.0



percent to 0.25 percent.

The Committee's own deterministic framework arrived independently at the same 0 bps recommendation, and here the alignment ran unusually deep. All four reference rules — the Taylor rule, the balanced-approach rule, the first-difference rule, and the ELB-adjusted rule — output 0 bps, and were judged reliable this meeting. With r^* estimated at 1.414 and inflation running at 1.14 percent, the framework implies a neutral nominal rate well above the current setting, so the economy sits far below neutral; yet no rule calls for a hike, because the enormous unemployment gap dominates the below-target inflation reading in the Taylor rule's logic. The near-negligible momentum terms — 0.055 for inflation and 0.1 for unemployment — confirmed the absence of any acceleration that would demand a move. Participants leaned on the ELB-adjusted rule to make the constraint explicit: with the target already pinned at the floor, unconstrained rules would prescribe cutting, but the lower bound binds, leaving 0 bps as the loss-minimizing choice.

The distinctive feature of this meeting is precisely that gap between what the rules imply and what they can deliver: the framework registers a policy stance well short of neutral, but with easing mechanically unavailable and inflation offering no case to tighten, holding is confirmed as optimal from every direction reviewed. The Committee therefore judges that maintaining the 0.0 percent to 0.25 percent range is both what the real Federal Reserve is likely to do and what its own framework identifies as optimal, and notes that the predictive expectation and the optimal determination coincide exactly.

COMMITTEE VOTE

The Committee's predictive vote was unanimous, 5-0, in expecting the target range held at 0.0 percent to 0.25 percent; on the optimal side, all five members endorsed the framework's 0 bps recommendation, a 5-0 endorsement with no declines or partial dissents.