



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 confirms 0 bps as the loss-minimizing policy, constrained by the effective lower bound.

STATEMENT

What is most striking about this meeting is the near-total absence of tension: on the data as given, on what the real Federal Reserve will do, and on what optimal policy requires, all five members arrived independently at the same place and stayed there across four rounds of deliberation. Core PCE at 1.13% sits well below the 2.0% objective and is described as declining, with the Beige Book reporting upward price pressures 'quite limited' and wage pressures similarly restrained. Against that, unemployment at 9.6% remains far above the 5.03% natural rate, initial jobless claims at 451,000 are elevated, and the Chicago Fed index at -0.19 confirms below-trend growth. Both legs of the mandate point in the same, accommodative direction. With the fed funds target range already at 0.0% to 0.25%, the effective floor, the practical question for the funds rate itself is narrow: there is no inflation to fight that would justify a hike, and no conventional room to cut further even where members wished for one.

That framing shaped the predictive judgment. Members who weight market pricing most heavily noted that the 3-month T-bill sits just 1.5 basis points above the current range, so front-end pricing is anchored and markets expect no near-term move; the 10y-2y spread at 2.18 is steeply positive, signaling no imminent recession forcing emergency easing. Members attentive to financial conditions reached the same conclusion from a different angle: a stress index of 0.2139 and a VIX of 21.56 reflect caution rather than crisis, and a Baa spread of 2.97 shows contained, not blowing-out, credit costs. None of this identifies acute stress demanding action in either direction. The Committee's predictive view is therefore that the real Federal Reserve will hold the target range at 0.0% to 0.25%, maintaining its accommodative posture with continued reinvestment of MBS proceeds into longer-term Treasuries as the operative support channel while the rate lever is exhausted.



The Committee's own deterministic framework independently confirms this reading. Its optimal recommendation is 0 bps, and unusually, all four reference rules judged reliable this meeting converge on that figure: the Taylor rule, the balanced-approach rule, the first-difference rule, and the ELB-adjusted rule all print 0. The point of agreement is worth stating plainly. With an inflation shortfall of roughly 0.87 percentage point and a large unemployment gap, the rules would prefer easing outright; the estimated r^* of 1.184 implies a neutral rate above the current stance. But the effective lower bound blocks negative rates, so the ELB-adjusted rule pins the constrained optimum at 0 bps, and the others land there too. Inflation momentum is only marginally positive at 0.115 and unemployment momentum is negative at -0.1, so there is no signal of overheating that would force a move up. The framework's conclusion is that policy is already maximally accommodative on the rate instrument; 0 bps is the loss-minimizing choice given the floor.

The Committee accordingly holds both conclusions together, arrived at through the same deliberation: the predicted policy action is 0 bps, and the framework's optimal policy is likewise 0 bps. The convergence should not be mistaken for comfort. Several members stressed that agreement here reflects a binding constraint rather than a satisfactory labor picture, and that with the rate lever exhausted, the burden of any further support shifts to balance-sheet actions. The Committee will continue to weigh incoming data on prices, claims, and credit spreads for signs that this stance requires reassessment.

COMMITTEE VOTE

The predictive vote was unanimous, 5-0, for holding the target range at 0.0% to 0.25%. On the optimal side, the Committee also reached full agreement, with all five members endorsing the framework's 0 bps recommendation (endorse 5, decline 0, partial 0).