



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%-0.25%, and its own framework independently reaches the same conclusion: 0 bps is the constrained optimum at the effective lower bound.

STATEMENT

Information reviewed for this meeting pointed to a labor market still under severe strain against a backdrop of subdued inflation. Unemployment stood at 9.8%, far above the 5.02% natural rate estimate, and initial jobless claims at 436,000 remained elevated even as the Beige Book noted 'some improvement' in hiring and slight-to-modest growth across most Districts. Core PCE at 0.71% sat well below the 2.0% objective, and participants generally judged this the dominant feature of the environment: with prices this far under target, there was no inflation constraint requiring policy to be pulled off its accommodative footing. Even the members most attentive to price risk acknowledged that the data described disinflation rather than inflation, with wage pressures contained, the Employment Cost Index subdued, and final goods prices fairly stable despite rising input costs in commodities, metals, and fuel that firms were not passing through.

Against this, participants weighed the practical reality that the federal funds target range is already at 0.0%-0.25%, the effective lower bound. A conventional cut is not a feasible lever, and none of the readings argued for tightening. The marginal accommodation is being carried by the ongoing \$600 billion Treasury purchase program, running at \$75 billion per month and now mid-course; participants attentive to credit conditions cautioned that abruptly altering that program would risk disrupting markets that are, by every available measure, calm. The financial stress index at 0.1647 was low, the VIX at 17.99 subdued, the Baa spread of 2.99 moderate, and the 10-year/2-year curve steeply positive at 2.61 with no inversion. Market-focused participants noted that the near-flat 3-month T-bill spread of 0.015 signaled that markets expect no change to the range. Taken together, the Committee's assessment is that the real Federal Reserve will hold the target range at 0.0%-0.25% and continue its



existing accommodation, a predictive judgment shared by all five members.

The Committee's own policy framework arrives at the same destination by an independent route. All four reference rules -- the Taylor rule, the balanced-approach rule, the first-difference rule, and the ELB-adjusted rule -- returned 0 bps and were judged reliable this meeting. With an estimated r^* of 1.036, inflation near zero, and unemployment far above its natural rate, the unconstrained prescription lies deeply negative, so the lower bound pins the rate at the floor. The loss-function terms reinforce rather than complicate this reading: inflation momentum at -0.11 confirms prices still drifting down, giving no reason to withdraw support, while unemployment momentum at 0.05 shows slack that is barely resolving. Several members singled out the ELB-adjusted rule as most persuasive precisely because it accounts for the zero-bound constraint and still returns 0 bps -- evidence that holding is the genuine optimum, not a default. The Committee therefore independently determines that the optimal policy is 0 bps: holding the target range at 0.0%-0.25% is the loss-minimizing choice given below-target inflation, large labor slack, and a rate that cannot meaningfully fall further.

The one note of tension across the deliberation was prospective rather than present. Participants attentive to inflation risk and to financial stability each flagged that sustained asset purchases could, over time, unsettle inflation expectations or compress spreads into imbalances. Both were explicit that this concern is a matter for future meetings, not a reason to alter the current stance, and neither shifted the rate decision. With that caveat recorded, the Committee's predictive and optimal conclusions coincide fully: hold at 0.0%-0.25% and let the existing program work.

COMMITTEE VOTE

The predictive vote was unanimous, 5-0, for no change to the 0.0%-0.25% target range; on the framework's 0 bps recommendation, the optimal-side deliberation also landed unanimously, with all five members endorsing it as-is (5 endorse, 0 decline, 0 partial).

NOTES

There was no substantive dissent on either the predictive or the optimal side; the only reservations voiced -- that prolonged asset purchases could eventually pressure inflation expectations or compress credit spreads -- were framed by their proponents as prospective cautions for future meetings and did not alter any member's support for holding at the lower bound.