


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 at 0.0-0.25%, and its own framework independently confirms 0 bps as optimal, with all five members endorsing that recommendation.**

#### STATEMENT

The distinctive feature of this meeting is how completely it resolved: on every reading the Committee took, the answer was the same. With the federal funds target range already at the 0.0% to 0.25% effective lower bound, the question of a conventional rate move was largely settled at the outset, and the deliberation instead turned on whether the surrounding data argued for any deviation from steadiness at the floor. It did not. Core PCE inflation stood at 1.55%, meaningfully below the 2% objective, while the unemployment rate at 9.1% remained far above the 5.2% natural rate cited by participants. Beige Book contacts reported that hiring had diminished, job openings had dropped off in manufacturing and energy, and demand was expected to weaken in the near term, with wage pressures 'contained' and raw-material prices stable to slightly falling.

Participants approaching the meeting from an inflation-focused perspective observed that, even weighting price risk heavily, there was no overshoot to lean against; inflation momentum in the framework registered a modest 0.305, positive but far from an accelerating spiral. Those most attentive to the labor market described the 9.1% unemployment gap as the dominant feature of the outlook and noted they would favor deeper accommodation if the range permitted, but with rates pinned at the floor no conventional cut was feasible. Participants focused on financial conditions judged stress elevated but not acute: the financial stress index at 0.267, the VIX near 29.86, and a Baa spread of 3.1 all pointed to lingering strain rather than systemic dislocation, while the yield curve at +1.95 was steeply positive rather than inverted and the 3-month T-bill spread of -0.105 indicated markets pricing no near-term tightening. A recurring theme was timing: major easing had been deployed only one meeting earlier, and several judged it premature to layer on further action before those tools could work



through the credit channels. On this basis the Committee's predictive judgment was that the real Federal Reserve will leave the target range unchanged, a hold of 0 bps.

The Committee's own deterministic framework arrived 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 the framework judged them reliable this meeting. The estimated  $r^*$  of 0.381 was itself very low, leaving essentially no room to move in either direction: not high enough to justify a hike, and with the floor binding, not a level from which a further cut is available. Several members found the ELB-adjusted rule the most persuasive precisely because it makes this constraint explicit — the unconstrained rules would call for deeply negative rates given the enormous employment gap and sub-target inflation, but the zero floor binds, and 0 bps is what remains. With inflation momentum modest at 0.305 and unemployment momentum at zero, the loss-minimizing recommendation was a hold. The Committee determined that the optimal policy this meeting is 0 bps, holding the target range at 0.0% to 0.25%.

Both conclusions thus rest on the same underlying reading: rate policy is already at its maximum accommodation through the conventional channel, inflation gives ample room to support employment, and no acute financial event demands an emergency move. The convergence is not a sign that the stance is as accommodative as some would prefer — participants most concerned with labor slack were explicit that they would ease further if they could, and that any additional support must run through balance-sheet tools already in place rather than the policy rate. But given the lower-bound constraint, the predictive expectation and the framework's optimal recommendation land together at 0 bps.

#### COMMITTEE VOTE

The Committee's predictive vote was unanimous, 5-0, in expecting the real Federal Reserve to hold the target range at 0.0% to 0.25%; on the optimal side, all five members endorsed the framework's 0 bps recommendation as-is, a 5-0 endorsement.