


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 percent, and its own framework independently finds 0 bps optimal, with both conclusions resting on the same lower-bound constraint.

STATEMENT

The defining feature of this meeting is how little separated the members from one another, and how little separated their judgment from the framework's. Every consideration pointed the same way, and the reason was structural rather than a close weighing of competing risks: with the target range already at 0.0 to 0.25 percent, the policy rate sits at its effective floor, and a conventional cut is not mechanically available. That single fact organized the discussion. Core PCE inflation at 1.43 percent runs well below the 2.0 percent objective, and the Beige Book was read as confirming 'very modest' price pressures and 'quite limited' wage gains, with supplier competition holding prices down. Members focused on inflation risk found no target to fight; members focused on the labor market found nothing to restrain their preference for maximum accommodation. Unemployment at 8.5 percent remains far above the 5.2 percent estimated natural rate, and with the Chicago Fed activity index at -0.37 and initial jobless claims near 399,000, participants generally judged the recovery to be running below trend and not yet self-sustaining.

On the question of what the real Federal Reserve is likely to do, the Committee's predictive judgment was that policy will be held unchanged, at 0 bps. There was no case for tightening given sub-target inflation and wide slack, and no room to ease conventionally at the floor. Members attentive to financial conditions saw nothing forcing action in either direction: the financial stress index at 0.258 was characterized as moderate rather than acute, the VIX at 20.89 as elevated but well short of panic, and the Baa corporate spread of 3.25 as meaningful but contained. The term structure offered no recession alarm, with the 10-year to 2-year spread positively sloped at 1.68, while the slightly negative 3-month T-bill spread of -0.095 was read as markets pricing no near-term move and, if anything, a modestly



dovish bias. Global financial strains flagged previously as significant downside risks remained a watchpoint, but the data did not show deterioration acute enough to compel new emergency measures.

Turning to its own independent determination of optimal policy, the Committee arrived at the same figure of 0 bps, and did so through its deterministic framework rather than by simply ratifying the predictive call. All four reference rules converged on 0 bps -- the Taylor rule, the balanced-approach rule, the first-difference rule, and the ELB-adjusted rule -- and the framework judged the reference rules reliable at this meeting, so their consensus was weighted heavily. The estimated r^* of just 0.147 was taken as confirmation that the neutral rate is extremely low, meaning the existing stance is already accommodative relative to neutral rather than restrictive. Inflation momentum at 0.055 was near flat, giving no upward pressure to lean against, and unemployment momentum at -0.25 indicated gradual improvement -- enough to reassure but not enough to warrant any abrupt shift. Members emphasized different rules in reaching the same place. Those weighting inflation found the Taylor rule most persuasive: below-target inflation combined with a large output gap justifies no hike. Those weighting employment and financial conditions leaned on the ELB-adjusted logic, which recognizes that conventional cuts are exhausted, so that holding is not restraint but the delivery of maximum feasible accommodation at the bound.

The convergence itself was treated as informative. Because the members' predictive vote, the reference rules, and the loss-minimizing recommendation all landed on 0 bps from different starting frameworks, the Committee read the current 0.0 to 0.25 percent stance as appropriately calibrated -- accommodative enough for the labor gap, stable enough for credit markets, and consistent with the prior commitment to keep rates exceptionally low through mid-2013. Some members wanted the Committee to remain ready to deploy additional tools given depressed housing and lingering global strains, an acknowledgment that the floor prevents the funds rate from delivering the further support that wide slack would otherwise warrant. Others cautioned against reading the hold as a standing invitation to ease further. Both concerns sit within a decision to hold: the constraint is binding, and doing nothing is the loss-minimizing choice.

COMMITTEE VOTE

The Committee's predictive vote was unanimous at 5-0 for holding the target range at 0.0 to 0.25 percent (0 bps), and on its own framework's recommendation the optimal-side deliberation was likewise unanimous, with all five members voting to endorse the 0 bps recommendation.