


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 policy framework independently identifies that same stance as optimal, with all four reference rules landing at 0 bps.

STATEMENT

Information reviewed at this meeting described an economy healing gradually but still operating with substantial slack. Core PCE inflation stood at 1.6 percent, below the 2.0 percent longer-run objective, and the Committee saw no current inflation pressure requiring a firmer stance. Unemployment at 8.3 percent remained far above the 5.5 percent figure taken as consistent with the natural rate, a gap of nearly 2.8 percentage points. Beige Book reports pointed to broad-based, if modest, improvement, with manufacturing expanding, hiring described as only 'slight' across several Districts, and banking conditions firming. Members weighing labor-market risk most heavily stressed the size of the shortfall, while those focused on inflation flagged a single forward-looking concern: contacts in some Districts anticipating that rising input prices would be passed through to consumers. That risk was judged latent, not realized, and with wage pressures generally contained it did not, in any member's view, justify tightening now.

Members attentive to financial conditions read the stress indicators as consistent with holding rather than acting. The financial stress index at 0.162 was low, the VIX at 20.87 moderate, and the Baa spread of 3.1 percentage points over Treasuries showed a lingering but manageable credit-risk premium rather than any seizure. A positively sloped 10-year to 2-year spread of 1.66 carried no recession signal, and a 3-month T-bill spread of -0.055 confirmed that markets were pricing no near-term change. Several members observed that the global financial strains cited previously appeared to be easing, which argued for preserving the current accommodative stance rather than either adding stimulus or withdrawing it; a tightening move risked re-widening spreads and undoing the credit repair underway. On this basis the Committee's predictive judgment was that the real Federal Reserve would leave the



target range unchanged at 0.0 to 0.25 percent, with market pricing, the data, and the prior commitment to low rates through late 2014 all pointing to continuity.

The Committee's own policy framework arrived at the same destination through its deterministic apparatus. All four reference rules the Committee consults for its optimal determination — the Taylor rule, the balanced-approach rule, the first-difference rule, and the ELB-adjusted rule — returned 0 bps, and the rules were judged reliable for this meeting. The estimated neutral real rate, r^* , was only 0.111 percent, so a neutral policy setting sat barely above the current stance and left essentially no room to move higher. Momentum terms reinforced patience rather than action: inflation momentum at -0.06 indicated pressures were softening slightly, and unemployment momentum of -0.3 confirmed the joblessness gap was closing, but only gradually and from a very high level. Members noted the tension embedded in that convergence: the balanced-approach and Taylor rules produced 0 bps despite an unemployment gap that would ordinarily call for far more support, precisely because the effective lower bound binds and conventional easing is exhausted. Read that way, holding is not passivity but the most accommodative feasible setting within conventional limits.

Taking the predictive and optimal analyses together, the Committee concluded that maintaining the target range at 0.0 to 0.25 percent is both what the real Federal Reserve is most likely to do and what the framework identifies as the loss-minimizing choice this meeting. Below-target inflation removes any case for a hike; the lower bound removes any case for a conventional cut; and stable financial conditions remove any crisis argument for unconventional action. The Committee will continue to monitor the anticipated input-price pass-through flagged in the Beige Book, which several members identified as the consideration most likely to reshape the outlook at future meetings.

COMMITTEE VOTE

The predictive vote was unanimous at 0 bps, 5 to 0. On the framework's 0 bps recommendation, the Committee's optimal-side deliberation also landed in full agreement, with all five members endorsing the recommendation as-is (5 endorse, 0 decline, 0 partial).

NOTES

There was no substantive dissent on either side. The inflation-focused member endorsed holding but registered a distinct caution rather than a disagreement, stating he would resist any drift toward further easing or extended-guidance dovishness given the latent input-price pass-through risk, even as the below-target inflation reading and negative inflation momentum left no basis to tighten now.