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 policy framework independently confirms that holding is the loss-minimizing choice.

STATEMENT

The defining feature of this meeting is the near-total absence of tension: five members reasoning from five distinct analytical lenses, and a deterministic framework working from its own reference rules, all arrived at the same place. The Committee expects the real Federal Reserve to leave the federal funds target range unchanged at 0.0 to 0.25 percent, and its own policy framework independently recommends the same 0 basis points as optimal. What makes the case unusually clean is not that any single indicator forces the answer, but that the two considerations that might normally pull against each other both happen to point toward standing pat.

On inflation, core PCE at 1.58 percent sits below the 2.0 percent objective, and the framework's inflation momentum term of 0.02 is essentially flat, showing no acceleration building beneath the surface. Members most attentive to price risk acknowledged that rising energy and gasoline costs are lifting headline inflation and bear watching, but they noted the Beige Book records manufacturing contacts describing those cost pressures as 'not a problem' and paper-based increases as modest. With core below target and no wage-driven spiral evident in the Employment Cost Index reading of 116.8, even a hawkish reading of the data found no case to tighten this meeting. Against that, unemployment at 8.2 percent remains far above the 5.5 percent natural rate, and initial jobless claims near 380,000 alongside only modest hiring in the Beige Book describe a labor recovery that is still fragile. Members focused on employment would prefer more accommodation, but with the range already at its effective floor, a conventional cut is not available; unemployment momentum of -0.15 signals only gradual improvement, not the kind of deterioration that would justify emergency measures.

The framework's numbers reinforce rather than complicate this reading. All four reference rules — the Taylor rule, the balanced-approach rule, the first-difference rule, and the ELB-adjusted rule — print 0 basis points and were judged reliable this meeting. The estimated r* of -0.006 is telling: with neutral essentially at zero, the current 0.0 to 0.25 percent stance is already close to neutral in real terms, and there is simply no room beneath it to cut. Members oriented toward employment leaned on the ELB-adjusted rule, which captures the practical constraint that the Committee would want to ease further but cannot; members watching credit conditions and market pricing pointed to a low financial stress index of 0.132, a moderate VIX of 18.64, a Baa spread of 3.15 that reflects lingering caution rather than distress, and a positively sloped yield curve of 1.73 with no inversion, all consistent with the view that any surprise move would unsettle calm markets to no purpose. The slightly negative 3-month T-bill spread of -0.045 tells the same story: markets already embed no change.

Taken together, below-target inflation and substantial labor slack argue against tightening, while stable financial conditions and the zero lower bound argue against further easing. The loss-minimizing balance the framework identifies is exactly the stance already in place. The Committee therefore concludes both that the real Federal Reserve will hold at 0.0 to 0.25 percent and that holding is the optimal policy, with the caveat that should energy costs begin feeding into medium-term inflation expectations, the case for a firmer stance would strengthen at a future meeting.

COMMITTEE VOTE

The predictive vote was unanimous at 5-0 for no change, and on the optimal-side deliberation all five members endorsed the framework's 0 basis point recommendation, a 5-0 endorsement.