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 confirms 0 bps as loss-minimizing, with all four reference rules and every member converging on the same call.

STATEMENT

The defining feature of this meeting was the absence of tension. On the data reviewed, both mandate dimensions pointed in the same direction, and the funds rate itself left little room for debate. Core PCE inflation stood at 1.46%, well below the 2.0% objective and, on the framework's reading, still softening—inflation momentum registered at -0.07, consistent with the Beige Book's account of contacts reporting costs and prices rising 'very moderately, if at all,' with no anticipated volatility. Against that backdrop, members weighting inflation risk most heavily found no upside pressure to resist: the usual hawkish trigger, prices running above target, was simply not present. At the same time, unemployment at 8.2% remained far above the 5.5% natural rate, with initial claims elevated at 386,000 and the Chicago Fed National Activity Index at -0.15 signaling below-trend growth. Firms, the Beige Book noted, were 'not engaged in substantial hiring' amid pervasive macroeconomic uncertainty. Members most focused on employment read this as a large and only slowly closing slack gap—one that argued forcefully against any withdrawal of accommodation.

Weighed against those real economy concerns, financial conditions gave no reason to force a move in either direction. The financial stress index at 0.126 was low, the VIX at 19.34 moderate rather than elevated, and the Baa spread of 3.3 showed some credit caution without destabilizing widening. The yield curve, at a positive 1.21, carried no recession signal, and a slightly negative 3-month T-bill spread of -0.025 was read as markets pricing continued accommodation rather than stress. Members attentive to market signals judged that pricing was broadly consistent with continuity, not a demand for change, and those focused on financial stability warned that forcing additional easing into calm markets could distort credit conditions with little offsetting benefit. The binding practical fact, acknowledged from every vantage point, was that the target range already sat at 0.0%-0.25%, at the effective lower bound, so conventional room to cut was exhausted regardless of preference. On this basis the Committee's predictive judgment is that the real Federal Reserve will hold the target range unchanged at 0.0%-0.25%, a call of +0 bps.

The Committee's independent determination of optimal policy reached the same figure by its own route. All four reference rules—the Taylor rule, the balanced-approach rule, the first-difference rule, and the effective-lower-bound-adjusted rule—returned 0 bps, and the framework judged them reliable. The estimated neutral real rate, r*, came in at -0.245, meaning neutral policy itself is negative; holding at the floor is therefore already accommodative rather than restrictive. With inflation momentum at -0.07 and unemployment momentum at -0.05, both mandate-side terms leaned slightly negative, reinforcing that there was no case for tightening even as the lower bound foreclosed a further cut. Members differed on emphasis in explaining the result: some found the Taylor rule most persuasive, noting that even a standard prescription lands at zero once the ELB binds, while those on the employment side stressed that the ELB-adjusted rule's logic captured the real situation—rates pinned at the floor with a true prescription that, absent the constraint, would run well below zero. That distinction matters. The optimal call of 0 bps is not a statement that the stance is generously accommodative, but the loss-minimizing outcome given a floor that cannot be crossed by conventional means.

The Committee thus arrives at agreement between its two conclusions: the predicted policy and the framework's optimal policy coincide at 0 bps. Members generally read that convergence as confirmation that the current stance is appropriately calibrated. The one substantive reservation, voiced from the employment side, was that the agreement can mask a real gap—that with the labor market recovery stalling and the rate lever exhausted, policy may in truth be insufficiently accommodative, and that any further support would best come through tools other than the target range. This did not translate into a different vote; with no rate available below the floor and no crisis compelling emergency measures, it was expressed as a preference for sustained accommodation rather than a call to deviate. The Committee will remain vigilant for any deterioration in credit spreads or any shift in inflation momentum toward the upside that would change the calculus.

COMMITTEE VOTE

The predictive vote was unanimous, 5-0, for holding the target range at 0.0%-0.25%. On the framework's 0 bps recommendation, the Committee's optimal-side deliberation likewise landed 5-0, with all five members endorsing the recommendation as-is.

NOTES

Though the vote was unanimous, the member weighting employment most heavily endorsed 0 bps only as a lower-bound-constrained outcome, arguing that with unemployment at 8.2%, elevated claims, and a stalling recovery, the framework's agreement masks a policy stance that may be insufficiently accommodative, and would back further easing through non-rate tools.