


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%, and its own framework independently arrives at the same 0 bps as the optimal course.**

#### STATEMENT

Information reviewed at this meeting described an economy improving cautiously but still operating with substantial slack. Core PCE inflation stood at 0.98%, less than half the 2% objective, and the Beige Book characterized 'upward price pressures' as remaining minimal, with wages steady or increasing only modestly. Unemployment at 7.0% remained well above the 5.5% natural rate and above the 6.5% guidance threshold. Financial conditions were calm rather than strained: the financial stress index at 0.018 was extremely low, the VIX at 15.42 was benign, the Baa spread at 2.55 was moderate, and the 10-year to 2-year spread at 2.55 was steeply positive, showing no recession signal from the term structure. Participants noted that the funds rate already sits at its effective floor, so the operative question was whether conditions warranted tightening off the zero bound, not whether to cut.

On that question, participants converged from distinct starting points. Those most attentive to inflation risk acknowledged that with core PCE running a full point below target and no acceleration in the data, there was simply no upside pressure to lean against; the usual hawkish case for restraint found no fuel. Members weighting employment emphasized that the 1.5-point unemployment gap and low initial claims of 298,000 pointed to gradual improvement rather than deterioration, so neither an emergency easing nor a premature withdrawal of support was appropriate. Participants focused on financial stability and on market pricing reached the same place: no credit or volatility stress demanded action, and a T-bill spread of -0.055 indicated markets were pricing no near-term hike. A structural concern was voiced that prolonged accommodation under calm conditions can quietly seed future imbalances, but participants generally judged that current data showed none materializing, warranting vigilance rather than preemptive tightening. The Committee's predictive conclusion is that the real Federal



Reserve will hold the target range at 0.0% to 0.25%.

Turning to its own assessment of the optimal path, the Committee arrived independently at the same 0 bps. Here a genuine tension in the reference rules had to be worked through. The Taylor rule, the balanced-approach rule, and the ELB-adjusted rule each prescribed 75 basis points of tightening, reflecting the large unemployment gap under normal-times assumptions. The first-difference rule, by contrast, indicated 0 bps. Participants judged that the level rules overstated feasible policy because they implicitly assume a healthier neutral rate, whereas the estimate of  $r^*$  used here was -0.5%. With momentum weak on both sides of the mandate, inflation momentum at just 0.09 and unemployment momentum at -0.2, the first-difference logic of adjusting only as conditions change was seen as the more reliable guide near the lower bound. The 75-basis-point gap in the level rules was read not as evidence that policy is too loose, but as a reflection of the binding effective lower bound and the negative neutral rate; the current stance is appropriately accommodative relative to true conditions. The loss-minimizing recommendation of 0 bps therefore matched both the framework's momentum-based reading and the participants' reasoning.

Accordingly, the Committee's predictive and optimal conclusions coincide: hold at 0.0% to 0.25%, with the divergence between the level rules and the recommendation understood as an artifact of the lower bound and depressed neutral rate rather than a case for moving. Participants agreed they would remain watchful for any firming of inflation toward target or any emergence of financial imbalances at coming meetings.

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**COMMITTEE VOTE**

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