


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 independently judges that hold optimal, with all four reference rules and the framework converging on +0 bps.

STATEMENT

The defining feature of this meeting was the absence of tension: every strand of the deliberation, from the members' independent readings to the deterministic framework's own calculation, pointed to the same place. Core PCE inflation at 1.13% remains well below the 2.0% objective, and unemployment at 6.3% still sits above the 5.5% estimated natural rate, leaving labor slack to absorb. Neither leg of the mandate demanded a move. The Beige Book described moderate, broad-based expansion, firming labor conditions with scattered labor shortages, and generally stable finished-goods prices alongside only modest input-price pressure. Financial conditions were notably calm: a financial stress index of 0.009, a VIX of 11.6, a Baa spread of 2.21, and a positively sloped 10y-2y curve at 2.21 showed no strain in either direction. On the basis of this reading, the Committee judged that the real Federal Reserve will maintain the current 0.0% to 0.25% target range, and it expects no change at this meeting.

Members weighing market-implied signals reinforced that predictive conclusion. The 3-month T-bill spread of -0.085 relative to the current rate showed no near-term hike priced in, and the uninverted curve gave no recession signal that would argue for easing; markets, in short, were pricing continuity and demanding no action. Members most attentive to employment noted that while the unemployment gap persists, its direction matters more than its level, and with jobless claims moderate at 312,000 and hiring firming, the deterioration that would justify emergency support simply was not present. The binding fact, several members observed, is that the range already sits at its effective floor: even a member inclined toward more accommodation had no meaningful room to cut. From the inflation side, the case for tightening was equally absent. With core PCE far under target and only mild firming underway, the early-warning signs in the Beige Book warranted vigilance rather than a



preemptive hike.

Turning to its own framework, the Committee reached the identical answer, and gave it equal weight. All four reference rules the framework computes -- the Taylor rule, the balanced-approach rule, the first-difference rule, and the ELB-adjusted rule -- returned 0 bps, and the framework judged those rules reliable for this meeting. The loss-function inputs explain why the convergence was so clean. Inflation momentum registered a mild +0.11, prices creeping upward but nowhere near the pace that would call for restraint, and unemployment momentum was 0.0, indicating no deterioration to counter. Most tellingly, the estimated neutral real rate (r^*) was -0.5, so even a zero nominal floor is not overly accommodative relative to neutral. Members focused on the effective lower bound found the ELB-adjusted rule most persuasive: with r^* deeply negative and the range already at the floor, holding is the loss-minimizing outcome rather than a compromise. Members weighting the employment gap found the same in the balanced-approach rule, which leans on that gap and still produced 0 bps. The Committee therefore independently determined that the optimal policy at this meeting is +0 bps -- to hold the target range at 0.0% to 0.25%.

The lone forward-looking caveat came from the financial-stability perspective: compressed volatility and the reach-for-yield behavior that ultra-low VIX can encourage were flagged as a medium-term instability risk worth monitoring. But this was framed explicitly as a concern for the future rather than a present trigger, with no acute credit-market stress to act on now, and it did not move any member off the hold. The agreement between the Committee's predictive judgment and its framework's recommendation was thus not a coincidence to be noted in passing but the substance of the meeting: rules, market signals, and slack data all endorsed the same stance, and that mutual corroboration raised, rather than merely confirmed, the Committee's confidence that current policy is appropriately calibrated.

COMMITTEE VOTE

The predictive vote was unanimous at 5-0 in favor of holding the target range at 0.0% to 0.25%, and on the optimal side all five members endorsed the framework's +0 bps recommendation as-is, a 5-0 endorsement with no declines or partial agreements.