



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 policy framework independently reaches the same 0 bps conclusion as the loss-minimizing choice.**

#### STATEMENT

Information reviewed at this meeting pointed in a single direction from the outset. Core PCE inflation stood at 1.27%, running well below the 2% objective, while the unemployment rate at 6.1% remained above the 5.5% natural rate that members took as a reference. Participants read this pairing consistently: an inflation undershoot leaves no upside price risk to counter, and persistent labor slack removes any case for tightening. The Beige Book reinforced the read, describing price inflation as 'quite modest' and wage pressures as 'well contained on net,' with the pockets of firmer wages noted in construction and technology judged localized rather than broad-based. At the same time, the labor market was healing rather than weakening — initial claims of 302,000 were low and stable, and the Chicago Fed National Activity Index at 0.39 indicated above-trend but not overheating growth. That distinction mattered to those members most focused on employment: their mandate would call for easing only if job growth were deteriorating, and it plainly was not.

Financial conditions gave the Committee no reason to lean against this benign backdrop in either direction. The financial stress index at 0.027 was extremely low, the VIX at 12.88 signaled calm, even complacent markets, and the Baa credit spread of 2.25 pointed to easy credit with no funding strain. The 10-year to 2-year spread of 1.96 was comfortably positive, carrying no recession signal. Members attentive to market pricing noted that the 3-month T-bill spread to the current rate of -0.105 implied no near-term move was being demanded, and cautioned that a surprise action would introduce volatility into stable markets for no compelling reason. With the funds rate already at the 0.0% to 0.25% floor, a cut was neither warranted nor mechanically meaningful, and nothing in the data supported a hike. On that basis, the Committee's predictive judgment is that the real Federal Reserve will maintain



the current target range of 0.0% to 0.25% at this meeting.

The Committee's independent policy framework arrived at the same destination through its own arithmetic. All four reference rules — the Taylor rule, the balanced-approach rule, the first-difference rule, and the ELB-adjusted rule — printed 0 bps, and the framework judged them reliable for this meeting. The loss-minimizing recommendation was therefore 0 bps. The supporting terms fit the participants' narrative closely: an estimated  $r^*$  of -0.5 confirms that the neutral real rate is deeply negative, so holding the current range is accommodative without being excessively loose. Inflation momentum of just 0.065 corroborates that the undershoot is persisting rather than reversing, offering nothing to tighten against, while unemployment momentum of -0.3 captures a labor market closing its gap gradually rather than fast enough to justify preemptive normalization. Members drew on different rules to explain the same result — some found the ELB-adjusted rule most persuasive, since conventional easing is exhausted at the lower bound, while others leaned on the Taylor rule's reading of inflation 0.73 percentage points below target and unemployment 0.6 percentage points above natural. The Committee therefore judges the optimal policy to be 0 bps, holding the range at 0.0% to 0.25%.

The convergence here is worth stating plainly rather than treating as coincidence. What the Committee expects the real Federal Reserve to do and what its own framework identifies as loss-minimizing are the same action, and the agreement across market pricing, reference rules, and mandate gaps suggests the current stance is well-calibrated for present conditions. Members did register a forward-looking caution: ultra-low stress readings and a subdued VIX can breed complacency and seed future imbalances, and some noted they would watch for any spread widening or volatility spike that could shift the calculus. For now, that consideration reinforces patience rather than overriding it, and the Committee sees no data-grounded case for a move in either direction this meeting.

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**COMMITTEE VOTE**

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