


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 funds rate range at 0.0–0.25 percent, and its own deterministic framework independently judges 0 bps optimal, so prediction and optimal call coincide.

STATEMENT

Information reviewed at this meeting pointed in a single, consistent direction: inflation remains soft, labor slack persists though it is narrowing, and financial conditions are calm. Core PCE at 1.25 percent sits well below the 2.0 percent objective, and there is no sign of acceleration—the framework's inflation-momentum term registers only +0.07, barely positive. Unemployment at 5.9 percent remains above the 5.5 percent natural rate, so a positive unemployment gap continues to restrain price pressures, even as jobless claims near 264,000 and the Beige Book's reports of moderate expansion and widespread hiring plans point to steady improvement rather than deterioration. Against this backdrop, participants generally judged that there is no inflation case for tightening and, with the funds rate already at the 0.0–0.25 percent floor, no room and no cause to ease further. The Committee's predictive conclusion is that the real Federal Reserve will leave the target range unchanged at 0.0–0.25 percent.

On the question of what policy would be optimal, the Committee's own deterministic framework arrived at the same answer, and did so cleanly. All four reference rules—the Taylor rule, the balanced-approach rule, the first-difference rule, and the ELB-adjusted rule—printed 0 bps, and were judged reliable for this meeting. Participants weighting inflation risk found the Taylor rule most persuasive: with inflation below target and slack present, it mandates holding rather than removing accommodation. Those attentive to the employment mandate leaned on the balanced-approach rule, which weights the employment gap more heavily and still yields 0 bps, with the unemployment-momentum term at –0.1 confirming a job market that is healing but not yet healed. The estimated neutral real rate of –0.5 percent recurred throughout the discussion as a grounding fact: with



r* deeply negative, the current range is genuinely accommodative but not excessively loose, and holding at the effective lower bound is itself the maximally supportive stance available. The Committee's optimal conclusion is therefore 0 bps—hold the range at 0.0–0.25 percent.

The one live tension was not about the rate move itself but about what the calm surface might be concealing. Participants attentive to financial stability noted that low readings—a stress index of 0.084, a VIX of 17.87, and a contained Baa spread of 2.43—can mask building risk, and cited prior concerns about leveraged-lending deterioration and stretched valuations. That consideration, however, was uniformly read as an argument for vigilance in guidance rather than for a rate move now; a premature hike would risk destabilizing already-stretched credit markets without addressing valuations. Market-based readings reinforced the hold from a different angle: the 3-month T-bill sitting about 10.5 basis points below the current rate midpoint signals that the front end expects continuity, if anything with a mild easing bias, and offers no validation for pulling forward normalization.

Taken together, the data, the reference rules, and market pricing converge. The prior data-dependent plan concerning the asset-purchase wind-down was understood as distinct from the funds rate itself, and 'considerable time' guidance implies the range holds well beyond that. The Committee concludes that a hold is both what the real Federal Reserve is likely to do and what its own framework judges optimal, with continued watchfulness on credit conditions as inflation is expected to return toward 2 percent before accommodation is removed.

COMMITTEE VOTE

The predictive vote was unanimous, 5-0, for no change to the target range. On the optimal side, all five members endorsed the framework's 0 bps recommendation, a 5-0 endorsement with no declines or partial agreements.