


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 at 0.0-0.25%, and its own framework independently finds 0 bps optimal, with inflation running well below target the binding case against liftoff on both counts.

STATEMENT

Information reviewed at this meeting pointed to an economy improving but not yet meeting the conditions for a change in policy. Core PCE inflation stood at 0.9%, roughly 1.1 percentage points below the 2% objective, and participants generally read this as the decisive fact of the meeting: the prior guidance had tied any liftoff to reasonable confidence that inflation would return to 2%, and that confidence was plainly not yet in hand. Against that, the labor side of the mandate looked nearly satisfied. Unemployment at 5.5% sat just above the 5.38% estimate of the natural rate, initial jobless claims were low at 276,000, and the Beige Book described modest employment growth with moderate wage gains and hiring plans that were mostly positive across manufacturing categories. Participants weighting employment risk noted that with no rising unemployment and only isolated layoff plans, there was no case for easing to defend jobs; participants weighting inflation risk noted, from the other direction, that with prices soft and undershooting a risk in its own right, there was no case for tightening either.

Financial conditions offered no reason to disturb the current stance. The financial stress index at 0.069 and a VIX of 13.22 signaled calm rather than fragility, the Baa spread of 2.73 showed no credit strain, and the 10y-2y term spread at 1.75 remained comfortably positive with no recession signal. Participants attentive to market pricing observed that the 3-month T-bill spread of -0.105 sat below the current target range, indicating that money markets were pricing no near-term hike. Several cautioned that a surprise move into 0.9% core inflation could tighten otherwise-orderly conditions and widen spreads unnecessarily. Weighing this together, the Committee's assessment of the likely path of the real Federal Reserve was that the target range would be maintained at 0.0 to 0.25%, with policy held while



clearer evidence accumulates that inflation is moving back toward target.

The Committee then turned to its own deterministic framework to determine what policy would in fact be optimal, independent of any prediction. That framework recommended 0 bps, and all four reference rules used to anchor it converged on the same figure: the Taylor rule, the balanced-approach rule, the first-difference rule, and the ELB-adjusted rule each returned 0 bps, and the rules were judged reliable for this meeting. The loss-function inputs reinforced rather than complicated that reading. The estimated r^* of -0.5 indicated that the neutral rate is below zero, so the current 0.0-0.25% range is already accommodative rather than restrictive; inflation momentum of -0.105 showed prices still drifting away from target, not building toward it, which argues directly against tightening; and unemployment momentum of -0.05 showed the labor market still edging in the right direction, but not fast enough to warrant a preemptive move. Different participants leaned on different rules in reaching the same place: the inflation-gap logic of the Taylor rule for some, the balanced-approach rule's heavy weight on the large inflation shortfall against the small unemployment gap for others, and the ELB-adjusted rule for those who stressed that with rates at the effective lower bound there is little conventional room to ease in any event.

Because the framework's loss-minimizing recommendation of 0 bps coincided with the predicted path, the Committee concluded that the current stance is well-calibrated to present conditions, neither too tight nor too loose. Holding at 0.0 to 0.25% both matches what the real Federal Reserve is expected to do and represents, in the Committee's own independent judgment, the optimal setting for this meeting. It preserves accommodation and optionality to lift off once inflation firms, without spending scarce lower-bound room or jolting calm markets in the meantime.

COMMITTEE VOTE

The Committee's predictive vote was unanimous at 5-0 for maintaining the target range at 0.0 to 0.25%, and on the optimal-side deliberation all five members endorsed the framework's 0 bps recommendation, again 5-0.