


PREDICTED FED DECISION **HOLD**
0.00%-0.25%

OPENFED OPTIMAL RATE **HOLD**
0.00%-0.25%

KEY TAKEAWAY

The Committee unanimously expects the target range held at 0.0-0.25%, and its own framework independently confirms 0 bps as loss-minimizing, since conventional easing is exhausted at the effective lower bound.

STATEMENT

The defining feature of this meeting was the completeness of the agreement it produced. Every member arrived independently at the same conclusion, and the reasons converged rather than merely coinciding: with the federal funds rate already at 0.0% to 0.25%, the effective lower bound, conventional policy has run out of downward room, and nothing in the price data argues for moving the other way. Core PCE at 1.51% sits below the 2% objective, not above it, and the Beige Book reported broad price softening, with selling and non-labor input prices down across most Districts and no District reporting upward wage pressure. Members who ordinarily weigh inflation risk most heavily found no trigger to lean against; the risk direction on prices, if anything, points down. Isolated increases in freight and some consumer goods were read as supply-chain composition effects, not broad demand-driven inflation.

Against that muted price backdrop, the real-economy readings were stark. Initial jobless claims of 5,245,000 in a single week and a Chicago Fed National Activity Index of -4.19 pointed to a collapse in activity far beyond a normal downturn, and the Beige Book described steep employment declines in all Districts with more cuts expected near-term. Members most focused on employment stressed that this is precisely the environment in which they would ordinarily push hardest for accommodation. The binding fact is that the rate instrument is spent: a further conventional cut would require negative rates, which members judged could destabilize money-market functioning and bank intermediation and which the Committee has not signaled openness to. Market pricing pointed the same way, with the 3-month T-bill spread at -0.015 sitting essentially at the floor and a positive 10y-2y curve of 0.41 showing no embedded demand for a move below the current range. The stress that remains, evident in



the Baa spread of 3.29 and a VIX of 41.98, was widely seen as a case for liquidity and lending tools rather than the policy rate, with the financial stress index at 0.255 read as elevated but moderate rather than seizing. On these grounds the Committee's predictive judgment is unanimous: the real Federal Reserve is expected to maintain the target range at 0.0% to 0.25%, a hold of 0 bps.

The Committee's independent policy framework reached the same 0 bps recommendation, and the more interesting story is why its component rules disagreed among themselves. The Taylor rule prescribed 75 bps and the balanced-approach rule 50 bps, both readings driven by unemployment of 4.4% sitting essentially at the estimated natural rate of 4.43%. Members were direct that this near-parity is a stale snapshot: the claims and activity data show a labor market cratering in ways the unemployment level has not yet captured, so the hike signals from those two rules are backward-looking artifacts here. The ELB-adjusted rule returned 50 bps, acknowledging the bound but still implying distance the Committee does not have from 0.0% to 0.25%. The first-difference rule, which prescribes a change from the current stance rather than a level, returned 0 bps, and members found its logic the most persuasive: the emergency 100 bp cut has already been delivered, and no further move is warranted or feasible from the floor. An estimated r^* of -0.204 reinforced the point, confirming that a neutral rate near or below zero leaves the current stance accommodative rather than restrictive even at the bound. With inflation momentum only faintly positive at 0.065 and unemployment momentum at 0.0, the loss function offered nothing pulling toward a hike. The framework's loss-minimizing conclusion is therefore an explicit 0 bps, and the divergence among the reference rules reflects the lower-bound constraint, not any lack of will to ease.

Taken together, the two conclusions are not merely compatible but mutually reinforcing. The predictive expectation of a hold and the framework's optimal 0 bps both rest on the same reading: policy is already maximally accommodative on the rate dimension, inflation imposes no constraint in either direction, and the further support the collapsing labor market plainly needs must come through additional tools consistent with the prior guidance to hold the range until the economy has weathered the crisis. The Committee will maintain the target range at 0.0% to 0.25% and stands ready to deploy additional tools as conditions require.

COMMITTEE VOTE

The predictive vote was unanimous, 5-0, in expecting the target range held at 0.0% to 0.25%; 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.