


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

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

KEY TAKEAWAY

The Committee expects the real Fed to hold at 0.0-0.25%, and its own framework independently confirms 0 bps as optimal — conventional easing is exhausted at the effective lower bound with r^* negative.

STATEMENT

Information reviewed at this meeting described an economy in severe contraction. Unemployment stood at 14.7%, far above the 4.43% natural rate assumed in the Committee's framework, with initial jobless claims still running near 2.1 million weekly and the Chicago Fed National Activity Index at -16.74, signaling activity dramatically below trend. The Beige Book confirmed steep employment losses across all Districts alongside a pessimistic recovery outlook. Against this collapse, inflation showed no pressure whatsoever: core PCE registered 0.66%, well beneath the 2.0% target, with selling prices reported steady to down modestly amid weak demand. Financial conditions, while damaged, had eased from crisis peaks — the financial stress index at 0.147 was relatively contained and the VIX at 25.66 sat well off its highs, though the Baa spread over Treasuries at 3.11 still flagged genuine borrowing-cost stress for weaker corporate issuers.

The decisive fact for the policy decision was that the current target range of 0.0 to 0.25 percent already sits at the effective lower bound. Participants weighting employment most heavily judged the labor data to be screaming for maximum accommodation, yet acknowledged that weighting jobs heavily does not create rate space that does not exist; the only 'cut' available would push into negative territory the Committee has not signaled openness to. Participants attentive to financial stability made the argument that most shaped this consensus — that a move into negative rates could disrupt money market funds and impair bank funding at a moment when credit transmission is still functioning, aggravating precisely the latent strain (deferred and missed commercial rent payments, elevated Baa spreads) that the most vulnerable households and firms face. Participants tracking market pricing reinforced the read: the 3-month T-bill spread of just 0.025 shows no move embedded in the curve,



and a cut now would signal panic inconsistent with stabilizing conditions. With no inflation to lean against and no room to ease conventionally, the Committee expects the real Federal Reserve to hold the target range at 0.0 to 0.25 percent, sustaining accommodation and existing credit-support measures.

The Committee's own deterministic policy framework arrived independently at the same figure: a recommended change of 0 bps. Here the framework's numbers gave the intuition precision. With the estimated neutral real rate r^* at -0.215 , neutral policy is itself below zero, so even the current range is not deeply stimulative in real terms. All four reference rules converged on 0 bps and were judged reliable — the Taylor rule, the balanced-approach rule, and the first-difference rule all pointing there, and the ELB-adjusted rule most directly recognizing the floor constraint. Several participants noted that the Taylor rule and balanced-approach rule would, absent the constraint, prescribe deeply negative rates, so 0 bps represents a binding floor rather than a comfortable equilibrium. The loss-function terms confirmed the reading from both sides of the mandate: inflation momentum at 0.0 offered no reason to lift off, while unemployment momentum at $+0.4$ indicated labor conditions still deteriorating and thus no case for restriction.

The Committee therefore judged its optimal policy to be 0 bps — holding at 0.0 to 0.25 percent as the maximally accommodative option conventional rate policy allows. Participants across differing mandate weights agreed that the coincidence of the predictive expectation and the framework's recommendation reflects an appropriately accommodative stance: policy is not too loose given sub-target inflation, and it is doing all that rate policy can given the exhausted floor. Some flagged that support for employment now depends on sustained accommodation and prior conditional guidance tied to recovery rather than further rate action, and that vigilance would be warranted should demand rebound and inflation momentum turn positive.

COMMITTEE VOTE

The Committee unanimously expects a hold, with all five members forecasting 0 bps ($\{0: 5\}$); on the optimal-side deliberation, all five endorsed the framework's 0 bps recommendation as-is, a 5-0 endorsement.