



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 confirms 0 bps as the loss-minimizing choice — full agreement across both sides.

STATEMENT

The defining feature of this meeting is the near-total absence of tension: five members reasoning from five different mandates, and a deterministic policy framework running four separate reference rules, all arrived at the same place. Core PCE inflation stands at 0.56%, far below the 2% objective, while the unemployment rate is 11.1% against an estimated natural rate of 4.42% — a labor-market gap the framework's unemployment momentum term registers at 5.6. Initial jobless claims running at 1.3 million weekly, together with Beige Book reports of 'new layoffs' across every District and payrolls well below pre-pandemic levels, confirmed that severe distress persists despite reopening gains. With the target range already at the effective lower bound of 0.0% to 0.25%, the Committee judges that the real Federal Reserve will hold at this meeting, and each of the five members reached that predictive conclusion independently.

On the question of what policy would be optimal, the Committee's framework returns the same answer: 0 bps. All four reference rules — the Taylor rule, the balanced-approach rule, the first-difference rule, and the ELB-adjusted rule — output 0 bps, and the framework judged the reference rules reliable this meeting. Members gave the most weight to the ELB-adjusted rule, which makes the binding constraint explicit. Several observed that the balanced-approach and Taylor rules would call for deeply negative rates absent a floor, but with the estimated neutral rate (r^*) at -0.206, the current stance already sits near or below neutral in real terms, so holding at the bound is itself the accommodative choice rather than a failure to ease. The members most focused on employment noted that they would cut aggressively if conventional room existed, but that cutting into negative territory risks destabilizing money-market funds and short-term funding — a cost that would ultimately fall on the very workers



the accommodation is meant to help.

No participant found an inflation case pulling in the other direction. Inflation momentum at -0.435 signals disinflation rather than building pressure, and the Beige Book described prices as little changed, with input and selling prices largely flat outside isolated safety-equipment costs. Even members inclined to resist easing when inflation runs hot saw no trigger to lean against and no basis for a hike given the depth of the demand shortfall. On the financial-stability side, the picture is one of relative calm: the financial stress index at 0.159 is low, the VIX at 24.32 elevated but well short of crisis levels, the Baa spread of 2.63 moderate rather than blown out, and the 3-month T-bill spread of 0.005 confirming that money markets are stable and aligned with the current stance. Members emphasized that this calm is partly a product of the existing setting, so that steadiness itself is stabilizing amid a highly uncertain outlook.

Taken together, the predictive judgment and the framework's loss-minimizing recommendation coincide exactly at 0 bps. The Committee will therefore maintain the target range at 0.0% to 0.25% , understanding that at the effective lower bound this hold represents the maximally supportive rate policy available, with any further support for employment coming through continued credit and asset channels consistent with the prior dovish stance. Members flagged elevated M2 (18357.3) as a future inflation watch item, but judged that no action on that account is warranted now.

COMMITTEE VOTE

The predictive vote was unanimous, 5-0, to hold the target range at 0.0% to 0.25% ; on the optimal-side deliberation the Committee also landed 5-0, with all five members endorsing the framework's 0 bps recommendation as-is.