


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 finds that same 0 bps hold to be optimal.

STATEMENT

What stands out about this meeting is how completely every strand of the analysis pointed in one direction. Both legs of the prior guidance's liftoff conditions remain plainly unmet: core PCE inflation stands at 1.47%, well below the 2% objective, and the unemployment rate at 6.2% sits far above the 4.47% natural rate the Committee uses as its benchmark. Initial jobless claims near 745,000 remain elevated, and the Beige Book described only modest expansion, with slow employment gains, persistent hiring difficulties, and a still-restrained hospitality sector. Against that backdrop, participants generally judged that neither the inflation nor the employment side of the mandate justified a change in the stance of policy. Members focused on price pressures noted wage and input-cost signals in the Beige Book worth watching, but agreed these are anecdotal and forward-looking, not yet present in realized inflation. With the target range already at its effective floor, members most attentive to the labor recovery observed there was no meaningful room to ease further in any case.

Financial conditions offered no separate reason to move. The financial stress index at 0.1124 pointed to orderly, accommodative conditions; the Baa spread of 2.16 indicated credit markets were functioning rather than seizing; and the VIX at 22.56, while modestly elevated, was well short of crisis territory. Participants attentive to market signals emphasized that the 3-month T-bill spread of -0.075 showed bills trading slightly below the current range, consistent with markets pricing no near-term move, while the steep 10-year to 2-year spread of 1.37 reflected growth optimism rather than recession risk. On this reading, the current stance was neither too tight nor too loose, and the risk lay in premature action in either direction rather than in continuity. On this basis, the Committee's predictive judgment is that the real Federal Reserve will hold its target range at 0.0% to 0.25%.



The Committee's own deterministic policy framework arrived at the same destination, and did so cleanly. All four reference rules returned 0 bps: the Taylor rule, the balanced-approach rule, the first-difference rule, and the ELB-adjusted rule, with the framework judging the rules reliable for this meeting. The convergence is best understood through the framework's underlying terms. The estimated neutral real rate, r^* , came in at -0.203 , meaning that even a zero nominal rate is only barely accommodative rather than excessively so, which removes any case for correction upward and leaves no room to cut below the bound. Inflation momentum at -0.2 indicated decelerating rather than building price pressure, reinforcing that no tightening is warranted, and unemployment momentum at -0.6 signaled a labor market still healing but far from maximum employment. Members leaning toward the employment mandate found the ELB-adjusted rule most persuasive: unconstrained rules would go lower, but the floor holds the loss-minimizing setting here. Members focused on inflation gave the greatest weight to the Taylor rule, which directly incorporates the still-negative inflation gap.

Taking these considerations together, the Committee's independent determination is that the optimal policy is likewise a hold at 0.0% to 0.25% — 0 bps. The predictive expectation and the optimal conclusion coincide, and the agreement itself is the substantive finding: the current stance appears appropriately calibrated to a below-target, below-trend economy, accommodative enough to support an incomplete recovery without being so loose as to demand a lean against it. Members retaining an inflation focus noted one reservation for the record — should the Beige Book's wage and input-cost signals show through into realized core PCE, they would favor withdrawing accommodation sooner than others.

The Committee will continue to monitor incoming data closely and stands ready to adjust its assessment as conditions warrant.

COMMITTEE VOTE

The predictive vote was unanimous, 5-0, in favor of holding the target range 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.