


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 arrives at the same 0 bps as the loss-minimizing choice.

STATEMENT

What stands out about this meeting is how completely the two exercises converged: every member's read of likely policy, every reference rule save one, and the framework's own loss-minimizing output all landed on no change. Core PCE at 1.95% sits just below the 2% target, so the condition prior guidance sets for tightening—inflation not merely reaching but moderately exceeding 2%—has not been met. Against that, unemployment at 6.0% remains far above the estimated 4.46% natural rate, a slack gap of roughly a point and a half that participants generally treated as the dominant fact of the meeting. Initial jobless claims of 576,000 and a Chicago Fed National Activity Index of -1.09 reinforced the judgment that activity is still running below trend and the labor recovery is incomplete.

The clearest tension came from the price side. Several participants noted that the Beige Book was saturated with inflation signals—intensifying input prices, more firms raising selling prices, wage growth reported across districts—and that this qualitative picture worried them more than the near-target core reading alone. The framework's positive inflation momentum term of 0.165 pointed the same way, and it was on that momentum that the First-Difference rule broke from the pack, prescribing 25 bps of tightening. Most participants judged that this outlier reflected recent direction rather than the level of either mandate gap, and that the pressures themselves were largely supply-chain driven and consistent with the tolerance for a temporary overshoot already built into guidance. Others weighing financial conditions found no stress that would force a move in either direction: the stress index at 0.094 and the VIX at 17.5 pointed to calm, the Baa spread at 2.0 to healthy credit, and a steep, non-inverted 10-year/2-year spread of 1.42 to growth expectations without recession fear. Market pricing told the same story, with a slightly negative T-bill spread of -0.095 indicating no near-term



tightening priced in.

On its own predictive judgment, the Committee expects the real Federal Reserve to leave the target range at 0.0% to 0.25% unchanged at the upcoming meeting. On its independent policy framework, the Committee likewise concludes that 0 bps is the optimal choice. Three of the four reference rules—the Taylor rule, the balanced-approach rule, and the ELB-adjusted rule—each return 0 bps, dominated by the open employment gap, and the framework judged the reference rules reliable. An estimated r^* of -0.196 was material to that conclusion: with the neutral real rate below zero, the current range is already accommodative in real terms, and with the economy pinned at the effective lower bound there is no feasible cut to make even for those most focused on employment support. Unemployment momentum of -0.25 signals gradual improvement but not enough to warrant tightening against. Holding is therefore not accommodation-adding but the floor itself—the loss-minimizing call given both open mandate gaps.

The Committee thus arrives at 0 bps by two routes that reinforce one another, while flagging that the balance of inflation risk is tilting upward rather than fading. The most inflation-focused members were explicit that their patience would erode if price pressures broadened beyond supply factors, and pointed to the First-Difference rule's 25 bps as an early warning worth watching. For now, with inflation still short of target and the labor market well short of maximum employment, maintaining accommodation is the appropriate stance.

COMMITTEE VOTE

The predictive vote was unanimous at 5-0 for no change to the 0.0% to 0.25% target range, and the Committee's optimal-side deliberation endorsed the framework's 0 bps recommendation unanimously as well, 5-0.

NOTES

No member dissented on either side, though the inflation-focused members endorsed the hold only with an explicit reservation—citing positive inflation momentum of 0.165 and the First-Difference rule's 25 bps signal—and warned they would resist any easing bias and would revisit their support if price pressures continued to broaden.