# OpenFed

**POLICY STATEMENT** | December 3, 2025

| PREDICTED FED DECISION −25 bps | OPENFED OPTIMAL RATE −25 bps |
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| **3.50%-3.75%** | **3.50%-3.75%** |

KEY TAKEAWAY

**The Committee expects a 25 basis point cut to 3.50%-3.75% and independently judges that same move optimal, with its framework's -25 bps overriding three level rules that called for -75.**

### STATEMENT

Information reviewed by the Committee showed inflation having converged to the objective, with core PCE at 2.02% against the 2.0% target. This marked a meaningful shift from earlier meetings: with inflation momentum measured at just 0.025, participants generally judged that price pressures were not currently accelerating and that the price-stability objection to further easing had largely fallen away. At the same time, the labor market showed clear if gradual softening. Unemployment at 4.4% now sits above the 4.31% estimate of the natural rate, and the Beige Book documented a slight decline in employment, weaker demand across half of Districts, spreading hiring freezes, and rising layoff announcements. Participants noted that jobless claims at 216k remained low and CFNAI at -0.12 pointed only slightly below trend, describing a labor market that was softening but not collapsing.

Against that backdrop, four of five members judged that the appropriate action this meeting is a 25 basis point cut, moving the target range from 3.75%-4.00% to 3.50%-3.75%. The case rested on inflation at target removing the constraint, labor risks that had been flagged at the prior meeting persisting in the incoming data, and a current stance still above the Committee's own prior median projection of 3.6% and therefore modestly restrictive relative to an r* estimated near 0.21. Financial conditions reinforced rather than complicated this reading: with the financial stress index at 0.1427, VIX at 16.08, the Baa spread contained at 1.76, and a positively sloped 10y-2y curve at +0.57, there was no crisis premium demanding an outsized move and no distress signal arguing for a hold. Several members weighted market pricing heavily, observing that the 3-month T-bill spread of -0.195 embeds roughly one 25 basis point cut, so that a pause would surprise markets and tighten conditions relative to what is priced. One member, weighting inflation risk most heavily, was not persuaded to ease. This member accepted that a single at-target reading did not confirm sustainable anchoring, pointed to tariff pass-through and services persistence as live upside risks, and argued that with calm markets there was no urgency forcing a cut; consistent with that view, this member preferred to hold.

The Committee's own deterministic framework arrived at the same destination, and its internal tension is worth stating plainly. The Taylor rule, the balanced-approach rule, and the ELB-adjusted rule all called for -75 bps, reflecting the employment gap set against inflation near target. The first-difference rule, capturing the mildness of the momentum terms (inflation momentum 0.025, unemployment momentum 0.1), returned 0 bps. The framework's loss-minimizing recommendation of -25 bps threads between these poles, and participants converged on why it should. The aggressive -75 signals were judged to overweight the employment gap given benign stress readings and inflation already at target, while an outright hold was seen to ignore genuine labor softening and to run counter to the easing markets already expect. With r* near 0.21, a 25 basis point step moves the real policy rate toward neutral without overshooting into accommodation.

The Committee therefore concludes, on both its predictive and its optimal reasoning, that a 25 basis point cut to 3.50%-3.75% is the appropriate step: a measured, data-dependent continuation of gradual easing that supports a softening labor market while inflation sits at target, preserving the option to pause should inflation momentum turn upward on tariff pass-through, or to move faster should labor conditions deteriorate more sharply.

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| COMMITTEE VOTE | The predictive vote was 4-1 in favor of a 25 basis point cut, with one member preferring no change. On the framework's -25 bps recommendation, the optimal-side deliberation was unanimous, all five members endorsing it as-is. |
| NOTES | *In the predictive deliberation, the inflation-focused dissenter favored holding at 3.75%-4.00%, arguing that a single at-target core PCE reading of 2.02% did not confirm inflation was sustainably anchored, that tariff pass-through and services persistence remained active upside risks, and that calm financial conditions created no urgency to ease again so soon after the prior cut; notably, this same member endorsed the framework's -25 bps as proportionate once the optimal case was considered.* |