OpenFed

POLICY STATEMENT | April 22, 2026

PREDICTED FED DECISION HOLD

3.50%-3.75%

OPENFED OPTIMAL RATE +25 bps

3.75%-4.00%

KEY TAKEAWAY

The Committee unanimously expects the real Federal Reserve to hold at 3.50-3.75%, while its own framework judges the optimal step to be a 25 bps hike — a divergence rooted in inflation momentum rather than gap-based rules.

STATEMENT

Information reviewed at this meeting pointed to an economy still expanding at a slight-to-modest pace amid pronounced geopolitical uncertainty. Core PCE inflation stood at 2.67%, meaningfully above the 2% objective, with near-term risks judged to be skewed to the upside from the Middle East oil spike, tariff-related core goods pressure, and rising fuel and crop prices. The labor market was described as steady but soft: the unemployment rate at 4.3% sat just below the 4.4% natural rate, and initial claims at 207,000 remained low, yet the Beige Book characterized hiring as only 'steady to up slightly,' with firms leaning on replacement and temporary hires, delaying permanent additions, and in some cases using AI to reduce hiring altogether. Financial conditions offered no case for action in either direction — the stress index at 0.15, VIX at 18.92, a Baa spread of 1.7, and a positively sloped 10y-2y curve at 0.51 all indicated calm, not distress.

In the Committee's predictive deliberation, all five members converged on holding the target range at 3.50-3.75%. Members who weight inflation most heavily judged that cutting into an upside-skewed inflation environment could un-anchor expectations, while those most attentive to employment acknowledged genuine structural softening in hiring but concluded the hard data showed no deterioration urgent enough to force accommodation. Members anchored to market pricing noted that the 3-month T-bill sat only about 2.5 basis points below the current rate, implying little urgency for a near-term cut, and that a normally sloped curve gave no recession alarm. The balanced-risks reading — inflation above target argues against cutting, soft labor argues against hiking — held across the table. Accordingly, the Committee's forecast for the real Federal Reserve is no change: 0 basis points.

The Committee's own deterministic framework arrived at a different conclusion, recommending a 25 bps increase. The tension inside that recommendation is worth stating plainly: three of the four reference rules pointed the other way, with the Taylor rule, the balanced-approach rule, and the ELB-adjusted rule each calling for -25 bps, while only the first-difference rule called for +25 bps. The loss-minimizing calculation nonetheless landed on the hike. Members found the first-difference logic the most persuasive because it keys on observed momentum rather than a contested neutral rate — with the estimated r* at only 0.454, the gap-based rules risk understating the appropriate nominal rate, whereas positive inflation momentum of 0.05 alongside flat unemployment momentum of 0.0 argues against easing and toward incremental firmness. Read this way, the gap between the predictive hold and the optimal +25 bps quantifies a stance judged to be mildly accommodative relative to the residual inflation picture.

That said, endorsement of the framework's magnitude was far from uniform. Several members accepted the direction — leaning against inflation rather than easing — while resisting an actual hike this meeting, citing that markets were pricing no tightening at all and that a surprise move could disrupt orderly conditions amid Middle East uncertainty and firms' wait-and-see posture. One member, weighting downside labor risk most heavily, declined the recommendation outright, warning that a hike into a fragile, replacement-only hiring environment risks precisely the adverse shock the softening signals point toward, and noting that oil- and tariff-driven inflation is more supply-side than demand overheating. The Committee thus holds two considered conclusions from the same deliberation: it expects the real Federal Reserve to stand pat, and it judges that the strictly optimal step, on its own framework, would be a modest 25 bps tightening.

COMMITTEE VOTE	The predictive vote to forecast a hold at 3.50-3.75% was unanimous at 5-0; on the framework's 25 bps recommendation, the Committee split 1 to endorse, 1 to decline, and 3 to endorse the direction but not the magnitude.
NOTES	*The lone decline came from the member most focused on employment, who argued that with the Beige Book showing replacement-only hiring, firms delaying permanent hires, and prior minutes noting employment risks skewed downward, a 25 bps hike would tighten into softening labor demand while the elevated inflation is largely supply-driven from oil and tariffs rather than demand overheating.*