OpenFed

POLICY STATEMENT | June 10, 2026

PREDICTED FED DECISION **HOLD**

3.50%-3.75%

OPENFED OPTIMAL RATE **+50 bps**

4.00%-4.25%

KEY TAKEAWAY

The Committee unanimously expects the real Federal Reserve to hold at 3.5-3.75%, yet its own framework judges the optimal move to be a 50 bps hike—a gap the members read as policy sitting too loose against still-elevated inflation.

STATEMENT

Information reviewed at this meeting showed core PCE inflation at 2.78%, still well above the 2.0% target, alongside an unemployment rate of 4.3%, just under the 4.4% estimate of the natural rate. Growth signals were steady rather than urgent: jobless claims of 225k, a positively sloped yield curve at 0.42, a Baa credit spread of 1.53, and a financial stress index of 0.1482, with the VIX modestly elevated at 22.22. Against this backdrop the members read the Beige Book carefully—slight-to-moderate growth, a low-hire, low-fire labor market, employment little changed across eleven Districts, and rising delinquencies in mortgage, consumer, and agricultural loans, concentrated among lower-income households. On the near-term policy question, all five members converged: with inflation still elevated, the labor market roughly balanced, and the 3-month T-bill spread just +0.015 above the current range, markets are not pricing a move at this meeting. The Committee's predictive conclusion is a hold at 3.5-3.75%, unchanged.

The debate had real texture even within that unanimity. One member weighting employment risk most heavily preferred, on the merits, a 25 bps cut to get ahead of a stalling labor market, citing downside employment risk and softening demand; that member concluded, however, that unemployment below the natural rate, contained claims, and sticky inflation did not yet clear the threshold for action, and so joined the hold. Others emphasized that the localized credit stress in the Beige Book, while worth close monitoring, was not systemic, and that a surprise move against flat market pricing would itself be a source of volatility. The through-line was patience: the data had not shifted materially, and a hold preserves optionality.

The Committee's independent policy framework told a different story. Its loss-minimizing recommendation was +50 bps, driven by inflation momentum of 0.385—prices still building rather than cooling—against unemployment momentum of essentially zero (-0.05) and an estimated r* of 0.523 that leaves the current midpoint only mildly restrictive. Three of the four reference rules pointed the same way: the balanced-approach, first-difference, and ELB-adjusted rules each returned 50 bps, with the reference rules judged reliable this meeting. Only the Taylor rule was more cautious, at 25 bps. Members found the balanced-approach logic most persuasive precisely because it weighs the inflation overshoot and the small employment gap together, and with inflation near 0.78 percentage point above target at full employment, that rule reads current policy as too accommodative. The Committee therefore states the optimal move as +50 bps: a hike is the disciplined direction given persistent, still-rising inflation and benign financial conditions that could absorb it.

Where the members parted from the framework was on magnitude, not direction. Four members endorsed tightening but not the full 50 bps in a single step, judging that a move that large risks accelerating the very delinquencies and consumer fragility the Beige Book flags, and overshooting into softening aggregate demand; several found the Taylor rule's 25 bps the more prudent reconciliation of the inflation gap with documented household strain. One member declined the recommendation outright, reading the low-hire, low-fire environment and rising delinquencies as genuinely aggregate weakness that a 50 bps hike could tip sharply lower. The gap between the predicted hold and the framework's 50 bps quantifies how far the members believe caution has pushed policy behind the inflation picture—even as they expect, and largely accept, that caution to prevail at this meeting.

COMMITTEE VOTE	The predictive vote to hold the target range at 3.5-3.75% was unanimous, 5-0. On the framework's 50 bps recommendation, the optimal-side deliberation landed 0 endorse, 4 partial, and 1 decline: no member supported the full magnitude as-is.
NOTES	*The lone decline came from the member weighting employment risk most heavily, who argued that beneath a 4.3% unemployment rate lies genuine fragility—little-changed employment across eleven Districts, a low-hire, low-fire market, bifurcated consumers, and rising delinquencies that read as aggregate demand weakness—so that a 50 bps hike would be too much and too fast, risking a sharp drop in labor demand despite inflation momentum of 0.385.*