SURVEY OF PRIMARY DEALERS

This survey is formulated by the Trading Desk at the Federal Reserve Bank of New York to enhance policymakers' understanding of market expectations on a variety of topics related to the economy, monetary policy and financial markets. The questions involve only topics that are widely discussed in the public domain and never presume any particular policy action. FOMC members are not involved in the survey's design.

Please respond by **Monday, April 24 at 2:00 pm** to the questions below. Your time and input are greatly appreciated.

Dealer:

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1) Provide below your expectations for changes, if any, to the language referencing each of the following topics in the May FOMC statement.

Current economic conditions:	
Economic outlook:	
Communication on the expected path of the policy rate and forward guidance on the target federal funds rate:	
Communication on the Committee's policy of reinvesting principal payments on Treasury and agency securities:	
Other:	

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2) How would you grade the Federal Reserve System's communication with the markets and with the public since the policy survey on March 6? Please provide a rating between 1 and 5, with 1 indicating ineffectiveness and 5 indicating effectiveness.

Rating:

Please Explain:

3a) Provide your estimate of the most likely outcome (i.e., the mode) for the target federal funds rate or range, as applicable, immediately following the FOMC meetings and at the end of each quarter or half-year period below. For the time periods at which you expect a target range, please indicate the midpoint of that range in providing your response.

	2017 meetings						**2018 meetings**
	May 2-3	Jun 13-14	Jul 25-26	Sep 19-20	Oct 31 - Nov 1	Dec 12-13	Jan 30-31
Target rate / midpoint of target range:							

	Quarters						**Half Years**
	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 H2
Target rate / midpoint of target range:							

3b) In addition, provide your estimate of the longer-run target federal funds rate and your expectation for the average federal funds rate over the next 10 years.

Longer run:		Expectation for average federal funds rate over next 10 years:	

3c) Please indicate the percent chance* that you attach to the following possible outcomes for the Committee's next policy action in 2017.

Next Change is Increase in Target Rate or Range	Next Change is Decrease in Target Rate or Range	No Change in Target Rate or Range in 2017

**Responses should add up to 100 percent.*

3d) Conditional on the Committee's next policy action in 2017 being an <u>increase</u> in the target federal funds rate or range, please indicate the percent chance* that you attach to the following possible outcomes for the timing of such a change. Only fill out this conditional probability distribution if you assigned a non-zero probability to the Committee's next policy action in 2017 being an increase.

Increase Occurs at May FOMC meeting	Increase Occurs at June FOMC meeting	Increase Occurs at July FOMC meeting or later

**Responses should add up to 100 percent.*

3e) Please indicate the percent chance* that you attach to the target federal funds rate or range falling in each of the following ranges <u>at the end of 2017,</u> conditional on the following possible scenarios for the direction and timing of the Committee's next policy action in 2017**.** Only fill out the conditional probability distributions for which you assigned a non-zero probability to the conditioning event occurring. If you expect a target range, please use the midpoint of that range in providing your response.

	≤ 0.50%	0.51 - 0.75%	0.76 - 1.00%	1.01 - 1.25%	1.26 - 1.50%	1.51 - 1.75%	1.76 - 2.00%	≥ 2.01%
Next change is an increase, occurs at June meeting or earlier:								
Next change is an increase, occurs at July meeting or later:								

	< 0.0%	0.00 - 0.25%	0.26 - 0.50%	0.51 - 0.75%	0.76 - 1.00%	1.01 - 1.25%	1.26 - 1.50%	≥ 1.51%
Next change is a decrease:								

**Responses across each row should add up to 100 percent.*

3f-i) Please indicate the percent chance* that you attach to the target federal funds rate or range falling in each of the following ranges at the end of 2018 and 2019, conditional on **not** moving to the zero lower bound (ZLB) at any point between now and the end of 2019. If you expect a target range, please use the midpoint of that range in providing your response.

	≤ 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	≥ 3.51%
Year-end 2018:							
Year-end 2019:							

Responses across each row should add up to 100 percent.

3f-ii) Please indicate the percent chance that you attach to moving to the ZLB at some point between now and the end of 2019.

Probability of moving to the ZLB at some point between now and the end of 2019:	

3f-iii) Please indicate the percent chance* that you attach to the target federal funds rate or range falling in each of the following ranges at the end of 2018 and 2019, conditional on moving to the ZLB at some point between now and the end of 2019. Only fill out these conditional probability distributions if you assigned a non-zero probability to moving to the ZLB at some point between now and the end of 2019. If you expect a target range, please use the midpoint of that range in providing your response.

	< 0.00%	0.00 - 0.25%	0.26 - 0.50%	0.51 - 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	≥ 2.51%
Year-end 2018:								
Year-end 2019:								

Responses across each row should add up to 100 percent.

3f-iv) What is your estimate of the target federal funds rate or range at the effective lower bound?

Level of the target federal funds rate or range at the effective lower bound (in percent):	

3g) For parts a-f, please explain the factors behind any change to your expectations, where applicable, since the last policy survey.

4) Previous FOMC communication has indicated that the economy's neutral real federal funds rate, which can be understood as the level of the real federal funds rate that would be neither expansionary nor contractionary if the economy were operating at or near its potential, is currently low by historical standards. Please provide your estimate for the current level of the neutral real federal funds rate and at each of the time periods below.

Current level:	Year-end 2017:	Year-end 2018:	Year-end 2019:

Please explain the factors behind any changes to your estimates since the policy survey on December 5 when this question was last asked.

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5) Please indicate the percent chance* that you attach to the 10-year Treasury yield falling in each of the following ranges at the end of 2017 and 2018.

	≤ 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	3.51 - 4.00%	≥ 4.01%
Year-end 2017:							
Year-end 2018:							

**Responses across each row should add up to 100 percent.*

6a) In its Policy Normalization Principles and Plans, the Committee indicated that it "expects to cease or commence phasing out reinvestments" after liftoff. Please indicate the percent chance* that you attach to the Committee ceasing its reinvestments all at once, phasing out its reinvestments over time, or not changing its reinvestments.

	Reinvestments Ceased All at Once	Reinvestments Phased Out Over Time	No Change to Reinvestments
Treasuries:			
Agency debt and MBS:			

**Responses across each row should add up to 100 percent.*

6b) In recent FOMC statements, the Committee has indicated that it anticipates continuing its current reinvestment policy until normalization of the level of the federal funds rate is "well under way."

Conditional on reinvestments either being <u>ceased all at once</u> or <u>phased out over time</u>, please indicate the percent chance* that you attach to the following outcomes for the level of the target federal funds rate or range when the Committee first announces a change to its reinvestment policy. Only fill out this probability distribution if you assigned a non-zero probability to reinvestments either being <u>ceased all at once</u> or <u>phased out over time</u> in question 6a. If you expect a target range, please use the midpoint of that range in providing your response.

≤ 0.75%	0.76 - 1.00%	1.01 - 1.25%	1.26 - 1.50%	1.51 - 1.75%	1.76 - 2.00%	≥ 2.01%

**Responses should add up to 100 percent.*

Additionally, please provide your point estimate for the most likely outcome of the level of the target federal funds rate or range when the Committee first announces a change to its reinvestment policy. If you expect a target range, please use the midpoint of that range in providing your response.

Point estimate for most likely outcome:	

6c) Conditional on reinvestments either being <u>ceased all at once</u> or <u>phased out over time</u>, please indicate the percent chance* that you attach to the following possible outcomes for the timing of when the Committee first announces a change to its reinvestment policy. Only fill out this probability distribution if you assigned a non-zero probability to reinvestments either being <u>ceased all at once</u> or <u>phased out over time</u> in 6a.

May 2-3 FOMC meeting	June 13-14 FOMC meeting	Q3 2017	Q4 2017	Q1 2018	Q2 2018	H2 2018	≥ 2019

**Responses should add up to 100 percent.*

6d) Conditional on reinvestments being <u>phased out over time</u>, please indicate the most likely number of months over which you expect this to occur. Please only provide a response if you assigned a non-zero probability to reinvestments being <u>phased out over time</u> in 6a.

Treasuries:	
Agency debt and MBS:	

Please describe the specific strategy or strategies that you think would be most likely should the Committee phase reinvestments out over time.

6e-i) Please indicate the percent chance* that you attach to the following possible outcomes for the par value of the SOMA portfolio <u>at the end of 2019</u>, <u>conditional on **not** moving to the ZLB at any point between now and the end of 2019</u>. For reference, the level of the SOMA portfolio on April 12, 2017 was $4277 billion, including inflation compensation and settled and unsettled agency MBS, according to the most recent H.4.1 release. Levels referenced below are in $ billions.

≤ 3000	3001 - 3500	3501 - 4000	4001 - 4500	≥ 4501

**Responses should add up to 100 percent.*

6e-ii) Please indicate the percent chance* that you attach to the following possible outcomes for the par value of the SOMA portfolio <u>at the end of 2019</u>, <u>conditional on moving to the ZLB at some point between now and the end of 2019</u>. Only fill out this conditional probability distribution if you assigned a non-zero probability to moving to the ZLB at some point between now and the end of 2019 in question 3. Levels referenced below are in $ billions.

≤ 4000	4001 - 4500	4501 - 5000	5001 - 5500	≥ 5501

**Responses should add up to 100 percent.*

6f) Please explain the factors behind any change to your views in parts a-f, where applicable, since the last policy survey.

7a) On average during 2016, the size of the Federal Reserve System's balance sheet was around $4,472 billion and was composed roughly as follows:

	Share of Total Assets		Share of Total Liabilities and Capital
US Treasuries:	**55%**	Reserves:	**52%**
Agency MBS:	**39%**	Federal Reserve Notes:	**32%**
All Other Assets*:	**6%**	All Other Liabilities and Capital**:	**16%**

*Includes net unamortized premiums and discounts on securities held outright (4 percent); repos (0 percent); and other assets (2 percent).

**Includes deposits in US Treasury General Account (7 percent); open market reverse repos (2 percent); reverse repos with foreign official accounts (5 percent); other deposits, including those held at Reserve Banks by international and multilateral organizations, GSEs, and designated financial market utilities (1 percent); and other liabilities and capital (1 percent).

The figures above refer to averages of Wednesday levels from 2016 H.4.1 releases. For further details, see also the "Report on Domestic Open Market Operations during 2016" prepared by the Markets Group of the Federal Reserve Bank of New York.

Please indicate your expectation for the most likely composition of the Federal Reserve System's balance sheet, on average, in 2025, conditional on <u>not moving</u> to the ZLB at any point between now and the <u>end of 2025</u>.

	Share of Total Assets		Share of Total Liabilities and Capital
US Treasuries:		Reserves:	
Agency MBS:		Federal Reserve Notes:	
All Other Assets*:		All Other Liabilities and Capital**:	

7b) Additionally, please indicate your expectation for the most likely size ($ billions) of the Federal Reserve balance sheet, on average, in 2025, conditional on <u>not moving</u> to the ZLB at any point between now and the <u>end of 2025</u>.

Size of Federal Reserve balance sheet ($ billions) in 2025:	

7c) Please explain any assumptions underlying your responses to 7a and 7b.

8a) Provide your estimate of the most likely outcome for output, inflation, and unemployment.

	GDP (Q4/Q4 Growth)	Core PCE Deflator (Q4/Q4 Growth)	Headline PCE Deflator (Q4/Q4 Growth)	Unemployment Rate (Q4 Average Level)
2017:				
2018:				
2019:				
Longer run:				

8b) Provide your estimate of the most likely outcome for the U.S. federal fiscal deficit (as a percent of GDP) for fiscal years 2017, 2018 and 2019.

	FY 2017	FY 2018	FY 2019
Current estimate for U.S. federal fiscal deficit:			

Please explain any changes to your estimates since the last policy survey.

8c) Please indicate the overall effect of any changes to your estimates for the federal fiscal deficit since the last policy survey on your forecasts for GDP growth (Q4/Q4) in 2017, 2018 and 2019 and over the longer run, combining direct and indirect effects. Please provide your responses in percentage points.

	2017	2018	2019	Longer run
Impact on GDP growth forecasts from changes in estimate of federal fiscal deficit:				

9a) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from April 1, 2017 - March 31, 2022 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.

≤ 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	≥ 3.01%

Point estimate for most likely outcome:

Responses should add up to 100 percent.

9b) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from April 1, 2022 - March 31, 2027 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.

≤ 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	≥ 3.01%

Point estimate for most likely outcome:

Responses should add up to 100 percent.

10a) What percent chance do you attach to the U.S. economy **currently** being in a recession*?

Recession currently:

10b) What percent chance do you attach to the U.S. economy being in a recession* **in 6 months**?

Recession in 6 months:

10c) What percent chance do you attach to the global economy being in a recession** **in 6 months**?

Global recession in 6 months:

10d) Please explain the factors behind any change to your expectations in parts a-c since the last policy survey.

NBER-defined recession

Previous IMF staff work has suggested that a "global recession" can be characterized as a period during which there is a decline in annual per-capita real global GDP, backed up by a decline or worsening in one or more of the following global macroeconomic indicators: industrial production, trade, capital flows, oil consumption and unemployment.

Thank you for your time and input. Please send survey results to **ny.mktpolicysurvey@ny.frb.org**