SURVEY OF PRIMARY DEALERS

JANUARY 2020

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 participants are not involved in the survey's design.

Please respond by **Tuesday, January 21st at 2:00pm Eastern Time** to the questions below. Your time and input are greatly appreciated.

Type of Respondent: **Primary Dealer** Respondent Name:

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

Current economic conditions:	
Economic outlook:	
Communication on the expected path of the target federal funds rate:	
Other:	

1b) What are your expectations for the Chair's press conference?

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2) How would you grade the Federal Reserve System's communication with the markets and with the public since the last policy survey? 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 of the following quarters and half-years below. For the time periods at which you expect a target range, please indicate the midpoint of that range in providing your response.

	2020 FOMC meetings						
	Jan 28-29	Mar 17-18	Apr 28-29	Jun 9-10	Jul 28-29	Sep 15-16	Nov 4-5
Target rate / midpoint of target range:							

	Quarters					Half-Years	
	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 H1	2022 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 target federal funds rate or range falling in each of the following ranges immediately following the January and March FOMC meetings and at the end of 2020. 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 - 2.25%	≥ 2.26%	Sum
Following the January FOMC meeting:									**0.00%**
Following the March FOMC meeting:									**0.00%**
Year-end 2020:									**0.00%**

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

3d) 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 2021 and 2022. If you expect a target range, please use the midpoint of that range in providing your response.

	< 0.00%	0.00 - 0.50%	0.51 - 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	≥ 3.51%	Sum
Year-end 2021:										**0.00%**
Year-end 2022:										**0.00%**

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

3e-i) Please indicate the percent chance that you attach to moving to the ZLB at some point between now and the end of 2022.

Probability of moving to the ZLB at some point between now and the end of 2022: [ ]

3e-ii) 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): [ ]

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

[ ]

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4) The following matrix lays out hypothetical scenarios in which the realized levels of the 2020 unemployment rate (Q4 average level) and 2020 core PCE inflation (Q4/Q4 growth) are either 50 basis points above, below, or equal to the medians of FOMC participants' projections for these indicators in the December Summary of Economic Projections (SEP). For example, the upper left box represents a scenario in which the unemployment rate and core PCE inflation are both 50 basis points below the current SEP medians. The upper right box represents a scenario in which the unemployment rate is 50 basis points above the current SEP median, while core PCE inflation is 50 basis points below the current median.

For each of the following scenarios, please indicate the level of the target federal funds rate or range that you expect would prevail at the end of Q1 2021. If you expect a target range, please indicate the midpoint of that range in providing your response.

		2020 Unemployment rate (Q4 average level)		
		- 50 bps	Current median 3.5%	+ 50 bps
2020 Core PCE inflation (Q4/Q4 growth)	- 50 bps			
	Current median 1.9%			
	+ 50 bps			

Please describe any other factors which in your view would be likely to impact the level of the target federal funds rate or range at the end of Q1 2021.

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5) The neutral real federal funds rate 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. Please provide your estimate for the level of the neutral real federal funds rate at each of the time periods below.

Current level:	Year-end 2020:	Year-end 2021:	Year-end 2022:

Please explain the factors behind any changes to your estimates since the policy survey on July 22.

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6) Please describe your modal expectation and the balance of risks around your modal expectation for international trade developments over the next 6 months. In addition, please explain the factors behind any change to your views since the last policy survey.

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7) According to the Implementation Note issued December 11, 2019, “In light of recent and expected increases in the Federal Reserve's non-reserve liabilities, the Committee directs the [Open Market Desk at the Federal Reserve Bank of New York] to continue purchasing Treasury bills at least into the second quarter of 2020 to maintain over time ample reserve balances at or above the level that prevailed in early September 2019. The Committee also directs the Desk to continue conducting term and overnight repurchase agreement operations at least through January 2020 to ensure that the supply of reserves remains ample even during periods of sharp increases in non-reserve liabilities, and to mitigate the risk of money market pressures that could adversely affect policy implementation.”

In light of these directives, and given details published by the Desk on the Repurchase Agreement Operational Details site,* please provide your expectation ($ billions) for the amount of reserve management purchases of Treasury bills as well as the maximum offered amounts for overnight and total term repurchase agreements (repo) during each of the following months.** If you expect any of these amounts to be zero in a given period, please enter 0.

($ billions)	January 2020	February 2020	March 2020	April 2020	May 2020	June 2020
Reserve management purchases of Treasury bills:						
Maximum daily overnight repo offered:						
Maximum daily total term repo offered**:						

**Please see the Repurchase Agreement Operational Details site at https://www.newyorkfed.org/markets/domestic-market-operations/monetary-policy-implementation/repo-reverse-repo-agreements/repurchase-agreement-operational-details*

***For term repo, please provide your expectation for the maximum total offered amount at any point during the period. If you expect multiple operations with overlapping terms (excluding overnight repo), please sum across all operations to arrive at the total offered amount. For example, in September 2019, 14-day term repo operations settled on September 24, 26, and 27 with offered amounts of $30 billion, $60 billion, and $60 billion, respectively, yielding a maximum total offered amount of $150 billion for that month (as of September 27).*

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8) Over the past week, the spread between the top of the target range for the federal funds rate and the interest on excess reserves (IOER) rate has been +20 basis points; the spread between the effective federal funds rate (EFFR) and IOER has averaged 0 basis points; the spread between the Overnight Bank Funding Rate (OBFR) and IOER has averaged -1 basis point; the spread between the Tri-Party General Collateral Rate (TGCR) and IOER has averaged -3 basis points; and the spread between the bottom of the target range for the federal funds rate and the overnight reverse repurchase (ON RRP) rate has been +5 basis points. Please provide your expectation for each of these rate spreads immediately following each of the FOMC meetings below and over the longer run*. **Please ensure your signs are correct.**

	Average over past week	2020 FOMC meetings				Longer run*
		Jan 28-29	Mar 17-18	Apr 28-29	Jun 9-10	
Top of target range minus IOER (in bps):	**+20**					
EFFR minus IOER (in bps):	**0**					
OBFR minus IOER (in bps):	**-1**					
TGCR minus IOER (in bps):	**-3**					
Bottom of target range minus ON RRP (in bps):	**+5**					

*"Longer run" as discussed in the January 2019 Statement Regarding Monetary Policy Implementation and Balance Sheet Normalization.

9) The July, September, October, and December FOMC meeting minutes all discussed the Federal Reserve's ongoing review of its monetary policy framework. Please provide your expectations for the outcome of the review related to: i) monetary policy strategy; ii) tools; and iii) communication practices.

10a) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from January 1, 2020 - December 31, 2024 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%	Sum	Point estimate for most likely outcome:
						0.00%	

Responses should add up to 100 percent.

10b) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from January 1, 2025 - December 31, 2029 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%	Sum	Point estimate for most likely outcome:
						0.00%	

Responses should add up to 100 percent.

11a) What percent chance do you attach to:

the U.S. economy currently being in a recession*?	
the U.S. economy being in a recession* **in 6 months**?	
the global economy being in a recession** **in 6 months**?	

*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.

11b) What percent chance* do you attach to the U.S. economy first entering a recession** in each of the following periods?

2020 or earlier	2021	2022	2023	2024 or later	Sum
					0.00%

*Responses should add up to 100 percent.

**NBER-defined recession

11c) Please explain the factors behind any change to your expectations in parts a-b since the last policy survey.

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12) Please describe what you view as the most significant upside and downside risks to the U.S. economic outlook in 2020 **in order of most to least important.**

Most significant upside risks:	
Most significant downside risks:	

13) Please indicate your expectations for **changes**, on net, to the indicators listed below from January 1, 2020 - December 31, 2020. **Please ensure your signs are correct.**

	Changes over calendar year 2020
Trade-weighted dollar (percent)	
10-year nominal Treasury yield (bps)	
10-year TIPS-implied breakeven inflation rate (bps)	
U.S. investment-grade corporate credit spread (bps)	
S&P 500 Index (percent)	

14a) Provide your estimate of the most likely outcome for output, inflation, and unemployment.

	Real GDP (Q4/Q4 Growth)	Core PCE Inflation (Q4/Q4)	Headline PCE Inflation (Q4/Q4)	Unemployment Rate (Q4 Average Level)
2020:				
2021:				
2022:				
Longer run:				

14b) Please explain changes, if any, to your estimates in part a since the last policy survey.

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