

# SURVEY OF PRIMARY DEALERS

## MARCH 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 **Monday, March 9th 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 March FOMC statement.

Current economic conditions:	<input type="text"/>
Economic outlook:	<input type="text"/>
Communication on the expected path of the target federal funds rate:	<input type="text"/>
Other:	<input type="text"/>

- 1b)** What are your expectations for the medians of FOMC participants' economic projections in the Summary of Economic Projections (SEP)?

**1c)** What are your expectations for the most likely levels of the medians of FOMC participants' target federal funds rate projections in the SEP? Please provide your responses out to three decimal places.

	Year-end 2020	Year-end 2021	Year-end 2022	Longer run
December SEP median:	1.625%	1.875%	2.125%	2.500%
March SEP median:				

Please comment on the balance of risks around your own expectations for the median projections.

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**1d)** Additionally, please describe any expected changes to the distributions of FOMC participants' target rate projections, if applicable.

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**1e)** 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-year 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						
		Mar 17-18	Apr 28-29	Jun 9-10	Jul 28-29	Sep 15-16	Nov 4-5	Dec 15-16
Target rate / midpoint of target range:								

  

		Quarters					Half-Year	
		2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	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 March and April 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.

	≤ 0.25%	0.26 - 0.50%	0.51 - 0.75%	0.76 - 1.00%	1.01 - 1.25%	1.26 - 1.50%	1.51 - 1.75%	≥ 1.76%	Sum
Following the March FOMC meeting:									0.00%
Following the April 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.

- 4) According to the Implementation Note issued March 03, 2020, "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 April 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)	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).

- 5) The table below lists the average spreads of money market rates\* over the past week. Please provide your expectation for each of these rate spreads for the day after each of the FOMC meetings and the average for each of these rate spreads over December 2020 below. **Please ensure your signs are correct.**

	Average over	2020 FOMC meetings				Average over
	past week	Mar 17-18	Apr 28-29	Jun 9-10	Jul 28-29	Dec 2020
Top of target range** minus IOER (in bps):	<b>+15</b>					
EFFR minus IOER (in bps):	<b>-2</b>					
SOFR minus IOER (in bps):	<b>-1</b>					
Bottom of target range** minus ON RRP (in bps):	<b>0</b>					
3m U.S. Treasury bill yield minus 3m OIS (in bps):	<b>+3</b>					

\*Listed rates include the interest on excess reserves (IOER) rate, effective federal funds rate (EFFR), Secured Overnight Financing Rate (SOFR), overnight reverse repurchase (ON RRP) rate, and 3-month overnight index swap rate (3m OIS).

\*\*Target range for the federal funds rate.

**6a)** Please indicate any **changes** to your modal projections for U.S. and global real GDP growth in Q1 (annual rate) and 2020 (Q4/Q4) resulting from your assessment of the expected impact of the coronavirus outbreak. **Please ensure your signs are correct. Please enter zero if your projections are unchanged.**

	Q1 2020 (annual rate)	2020 (Q4/Q4)
Change to modal projection for U.S. GDP (percentage points):		
Change to modal projection for global GDP (percentage points):		

**6b)** Please provide the percent chance\* you attach to the following outcomes for the **impact** of the coronavirus outbreak on U.S. and global real GDP growth in 2020 (Q4/Q4) (listed in percentage points).

	≤ -1.51 ppt	-1.50 - -1.01 ppt	-1.00 - -0.51 ppt	-0.50 - -0.01 ppt	≥ 0 ppt	Sum
Impact on 2020 U.S. GDP (Q4/Q4):						<b>0.00%</b>
Impact on 2020 global GDP (Q4/Q4):						<b>0.00%</b>

*\*Responses should add up to 100 percent.*

**7)** In light of the statement\* by the G7 Finance Ministers and Central Bank Governors on March 3, 2020, please describe your expectations for any global monetary and/or fiscal measures in response to the coronavirus outbreak.

*\*Please see the statement at <https://home.treasury.gov/news/press-releases/sm927>*

**8a)** For the outcomes below, provide the percent chance\* you attach to the annual average CPI inflation rate from March 1, 2020 - February 28, 2025 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:
						<b>0.00%</b>	

*\*Responses should add up to 100 percent.*

**8b)** For the outcomes below, provide the percent chance\* you attach to the annual average CPI inflation rate from March 1, 2025 - February 28, 2030 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.

**9a)** 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.

**9b)** 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

**9c)** Please explain the factors behind any change to your expectations in parts a-b since the last policy survey.

**10a)** 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:				

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**10b)** 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](mailto:ny.mktpolicysurvey@ny.frb.org)