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 participants are not involved in the survey's design.

Please respond by **Monday, December 10th at 2:00 pm** 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 December 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 medians of FOMC participants' <u>economic</u> projections in the Summary of Economic Projections (SEP)?

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

	Year-end 2018	Year-end 2019	Year-end 2020	Year-end 2021	Longer run
Current median:	2.375%	3.125%	3.375%	3.375%	3.000%
December SEP median:					

Please comment on the balance of risks around your expectations.

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

1e) What are your expectations for the Chairman's press conference?

2a) 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.

	2018	**2019 FOMC meetings**					
	Dec 18-19	Jan 29-30	Mar 19-20	Apr 30 - May 1	Jun 18-19	Jul 30-31	Sep 17-18
Target rate / midpoint of target range:							

			Quarters			**Half Years**	
	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 H1	2021 H2
Target rate / midpoint of target range:							

2b) 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: [ ]

2c) Please indicate the percent chance* that you attach to the following possible outcomes for the Committee's next policy action <u>between now and the end of 2019</u>.

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 Through the End of 2019

Responses should add up to 100 percent.

2d) Conditional on the Committee's next policy action <u>between now and the end of 2019</u> 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 between now and the end of 2019 being an increase.

Increase Occurs at December 2018 FOMC meeting	Increase Occurs at January 2019 FOMC meeting	Increase Occurs at March 2019 FOMC meeting or later

Responses should add up to 100 percent.

2e) 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 2019,</u> conditional on the following possible scenarios for the direction and timing of the Committee's next policy action <u>between now and the end of 2019</u>**.** 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.

	≤ 2.00%	2.01 - 2.25%	2.26 - 2.50%	2.51 - 2.75%	2.76 - 3.00%	3.01 - 3.25%	3.26 - 3.50%	≥ 3.51%
Next change is an increase, occurs at Jan. 2019 FOMC meeting or earlier:								
Next change is an increase, occurs at Mar. 2019 FOMC meeting or later:								

	≤ 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%
Next change is a decrease:								

Responses across each row should add up to 100 percent.

2f-i) 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 2020 and 2021</u>, <u>conditional on **not** moving to the zero lower bound (ZLB) at any point between now and the end of 2021</u>. 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 - 4.00%	≥ 4.01%
Year-end 2020:								
Year-end 2021:								

Responses across each row should add up to 100 percent.

2f-ii) Please indicate the percent chance that you attach to moving to the ZLB at some point between <u>now and the end of 2021</u>.

Probability of moving to the ZLB at some point between <u>now and the end of 2021</u>:

2f-iii) 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 2020 and 2021</u>, <u>conditional on moving to the ZLB at some point between now and the end of 2021</u>. 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 2021. 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 2020:								
Year-end 2021:								

Responses across each row should add up to 100 percent.

2f-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):

2g) For parts a-f, please explain the factors behind any change to your expectations, where applicable, since the last policy survey.

3a) Provide your estimate of the most likely outcome for the 10-year Treasury yield at the end of each period below. In addition, provide your estimate of the longer-run level of the 10-year Treasury yield.

	Quarters				Half Years				
2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 H1	2020 H2	2021 H1	2021 H2	Longer run:

3b) Provide your estimate of the most likely outcome for the 30-year fixed primary mortgage rate at the end of each period below. In addition, provide your estimate of the longer-run level of the 30-year fixed primary mortgage rate.

	Quarters				Half Years				
2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 H1	2020 H2	2021 H1	2021 H2	Longer run:

4a) 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 +5 basis points; the spread between IOER and the effective federal funds rate (EFFR) has averaged 0 basis points; the spread between IOER and the Overnight Bank Funding Rate (OBFR) has averaged +1 basis points; and the spread between the Tri-Party General Collateral Rate (TGCR) and the overnight reverse repurchase (ON RRP) rate has averaged +22 basis points. Please provide your expectation for each of these rate spreads immediately following each of the FOMC meetings and on each of the dates below.

	Average over past week	2018 FOMC meeting Dec 18-19	2019 FOMC meetings Jan 29-30*	Mar 19-20	Apr 30 - May 1	Jun. 27, 2019**	Dec. 30, 2019**
Top of target range minus IOER (in bps):	+5						
IOER minus EFFR (in bps):	0						
IOER minus OBFR (in bps):	+1						
TGCR minus ON RRP rate (in bps):	+22						

*Please provide your response as of Feb. 1, the first post-FOMC day that is not a period-end reporting date.
**These dates are not period-end reporting dates.

4b) Please explain changes to your expectations in part a since the policy survey on October 29, where applicable.

5a) During 2018 to date, the average size of the Federal Reserve System's balance sheet was $4301 billion, and was composed roughly as follows:

	Assets*			Liabilities and Capital*	
	Level of Assets ($ billions)	Share of Total Assets (%)		Level of Liabilities and Capital ($ billions)	Share of Total Liabilities and Capital (%)
US Treasuries:	2367	55%	Federal Reserve Notes:	1611	37%
Agency MBS:	1725	40%	Reserves:	2006	47%
All Other Assets**:	209	5%	Deposits in Treasury General Account (TGA):	306	7%
Total Assets:	4301	100%	Reverse repos with private counterparties:	15	0%
			Reverse repos with foreign official accounts:	237	6%
			Other deposits***:	80	2%
			All Other Liabilities and Capital:	46	1%
			Total Liabilities and Capital:	4301	100%

*Individual categories rounded to the nearest $ billion.

**Includes net unamortized premiums and discounts on securities held outright, repos, and other assets.

***Includes balances held by designated financial market utilities (DFMUs), government sponsored entities (GSEs) and international and multilateral organizations.

The figures above refer to averages of Wednesday levels from 2018 H.4.1 releases through 11/29.

Please indicate your expectations for the composition of the Federal Reserve System's balance sheet, on average, in 2025, conditional on **not** moving to the ZLB at any point between now and the end of 2025. Please provide your responses in levels ($ billions); the total levels and shares will automatically populate so as to aid responding. Please ensure total assets are equal to total liabilities plus capital.

	Assets			Liabilities and Capital	
	Level of Assets ($ billions)	Share of Total Assets (%)		Level of Liabilities and Capital ($ billions)	Share of Total Liabilities and Capital (%)
US Treasuries:		0.00%	Federal Reserve Notes:		0.00%
Agency MBS:		0.00%	Reserves:		0.00%
All Other Assets*:		0.00%	Deposits in Treasury General Account (TGA):		0.00%
Total Assets:	0	0.00%	Reverse repos with private counterparties:		0.00%
			Reverse repos with foreign official accounts:		0.00%
			Other deposits**:		0.00%
			All Other Liabilities and Capital:		0.00%
			Total Liabilities and Capital:	0	0.00%

*Includes net unamortized premiums and discounts on securities held outright, repos, and other assets.

**Includes balances held by designated financial market utilities (DFMUs), government sponsored entities (GSEs) and international and multilateral organizations.

5b) Please describe any assumptions regarding the Committee's long-run operating framework that underlie your expectations in part a.

5c) Please describe any other assumptions that underlie your expectations in part a, including any assumptions of particular rates of growth for different categories of liabilities and capital on the Federal Reserve System's balance sheet.

5d) Please explain changes to your responses in parts a-c since the policy survey on June 4, where applicable.

5e) Please indicate the percent chance* that you attach to the following possible outcomes for the year in which the par value of the domestic SOMA portfolio will first exhibit quarter-over-quarter growth, conditional on **not** moving to the ZLB at any point between now and the end of 2025.

2019	2020	2021	2022	2023	2024	2025 or later
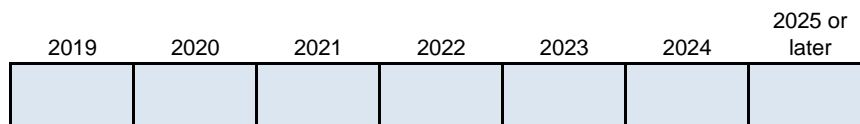
Responses should add up to 100 percent.

Point estimate for most likely quarter to first exhibit this growth**:

**Dropdown selections:
Q1 2019, Q2 2019, Q3 2019, Q4 2019, Q1 2020, Q2 2020, Q3 2020, Q4 2020, Q1 2021, Q2 2021, Q3 2021, Q4 2021,
Q1 2022, Q2 2022, Q3 2022, Q4 2022, Q1 2023, Q2 2023, Q3 2023, Q4 2023, Q1 2024, Q2 2024, Q3 2024, Q4 2024,
Q1 2025, Q2 2025, Q3 2025, Q4 2025 or later

5f) Please indicate the lowest average weekly level ($ billions) you expect reserve balances to reach between now and the end of 2025, conditional on **not** moving to the ZLB at any point between now and the end of 2025, as reported in the weekly H.4.1 release. For reference, the average level of reserve balances for the week ended November 28, 2018 was $1739 billion according to the most recent H.4.1 release.

Lowest average weekly level of reserve balances ($ billions):

6a) For the outcomes below, provide the percent chance* you attach to the annual average <u>CPI inflation</u> rate from December 1, 2018 - November 30, 2023 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.

6b) For the outcomes below, provide the percent chance* you attach to the annual average <u>CPI inflation</u> rate from December 1, 2023 - November 30, 2028 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.

7a) 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.

7b) What percent chance* do you attach to the U.S. economy first entering a recession** in each of the following periods?

2019 or earlier	2020	2021	2022	2023 or later

Responses should add up to 100 percent.
**NBER-defined recession

7c) Please explain the factors behind any change to your expectations in parts a and b since the last policy survey.

8a) 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)
2018:				
2019:				
2020:				
2021:				
Longer run:				

8b) Please explain changes, if any, to your estimates in part a since the last time this question was asked.

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