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, September 17th 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 September 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' 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 2018	Year-end 2019	Year-end 2020	Year-end 2021	Longer run
Current median:	**2.375%**	**3.125%**	**3.375%**		**2.875%**
September 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 FOMC meetings			**2019 FOMC meetings**			
	Sep 25-26	Nov 7-8	Dec 18-19	Jan 29-30	Mar 19-20	Apr 30 - May 1	Jun 18-19
Target rate / midpoint of target range:							

	Quarters						**Half Years**	
	2019 Q3	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 between now and the end of 2018.

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 2018

Responses should add up to 100 percent.

2d) Conditional on the Committee's next policy action between now and the end of 2018 being an increase 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 2018 being an increase.

Increase Occurs at September FOMC meeting	Increase Occurs at November FOMC meeting	Increase Occurs at December FOMC meeting

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 at the end of 2018. If you expect a target range, please use the midpoint of that range in providing your response.

	≤ 1.00%	1.01 - 1.25%	1.26 - 1.50%	1.51 - 1.75%	1.76 - 2.00%	2.01 - 2.25%	2.26 - 2.50%	≥ 2.51%
Year-end 2018:								

Responses 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 at the end of 2019, 2020 and 2021, conditional on **not** moving to the zero lower bound (ZLB) at any 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.

	≤ 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 2019:							
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 now and the end of 2021.

Probability of moving to the ZLB at some point between now and the end of 2021:

Please comment on the change, if any, to your response compared to question 3f, part ii in the survey on July 23, as well as the degree to which this arises from a change in your outlook, the change to the question's forecast horizon, or both.

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 at the end of 2019, 2020 and 2021, conditional on moving to the ZLB at some point between now and the end of 2021. 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 endof 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 2019:								
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 Q3	2018 Q4	2019 Q1	2019 Q2	2019 H2	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 Q3	2018 Q4	2019 Q1	2019 Q2	2019 H2	2020 H1	2020 H2	2021 H1	2021 H2	Longer run:

4a) 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 2021</u>, <u>conditional on **not** moving to the ZLB at any point between now and the end of 2021</u>. For reference, the level of the SOMA portfolio on September 5, 2018 was $4020 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.

4b) 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 2021</u>, <u>conditional on moving to the ZLB at any point between now and the end of 2021</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 2021 in question 2. Levels referenced below are in $ billions.

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

Responses should add up to 100 percent.

4c) For parts a and b, please comment on the change, if any, to your responses compared to questions 4a and 4b in the survey on June 4, as well as the degree to which this arises from a change in your outlook, the change to the questions' forecast horizons, or both.

5a) In the June 2017 addendum to the Policy Normalization Principles and Plans, the Committee outlined its approach for reducing the Federal Reserve's holdings of Treasury and agency securities. Please provide your estimates for the effects (in basis points), if any, on the 10-year Treasury yield and 30-year production coupon MBS option-adjusted spread from the implementation of reinvestment caps on maturing securities last year through the end of this month (October 2017 through September 2018), as well as from October 2018 through September 2019 and from October 2019 through September 2020.

	10-year Treasury yield	30-year MBS option-adjusted spread
Estimated effect from Oct 2017 through Sep 2018 (bps):		
Estimated effect from Oct 2018 through Sep 2019 (bps):		
Estimated effect from Oct 2019 through Sep 2020 (bps):		

5b) Please explain any assumptions underlying your responses in part a.

5c) Please describe how your views have changed since October 2017, if at all, regarding the financial market effects of the Committee's approach for reducing the Federal Reserve System's holdings of Treasury and agency securities. In addition, please indicate whether any changes in your views resulted from changes to your expectations for the size and composition of the Federal Reserve System's balance sheet, changes to your expectations for the impact of a given change in the size or composition of the balance sheet, or both.

6a) Recently, emerging market currencies and other emerging market assets have exhibited an increase in volatility. Please comment on your views regarding the factor(s) you think were most important in driving this price action.

6b) Please comment on how you expect the recent volatility in emerging market assets to evolve over the remainder of the year.

6c) Please indicate to what degree volatility in emerging market assets has impacted your outlook for the U.S. economy or U.S. monetary policy, if at all. If you expect an impact, please describe the channel(s) through which you would expect this impact to operate.

7a) 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:				

7b) Provide your estimate of the most likely outcome for the U.S. federal fiscal deficit (as a percent of GDP) for fiscal years 2019, 2020 and 2021.

	FY 2019	FY 2020	FY 2021
Estimate for U.S. federal fiscal deficit:			

7c) Please explain changes, if any, to your estimates in parts a and b since the last time these questions were asked.

8a) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from September 1, 2018 - August 31, 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%

Responses should add up to 100 percent.

Point estimate for most likely outcome:

8b) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from September 1, 2023 - August 31, 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%

Responses should add up to 100 percent.

Point estimate for most likely outcome:

9a) What percent chance do you attach to the U.S. economy **currently** being in a recession*?

Recession currently:

9b) What percent chance do you attach to the U.S. economy being in a recession* **in 6 months**?

Recession in 6 months:

9c) What percent chance do you attach to the global economy being in a recession** **in 6 months**?

Global recession in 6 months:

9d) 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**