SURVEY OF PRIMARY DEALERS

MARCH 2021

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 8th 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. **Please write N/A if you do not expect any changes.**

Current economic conditions:	
Economic outlook and communication on the expected path of the target federal funds rate:	
Communication on tools other than the target federal funds rate:	
Other:	

1b) 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 2021	Year-end 2022	Year-end 2023	Longer run
December SEP median:	**0.125%**	**0.125%**	**0.125%**	**2.500%**
March SEP median:				

1c) What are your expectations for the Chair'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 years below. For the time periods at which you expect a target range, please indicate the midpoint of that range in providing your response.

	2021 FOMC meetings						
	Mar 16-17	Apr 27-28	Jun 15-16	Jul 27-28	Sep 21-22	Nov 2-3	Dec 14-15
Target rate / midpoint of target range:							

	Quarters							
	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
Target rate / midpoint of target range:								

	Years			
	2024	2025	2026	2027
Target rate / midpoint of target range:				

If your responses **through year-end 2023** above do not reflect an increase from the current target range at any point, please provide the earliest quarter in which your modal expectation for the level of the target range is higher than the current level.

Earliest quarter*:	

**Dropdown selections: Q1 2024, Q2 2024, Q3 2024, Q4 2024, Q1 2025, Q2 2025, Q3 2025, Q4 2025, Q1 2026, Q2 2026, Q3 2026, Q4 2026, Q1 2027 or later.*

2b) Provide your estimate for the most likely value for the following indicators at the time of the next increase in the target range for the federal funds rate.

Unemployment rate (%):	
Labor force participation rate (%):	
Total change in the level of real GDP since 2019 Q4 (%):	
Headline 12-month PCE inflation (%):	

2c) 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:	

2d) 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, 2022, and 2023. 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 - 0.75%	0.76 - 1.00%	1.01 - 1.25%	1.26 - 1.50%	1.51 - 1.75%	1.76 - 2.00%	≥ 2.01%	Sum
Year-end 2021:											**0.00%**
Year-end 2022:											**0.00%**
Year-end 2023:											**0.00%**

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

2e) 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):

2f) For parts a-e, 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. For reference, as of March 3 the yield was roughly 1.45 percent.

Quarters				**Half-Years**			
2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 H1	2022 H2	2023 H1	2023 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. For reference, as of March 3 the rate was roughly 3.00 percent.

Quarters				**Half-Years**			
2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 H1	2022 H2	2023 H1	2023 H2

Longer run:

4a) Please provide your modal expectation for the amount of purchases, net of reinvestments, of U.S. Treasury securities, agency mortgage-backed securities (MBS), and agency commercial mortgage-backed securities (CMBS) the Desk will conduct for each month listed below and the total over each of the quarters below. If you expect any of these amounts to be zero in a given period, please enter 0.

Purchases net of reinvestments:	March 2021	April 2021	May 2021	June 2021	July 2021	August 2021	September 2021
U.S. Treasuries ($ billions):							
Agency MBS ($ billions):							
Agency CMBS ($ **millions**):							

Purchases net of reinvestments:	**Total over each quarter** 2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
U.S. Treasuries ($ billions):									
Agency MBS ($ billions):									
Agency CMBS ($ **millions**):									

If your responses above do not reflect a period in which the combined pace of net purchases of Treasury securities and agency mortgage-backed securities (MBS) falls to zero, please provide the earliest quarter in which your modal expectation for the combined pace of net purchases of these securities falls to zero.

In addition, please also provide your modal expectation for the earliest quarter in which the SOMA portfolio declines.

Earliest quarter in which pace falls to zero*:		Earliest quarter in which SOMA portfolio declines**:	

**Dropdown selections: Q1 2024, Q2 2024, Q3 2024, Q4 2024, Q1 2025, Q2 2025, Q3 2025, Q4 2025, Q1 2026, Q2 2026, Q3 2026, Q4 2026, Q1 2027 or later.*

***Dropdown selections: 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, Q1 2026, Q2 2026, Q3 2026, Q4 2026, Q1 2027 or later.*

If applicable, please describe your expectations for any changes to key elements of and/or the communications regarding asset purchases going forward.

4b) The January 2021 FOMC statement noted that "the Federal Reserve will continue to increase its holdings of Treasury securities by at least $80 billion per month and of agency mortgage-backed securities by at least $40 billion per month until substantial further progress has been made toward the Committee's maximum employment and price stability goals."

Please provide your views on the most likely economic and financial conditions prevailing at the time that the Committee judges "substantial further progress" has been made toward its goals. If your views have changed since the last policy survey, please describe the factors behind those changes.

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5) The table below lists the average spreads of selected 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. **Please ensure your signs are correct.**

	Average over past week	2021 FOMC meetings: Mar 16-17	Apr 27-28	Jun 15-16
Top of target range** minus IOER (in bps):	**+15**			
EFFR minus IOER (in bps):	**-3**			
SOFR minus IOER (in bps):	**-8**			
Bottom of target range** minus ON RRP (in bps):	**0**			
3m U.S. Treasury bill yield minus 3m OIS (in bps):	**-5**			

**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.*

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6) Beyond your responses provided in the questions above, please describe your expectations for any additional actions or monetary policy measures, or modifications to those previously announced, by the Federal Reserve through year-end 2021.

7a) As of March 3, the 10-year Treasury yield increased by approximately 40 basis points on net since the January FOMC meeting. Please decompose this change into the following components. Please ensure that your sum matches the approximate observed change over the time period. **Please ensure that your signs are correct.**

	Since January FOMC
Change in market's expected average real policy rate (bps):	
Change in market's expected average inflation rate (bps):	
Change in market-implied term premium (bps):	
Your sum (bps):	**0**
Total change (bps):	**+40**

7b) In addition, please rate the importance of the following factors in explaining changes in the 10-year Treasury yield since the January FOMC meeting. **(5=very important, 1=not important)**

Changes to expectations for fiscal policy:	
Changes to expectations for the course of the pandemic:	
Changes to perceptions of the FOMC's reaction function:	
Changes in uncertainty around interest rates:	
Changes in actual or expected Treasury supply and Treasury liquidity:	
Other (please explain):	

If "Other", please explain:

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8) What percent chance do you attach to any additional U.S. federal fiscal policy measures being signed into law over the first half of 2021 to support the economy? Please provide your estimate of the most likely total amount over this period, conditional on there being such additional measures.

	H1 2021
Probability:	
Estimate (**$ billions**):	

Assuming your most likely scenario for fiscal measures over the first half of 2021, what percent chance do you attach to any additional U.S. federal fiscal policy measures being signed into law over the second half of 2021 to support the economy? Please provide your estimate of the most likely total amount over this period, conditional on there being such additional measures.

	H2 2021
Probability:	
Estimate (**$ billions**):	

Please describe any assumptions underlying your H1 and H2 2021 estimates above.

9a) Please indicate your modal projections for U.S. real GDP growth for each of the following quarters (seasonally adjusted annual rate).

	Q4 2020 (saar)*	Q1 2021 (saar)	Q2 2021 (saar)	Q3 2021 (saar)	Q4 2021 (saar)
Modal projection for U.S. real GDP (percent):	**4.1%**				

**Second estimate released by the Bureau of Economic Analysis*

9b) Please provide the percent chance* you attach to the following outcomes for U.S. real GDP growth in 2021 and 2022 (Q4/Q4).

	< 0%	0.00 - 2.00%	2.01 - 4.00%	4.01 - 6.00%	6.01 - 8.00%	≥ 8.01%	Sum
2021 U.S. real GDP (Q4/Q4):							**0.00%**

	< 0%	0.00 - 1.00%	1.01 - 2.00%	2.01 - 3.00%	3.01 - 4.00%	4.01 - 5.00%	≥ 5.01%	Sum
2022 U.S. real GDP (Q4/Q4):								**0.00%**

**Responses should add up to 100 percent.*

10a) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from March 1, 2021 - February 28, 2026 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
						0.00%

Point estimate for most likely outcome:

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 March 1, 2026 - February 28, 2031 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
						0.00%

Point estimate for most likely outcome:

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) Please explain the factors behind any change to your expectations in part a since the last policy survey.

12a) 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)
2021:				
2022:				
2023:				
Longer run:				

12b) 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**